

Microsoft Corp. v. i4i L.P. et al.
U.S. Supreme Court (No. 10-290)

What Will Be the Evidentiary
Standard(s) for Proving Patent
Invalidity in Future Court Cases?

March 2011

Question Presented

Broadly Stated – What quantum of evidence is required to carry the 35 U.S.C. § 282 burden of proving in a court action that a presumptively valid patent is invalid?

Question as Certified – Whether the Federal Circuit erred in holding that Microsoft’s “on sale bar” defense of invalidity of i4i’s patent-in-suit had to be proved by clear and convincing evidence?

Definitions, Sources, and Applicability

- Presumption of Patent Validity
- Burden of Proving Invalidity
- Evidentiary Standards

Source of the Presumption and the Burden in Court Cases

35 U.S.C. § 282 Presumption of validity; defenses (1952)

A patent shall be presumed valid. Each claim of a patent (whether in independent, dependent, or multiple dependent form) shall be presumed valid independently of the validity of other claims; dependent or multiple dependent claims shall be presumed valid even though dependent upon an invalid claim. Notwithstanding the preceding sentence, if a claim to a composition of matter is held invalid and that claim was the basis of a determination of nonobviousness under section 103(b)(1), the process shall no longer be considered nonobvious solely on the basis of section 103(b)(1). **The burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting such invalidity.**

The following shall be defenses in any action involving the validity . . . of a patent and shall be pleaded:

* * *

- (2) Invalidity of the patent or any claim in suit on any ground specified in part II of this title as a condition for patentability,
- (3) Invalidity of the patent or any claim in suit for failure to comply with any requirement of sections 112 or 251 of this title

* * *

Definitions and Applicability of the “Preponderance of the Evidence” Standard (POTES) vs. the “Clear and Convincing Evidence” Standard (CACES)

- **POTES** – “[Evidence] that, though not sufficient to free the mind wholly from all reasonable doubt, is still sufficient to incline a fair and impartial mind to one side of the issue rather than the other. This is the [standard] in most civil trials, in which the jury is instructed to find for the party that, on the whole, has the stronger evidence, however slight the edge might be.” *Black’s Law Dictionary*, p. 1301, 9th ed. (2009).
- **CACES** – “Evidence indicating that the thing to be proved is highly probable or reasonably certain.” *Id.* at 636.
- **Currently, courts apply the CACES in all patent cases**
- **The PTO normally applies the POTES in admin. proceedings**

Sources of the CACES in Patent Court-Cases

Patent Act of 1790 – Examination of Applications

Patent Act of 1793 –Examination Abolished (Mere Registration)

Patent Act of 1836 – Examination of Applications Reinstited

The Barbed Wire Patent, 143 U.S. 275 (1892)

- A heightened evidentiary standard is necessary for assessing uncorroborated oral testimony in support of invalidating prior use. *Id.* at 284.

RCA v. Radio Eng'g Labs, 293 U.S. 1 (1934)

- Stated in dictum that “one . . . who assails the validity of a patent fair upon its face bears a heavy burden of persuasion, and fails unless his evidence has more than a dubious preponderance.” *Id.* at 8.

Sources of the C&C Evidence Standard for Patent Invalidity in Court Cases (Cont'd)

***American Hoist & Derrick Co. v. Sowa & Sons, Inc.*,
725 F.2d 1350, 1359 (Fed. Cir. 1984)**

- “When no prior art other than that which was **considered by the PTO examiner** is relied on by the attacker, he has the added burden of overcoming the deference that is due to a qualified government agency presumed to have properly done its job”
- “What the production of new prior art or other invalidating evidence not before the PTO does is to **eliminate, or at least reduce, the element of deference due the PTO**, thereby partially, if not wholly, discharging the attacker’s burden, but neither shifting nor lightening it **or changing the standard of proof.**”

Patent Jury Instructions

U.S. Dist. Ct. for the N. Dist. of California –

- **POTES** – In deciding whether the patentee has proven **infringement** of any asserted claim in the patent, the patentee must persuade you that the alleged infringer has **more likely than not** infringed that claim.
- **CACES** – In deciding whether the alleged infringer has proven that a claim of the patent is **invalid**, the alleged infringer must persuade you that it is **highly probable** that the claim is invalid.

AIPLA's model patent jury instructions – no definitions

E.D. Texas jury instructions in Microsoft v. i4i – no definitions

Has the CACES for Proving Patent Invalidity in Court Cases Been Placed in Doubt?

- ***KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398 (2007)**

The Supreme Court stated as dictum, in a footnote, that because KSR's defense of patent invalidity depended on evidence not considered by the PTO during the application proceedings resulting in the Teleflex patent "the rationale underlying the presumption – that the PTO, in its expertise, has approved the claim – seems much diminished here." *Id.* at 426.

- **Are We in an Era of Supreme Court Activism in Patent Cases?**

- Did the Fed. Cir. "leave the reservation" or has it adhered to fundamental patent law principles?
- Are recent Spm. Ct. cases a reaction to the Fed. Cir.'s recent pattern of bright-line jurisprudence?

MILESTONE DATES IN MICROSOFT v. i4i

Chronology in the PTO

- **June 2, 1994** – U.S. Pat. Appl'n 253,263 filed by Vulpe and Owens
- **July 28, 1998** – U.S.P. 5,787,449 granted to Infrastructures for Information Inc
 - 20 claims directed to (i) a computer system (claims 1-13), (ii) a method for producing a first map of metacodes (claims 14-19), and (iii) a method for producing a document (claim 20)
 - i4i was the exclusive licensee
- **November 21, 2008** – Microsoft files request for ex parte reexamination
 - Prior use or sale was not considered by the PTO
- **July 27, 2010** – Certificate of reexamination issued to i4i
 - Claims 1-13 were not reexamined
 - Patentability of claims 14-20 was confirmed
 - No amendments were made to the patent
- **August 31, 2010** – Microsoft files second request for reexamination

Chronology in the Trial Court

- **March 8, 2007** – i4i sues Microsoft in E.D. Tex. for infringing claims 14, 18, and 20 covering the use of 2003 & 2007 versions of “Word”
 - Microsoft asserted “on-sale” bar under 35 U.S.C. § 102(b)
 - Offered evidence that patent claims covered i4i’s “S4” product
 - i4i urged that Microsoft must prove invalidity by C&C evidence
 - Offered countervailing evidence
- **[November 21, 2008 – 1st request for reex filed in the PTO]**
 - Reex request granted prior to trial
- **August 11, 2009** – final judgment entered on jury verdict. 670 F.Supp. 2d 568 (Judge Leonard Davis)
 - In balance, evidence that patent was invalid was not C&C
 - Injunction & \$290 million in damages including interest

Chronology in the Federal Circuit

- **August 18, 2009** –Microsoft’s motion to stay injunction granted; expedited appeal ordered
 - **December 22, 2009** – Judgment affirmed. Held: Microsoft was required to prove its defense of invalidity under § 102(b) by “clear and convincing evidence” notwithstanding that the alleged prior sale was not considered by the PTO. *i4i L.C. v. Microsoft Corp.*, 589 Fed. 3d 1246 (Fed. Cir. 2009) (Judge Prost).
 - **March 10, 2010** – 12/22/09 decision withdrawn and revised. 598 F.3d 831 (2010).
 - **April 1, 2010** – Petition for rehearing / rehearing en banc denied
- [July 27, 2010** – Certificate of 1st reex issued by the PTO]

Chronology in the U.S. Supreme Court

- **August 27, 2010** – Microsoft files petition for certiorari
 - 11 amici briefs were filed in support of Microsoft

[August 31, 2010 – Microsoft files 2nd request for reex]

- **October 29, 2010** – i4i files opposition to certiorari
 - No amicus brief was filed in support of i4i
- **November 29, 2010** – Certiorari granted
- **January 13, 2011** – 261 organizations write letter to DOJ urging amicus support for i4i

Chronology in the U.S. Supreme Court (Cont'd)

- **Briefing Schedule:**

- Microsoft's merits brief was filed Jan. 26
- 25 amici briefs supporting Microsoft or neither party filed Feb. 2
- i4i brief is due March 11
- Amici briefs in support of i4i are due March 18

SCENARIOS AND EFFECTS ON THE PATENT LANDSCAPE

What Might the Supreme Court Do?

- **Affirm the judgment and preserve the CACES as to all invalidity issues**
 - PTO's decision to grant the patent-in-suit did not require any factual determination predicate to the issues in the litigation
- **Vacate and remand; enunciate a POTES as to all invalidity issues**
 - No deference to PTO's administrative determination resulting in patent issuance
- **Vacate and remand; enunciate an abstract, dual evidentiary invalidity standard**
 - (1) POTES on matters that were not before the PTO, and
 - (2) CACES on matters that were considered by and expressly deliberated upon in a reasoned determination by the PTO
- **Same as (1); leave (2) for another day**
- **Dismiss the appeal**
 - Ongoing proceedings involving Microsoft and i4i
 - Defer to a legislative solution
- **A 4x4 Split will result in a non-precedential affirmance**
 - Justice Roberts will recuse himself for reasons unknown

How Would a Lower Standard of Invalidity (POTES) in Court Cases Affect PTO Practice?

- **The PTO will continue to decide patentability/validity by POTES**
 - Claims interpreted broadly, consistent with the specification
- **Applicants will seek to optimize the prior art record in the PTO to minimize the risk of patent invalidation in court cases under a POTES for assessing prior art that was “not before the PTO”**
 - Prior art searches / IDS’s
 - Examiner interviews
 - Examiner’s reasons for allowance
 - Protraction and increased cost of administrative proceedings

Effect of a Lower Evidentiary Standard (POTES) on Patent Litigation

- **Pending the Supreme Court's decision**
 - District Court / Federal Circuit
- **What does it mean to say that prior art was “before the PTO”?**
 - References cited to but not considered by the examiner
 - References actually considered in a reasoned determination by the examiner
 - How can one be sure that a cited reference was considered?
 - Must a reference be expressly relied upon to reject claims, and the rejection subsequently overcome, either by persuading the examiner to withdraw the rejection or upon subsequent reversal?
 - How can one know whether or not an uncited reference was considered?
 - Noncumulative vs. Cumulative prior art
 - Combinations of references
 - All of them considered by the examiner
 - None of them considered by the examiner
 - One or more but not all of them considered by the examiner
 - Relevant portion(s) of a given reference were not considered by the examiner

Effect of a Lower Evidentiary Standard (POTES) on Patent Litigation (Cont'd)

- **Who decides whether prior art was considered by the PTO?**
 - Judge or jury?
 - Depose the examiner under Fed.R.Civ.P. 45?
 - Pretrial motions?
- **How would a POTES affect outcomes?**
 - Motions for summary judgment
 - Jury instructions / deliberations / verdicts

Effect of a Lower Evidentiary Standard (POTES) on the Business Community

- **Does the proportionality of negative consequences to patent owners relative to challengers justify the CACES?**
- **R&D expenditures / investment in start-ups / job creation**
- **Patent portfolio valuations**
 - Licensing negotiations/royalties
 - Stock prices
- **Non-practicing entities (NPE's)**
- **Legislative action and initiatives**
 - Congressional hearings, fact-findings, and reports
 - Lobbying

Possible Amendment of 35 U.S.C. § 282

- CACES is a legislative term of art.
- For example:

35 U.S.C. § 273 Defense to infringement based on earlier inventor

* * *

(b) Defense to infringement

* * *

(4) *Burden of proof.* – A person asserting the defense under this section shall have the burden of establishing the defense by clear and convincing evidence.

THANK YOU

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