



Portfolio Media. Inc. | 860 Broadway, 6th Floor | New York, NY 10003 | www.law360.com
Phone: +1 646 783 7100 | Fax: +1 646 783 7161 | customerservice@law360.com

Preparing For The I4i V. Microsoft Ruling

Law360, New York (June 8, 2011) -- In *i4i v. Microsoft*, the U.S. Supreme Court is considering a bedrock principle of modern United States patent law — accused infringers must prove patent invalidity as a defense to patent infringement by clear and convincing evidence.

The clear and convincing standard is believed by some to encourage enforcement of weak patents and drive up the costs of defending claims of patent infringement. Others feel just as strongly that the standard is essential to maintaining a strong patent system, which is critical to an economy increasingly dependent on innovation to maintain its leadership role on the global stage.

A decision from the court is expected this month. There are a range of possible outcomes, from affirmance of the clear and convincing standard at one end, thus maintaining the status quo, to adoption of a preponderance standard with respect to all prior art invalidity defenses at the other. In between, there is a middle-ground approach in which the preponderance standard would apply only to prior art not considered during prosecution of the patent.

And because Chief Justice John G. Roberts did not participate in the case, a fourth possibility is affirmance due to a 4-4 split decision, leaving the issue for another day. The court may also be pondering a different approach proposed by the American Intellectual Property Law Association, shifting to judges the responsibility for the ultimate invalidity determination based on underlying facts determined by the jury.

During oral argument, the eight presiding justices focused on the proper interpretation of the statutory presumption of validity and on the significance of *Radio Corp. of Am. v. Radio Eng'g Labs. Inc.*, 293 U.S. 1 (1934) (RCA), with its broad language seemingly supporting a heightened standard of proof in all cases challenging patent validity. In that case, Justice Benjamin Cardozo noted that someone seeking to invalidate a patent faces a "heavy burden of persuasion."

The court did not focus on Microsoft's principal argument that a preponderance of the evidence is the default standard of proof in civil cases. In addition, several questions were directed toward the current practice of district courts that account for prior art not considered during PTO examination through a jury instruction to the effect that the evidentiary burden is "more easily met" in these circumstances.

Other issues addressed during oral argument included the role of reexamination as a mechanism for allowing expert re-review of patents, whether Congress has acquiesced in the clear and convincing standard through inaction, and the proper construction of the two sentences in Section 282 of the Patent Act that provide the basis for the presumption of validity.

In this regard, the justices grappled with the argument that if the first sentence of Section 282, “A patent shall be presumed valid,” was intended to incorporate a burden of proof, why did Congress also include the last sentence addressing the burden of persuasion, “The burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting such invalidity.”

There was also discussion of Microsoft’s argument that since the prior art at issue was not considered during prosecution, there is no reason to accord deference to the PTO’s determination of patentability through a heightened evidentiary standard for proving invalidity in litigation.

The United States came out in favor of maintaining the current standard, and offered reasons for applying the heightened standard independent of the “deference” rationale, including that the standard is part and parcel of the quid pro quo resulting from an inventor’s disclosure of an invention, and the government’s award of a patent.

Overall, the justices seemed reluctant to alter the standard and unconvinced that Microsoft’s proposal of an across-the-board preponderance standard for proving invalidity is a necessary and appropriate change to current practice. Should the court determine that a change is necessary to address Microsoft’s fundamental point that shielding invalid patents from challenge is a hindrance to innovation, it appears more likely that any such change will be incremental in nature.

The court’s upcoming decision could be an important bellwether of its current attitude toward patents and their proper role in driving innovation. After a string of decisions that arguably eroded the value of patents in recent years, last year the court reversed course and declined to adopt an overly narrow view of patent-eligible subject matter in the *Bilski* case. The *i4i* decision could potentially have wide-ranging impact — a change in the standard could ease the burden on accused infringers to prove invalidity in patent litigation.

As a practical matter, accused infringers typically rely on prior art not considered by the patent office in presenting their invalidity cases, so even the middle-ground approach of reducing the standard for art not considered during prosecution could have the effect of largely leveling the playing field — accused infringers would bear the same evidentiary burden in proving invalidity as the plaintiff bears in proving infringement.

An easing of the presumption of validity could have a more fundamental impact on the value of patents, whether litigated or not, and the companies that depend on them for competitive advantage. Many believe that strong patents are essential to an economy increasingly driven by innovation, and they fear that diluting the presumption of validity will erode the United States’ ability to maintain its leadership role in a global economy.

Indeed, it is widely accepted that the creation of the Court of Appeals for the Federal Circuit, and its unwavering application of the clear and convincing standard, has played a significant role in increasing the value of patents. Prior to the creation of the Federal Circuit in 1982, certain regional circuit courts routinely held patents invalid. In sum, regardless of how the Supreme Court rules, its impact will likely be determined over the coming years through application by the Federal Circuit.

--By Steven J. Rizzi, Foley & Lardner LLP

Steve Rizzi is a partner in Foley's New York office in the intellectual property litigation practice, and is chairman of the firm's China practice.

The opinions expressed are those of the author and do not necessarily reflect the views of the firm, its clients, or Portfolio Media, publisher of Law360. This article is for general information purposes and is not intended to be and should not be taken as legal advice.

All Content © 2003-2011, Portfolio Media, Inc.