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Intellectual Property—Patents: The United States Supreme Court Affirms the Standard of Proof for Patent Invalidity

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INTELLECTUAL PROPERTY—PATENTS:
THE UNITED STATES SUPREME COURT AFFIRMS
THE STANDARD OF PROOF FOR PATENT INVALIDITY
Microsoft Corp. v. i4i Ltd. P’ship, 131 S. CT. 2238 (2011)

ABSTRACT

In *Microsoft Corp. v. i4i Ltd. Partnership*, the United States Supreme Court affirmed the standard of proof for patent invalidity under 35 U.S.C. § 282, holding the presumption of patent validity must be overcome by clear and convincing evidence. The Court recognized, while patent validity is ultimately a question of law, claims of invalidity rest on factual questions. The Court interpreted the statutory language of “presumed valid” with its common-law meaning, which specifies a heightened standard of proof for an accused infringer raising an invalidity defense and requires proof of the defense by clear and convincing evidence.

Although the Court held the presumption of validity in § 282 requires proof of invalidity by clear and convincing evidence, the Court recognized a defendant’s burden of persuasion may be easier to sustain where new evidence was not disclosed to the United States Patent and Trademark Office (PTO) during the examination. The Court indicated a jury may be instructed on the effect of materially new evidence to consider whether an invalidity defense has been proved by clear and convincing evidence. *i4i* endorsed the law as interpreted and applied by the Federal Circuit to affirm the heightened standard of proof for patent invalidity. Nevertheless, the Court indicated jury instructions may assist a defendant claiming invalidity to sustain the burden of persuasion.

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I. FACTS

i4i developed and patented a method for editing computer documents containing markup codes by storing the document’s content separately from its markup codes.¹ i4i’s method permits the editing of the markup codes in a document without the need to access the document’s content.² In 2007, i4i sued Microsoft in the United States District Court for the Eastern District of Texas, alleging Microsoft willfully infringed i4i’s patent through

1. Microsoft Corp. v. i4i Ltd. P’ship, 131 S. Ct. 2238, 2243 (2011); *see also* Brief for Petitioner at 3-4, *i4i*, 131 S. Ct. 2238 (No. 10-290) (explaining the method for editing computer documents). “[A] markup language is a way of indicating how text should be displayed . . . on a computer screen. For instance, <Para> is a computer markup code that indicates the start of a paragraph, and </Para> indicates the end of a paragraph.” Brief for Petitioner, *supra* note 1, at 3.

2. Brief for Petitioner, *supra* note 1, at 4.

the manufacture and sale of certain Microsoft Word products.³ Microsoft denied infringement and counterclaimed by raising the affirmative defense of patent invalidity.⁴ Microsoft attempted to prove the sale, by i4i, of a software program known as S4 more than a year before filing the patent application violated the on-sale bar of 35 U.S.C. § 102(b), thus rendering the patent invalid.⁵

While the parties agreed i4i had sold S4 in the United States more than a year before the patent application was filed, the parties disputed whether S4 practiced the claims of the patent.⁶ Since S4 was never disclosed to the United States Patent and Trademark Office (PTO) during the examination of i4i's patent, Microsoft requested jury instructions providing Microsoft's burden of proof with regard to its defense of invalidity based on prior art evidence not reviewed by the PTO is by preponderance of the evidence.⁷ The district court provided jury instructions that did not contain Microsoft's requested exception or that Microsoft had the burden of proving invalidity by clear and convincing evidence.⁸

The jury found Microsoft willfully infringed i4i's patent and Microsoft failed to prove its invalidity defense under the heightened standard.⁹ The jury awarded i4i \$200,000,000 in damages.¹⁰ The district court denied Microsoft's post-trial motions, including a motion for new trial on the basis of improper instruction regarding the evidentiary standard and a motion for post-verdict judgment as a matter of law on invalidity or, alternatively, a motion for a new trial based on the sale of S4 violating the on-sale bar.¹¹ The district court granted i4i's motion for a permanent injunction against Microsoft.¹² The district court awarded an additional \$40,000,000 in

3. *i4i Ltd. P'ship v. Microsoft Corp.*, 670 F. Supp. 2d 568, 572-73 (E.D. Tex. 2009). i4i alleged, when a file containing custom XML was opened with Word, Word would separate the custom XML markup codes from the content and would store the markup codes in the manner claimed by the 449 Patent. Brief for Petitioner, *supra* note 1, at 4.

4. *i4i*, 670 F. Supp. 2d at 573.

5. *Id.* at 584. The on-sale bar prevents patent entitlement if "the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States." 35 U.S.C. § 102(b) (2007).

6. *i4i*, 670 F. Supp. 2d at 584.

7. *Microsoft Corp. v. i4i Ltd. P'ship*, 131 S. Ct. 2238, 2244 (2011). A party with the burden of proof may satisfy the clear and convincing standard of proof if that party can "place in the ultimate factfinder an abiding conviction that the truth of its factual contentions are 'highly probable,'" rather than merely more probable than not. *Colorado v. New Mexico*, 467 U.S. 310, 316 (1984).

8. *i4i*, 131 S. Ct. at 2244.

9. *Id.*

10. *i4i*, 670 F. Supp. 2d at 573.

11. *Id.* at 582-83.

12. *Id.* at 598, 602.

enhanced damages due to Microsoft's litigation misconduct and added \$37,097,032 and \$165,162 per day for the period of time between the jury's verdict and the final judgment in prejudgment interest and post-verdict damages.¹³

Microsoft appealed the decision of the district court to the United States Court of Appeals for the Federal Circuit.¹⁴ On appeal, Microsoft raised numerous issues, including whether the standard of proof provided in the jury instructions should have been lowered based on prior art which was not before the PTO, whether there was sufficient evidence for a jury to find the patent was not invalidated by the sale of S4, and whether corroboration was required to deny Microsoft's motions based on the on-sale bar.¹⁵ The Federal Circuit Court of Appeals affirmed, confirming its settled interpretation of § 282, which provides the standard of proving invalidity is by "clear and convincing evidence."¹⁶ Because the burden was still on Microsoft to show by clear and convincing evidence S4 practiced the method claimed in i4i's patent, the court of appeals held the jury's findings of patent validity were supported by sufficient evidence.¹⁷ The court of appeals recognized corroboration is required of "any witness whose testimony alone is asserted to invalidate a patent,"¹⁸ but held corroboration is not required "for inventor testimony asserted to defend against a finding of invalidity by pointing to deficiencies in the prior art."¹⁹

Microsoft filed a petition for writ of certiorari, which the United States Supreme Court granted.²⁰ The Supreme Court, in turn, affirmed the Federal Circuit's decision, holding the statutory presumption of validity in 35 U.S.C. § 282 requires a defendant raising an invalidity defense to prove invalidity by clear and convincing evidence.²¹ Further, the Supreme Court held the standard of proof remains unaltered even where evidence before the factfinder was never disclosed to the PTO during the examination.²² Nonetheless, the Supreme Court suggested several jury instructions that an accused infringer may request to satisfy the burden of persuasion.²³

13. *Id.* at 596-98.

14. *i4i Ltd. P'ship v. Microsoft Corp.*, 598 F.3d 831, 839 (Fed. Cir. 2010).

15. *Id.* at 847-48.

16. *Id.* at 848.

17. *Id.*

18. *Id.* at 847 (emphasis omitted) (quoting *Finnigan Corp. v. Int'l Trade Comm'n*, 180 F.3d 1354, 1369-70 (Fed. Cir. 1999)).

19. *Id.*

20. *Microsoft Corp. v. i4i Ltd. P'ship*, 131 S. Ct. 2238, 2238 (2011).

21. *Id.* at 2244-53.

22. *Id.* at 2249-51.

23. *Id.* at 2251.

II. LEGAL BACKGROUND

The Patent Act of 1952 is silent on the standard of proof applicable to an invalidity defense.²⁴ The Supreme Court had, however, established a common-law standard of proof even before the 1952 amendments to the Patent Act.²⁵ The standard articulated by the Court in 1934 required proof “by clear and cogent evidence.”²⁶ Even though the standard of proof is invariable, the presumption of validity may be weakened by new material evidence never considered by the PTO during the examination process.²⁷

A. CONSTITUTIONAL AND STATUTORY LANGUAGE

The Patent Clause states, “Congress shall have [p]ower . . . [t]o promote the [p]rogress of [s]cience and useful [a]rts, by securing for limited [t]imes to [a]uthors and [i]nventors the exclusive [r]ight to their [r]espective [w]ritings and [d]iscoveries.”²⁸ In 1790, Congress enacted the first Patent Act, which laid the foundations of the modern American patent system.²⁹ In the current language of the Patent Act, Congress has vested in the PTO the authority to examine patent applications and to issue patents.³⁰ To be patentable, a claimed invention must be of patentable subject matter, useful, novel, and non-obvious.³¹

A patent grants a patentee an exclusive right to the invention for a limited period of time.³² The patentee has the ability to enforce exclusionary rights by bringing an action for infringement against another person who makes, uses, sells, or offers to sell the patented invention without the authorization of the patentee.³³ However, an alleged infringer may assert the invalidity of the patent as a defense.³⁴ Section 282 of the Patent Act provides, in relevant part, that “[a] patent shall be presumed valid The burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting such invalidity.”³⁵ The section was enacted as part of

24. *See id.* at 2246.

25. *Id.* at 2249-50.

26. *Radio Corp. of Am. v. Radio Eng'g Labs.*, 293 U.S. 1, 2 (1934).

27. *i4i*, 131 S. Ct. at 2250-51.

28. U.S. CONST. art. I, § 8, cl. 8.

29. 1790 Patent Act, ch. 7, §§ 1-7, 1 Stat. 109, 109-12 (1790) (current version at 35 U.S.C. §§ 2(a)(1), 131 (2007)).

30. 35 U.S.C. §§ 2(a)(1), 131.

31. *Id.* §§ 101-03.

32. *Microsoft Corp. v. i4i Ltd. P'ship*, 131 S. Ct. 2238, 2242 (2011).

33. 35 U.S.C. § 271(a); *see also id.* § 281.

34. *Id.* § 282(2).

35. *Id.* § 282.

the Patent Act of 1952.³⁶ Section 282 establishes, by its express terms, a presumption of patent validity.³⁷

A defendant claiming invalidity must prove the patent did not satisfy one of the conditions for patentability.³⁸ The on-sale bar precludes patent protection for any “invention . . . on sale in this country, more than one year prior to the date of the application for patent.”³⁹ The evaluation of these statutory conditions as a matter of law requires the PTO to make factual determinations during the examination of a patent application.⁴⁰ The factual questions relevant to determine patentability during the examination are the same questions presented to the factfinder in establishing proof of invalidity in an infringement action.⁴¹

The statute is silent, however, on the applicable standard of proof.⁴² Under the Federal Circuit’s long-standing interpretation of the patent invalidity defense, a defendant claiming invalidity must overcome the presumption of validity by clear and convincing evidence.⁴³

B. COMMON LAW PRECEDENT

Even before the 1952 amendments to the Patent Act, in which Congress codified the presumption of validity, the United States Supreme Court established a common law presumption of validity and an adjoining heightened standard of proof.⁴⁴ In *Radio Corp. of America v. Radio Engineering Laboratories (RCA)*,⁴⁵ the United States Supreme Court first articulated a standard relative to the burden of persuasion.⁴⁶ The Supreme Court held the presumption gave “force” to the validity of the patent, and an alleged infringer attacking the validity of a patent “fair upon its face” bore a heavy burden of persuasion, which required “more than a dubious preponderance.”⁴⁷ The Supreme Court defined the standard of persuasion as requiring proof “by clear and cogent evidence.”⁴⁸ The Supreme Court further held “[a] patent regularly issued, and even more obviously a patent

36. B.D. Daniel, *Heightened Standards of Proof in Patent Infringement Litigation: A Critique*, 36 AIPLA Q.J. 369, 378 (2008).

37. 35 U.S.C. § 282.

38. *See id.* § 282(2)-(3).

39. *Id.* § 102(b); *see, e.g.*, Pfaff v. Wells Elecs., Inc., 525 U.S. 55, 67-68 (1998).

40. *Microsoft Corp. v. i4i Ltd. P’ship*, 131 S. Ct. 2238, 2242-43 (2011).

41. *Id.* at 2243.

42. *Id.* at 2245.

43. *Id.* at 2243.

44. *Id.* at 2249-50.

45. 293 U.S. 1 (1934).

46. *RCA*, 293 U.S. at 2.

47. *Id.* at 7-8.

48. *Id.* at 2.

issued after a hearing of all the rival claimants, is presumed to be valid until the presumption has been overcome by convincing evidence of error.”⁴⁹

The Federal Circuit utilizes the “clear and convincing” evidence standard in invalidity defenses, in unenforceability defenses based on inequitable conduct and willful infringement, and in support of an award of attorneys’ fees in infringement cases.⁵⁰ Since shortly after its creation, the Federal Circuit applied the heightened standard of proof to invalidity challenges.⁵¹ In *American Hoist & Derrick Co. v. Sowa & Sons, Inc. (AmHoist)*,⁵² Judge Rich, a principal drafter of the 1952 Patent Act, relied on the United States Supreme Court’s decision in *RCA* to conclude the burden of proving invalidity is by clear evidence.⁵³

C. LACK OF VARIABILITY IN THE STANDARD OF PROOF UNDER THE COMMON LAW RULE

None of the United States Supreme Court cases dating before 1952 indicated, even in dicta, any express limitation to the application of the heightened standard of proof codified in § 282.⁵⁴ In *RCA*, the heightened standard of proof applied even where evidence before the factfinder was “different” from the evidence considered by the PTO.⁵⁵ In *AmHoist*, the United States Supreme Court indicated the burden is “constant and never changes,” but new material evidence as to the validity of a patent may instead “carry more weight” in proving invalidity than evidence previously considered by the PTO.⁵⁶ Concomitantly, the presumption of validity may be “weakened” or “dissipated” where evidence was never considered by the PTO during the examination process.⁵⁷ In *KSR International Co. v. Teleflex*

49. *Id.* at 7.

50. Daniel, *supra* note 36, at 372-73.

51. *See, e.g.*, Connell v. Sears, Roebuck & Co., 722 F.2d 1542, 1549 (Fed. Cir. 1983).

52. 725 F.2d 1350 (Fed. Cir. 1984).

53. *AmHoist*, 725 F.2d at 1360.

54. *Microsoft Corp. v. i4i Ltd. P’ship*, 131 S. Ct. 2238, 2250 (2011); *see Mumm v. Jacob E. Decker & Sons*, 301 U.S. 168, 171 (1937) (“Not only is the burden to make good this defense upon the party setting it up, but his burden is a heavy one, as it has been held that every reasonable doubt should be resolved against him.” (internal quotation marks omitted)); *Smith v. Hall*, 301 U.S. 216, 233 (1937) (“[T]he heavy burden of persuasion . . . rests upon one who seeks to negative novelty in a patent by showing prior use.”); *Coffin v. Ogden*, 85 U.S. 120, 124 (1873).

55. *Radio Corp. of Am. v. Radio Eng’g Labs.*, 293 U.S. 1, 8 (1934).

56. *AmHoist*, 725 F.2d at 1360; *see also SIBIA Neurosciences, Inc. v. Cadus Pharm. Corp.*, 225 F.3d 1349, 1355-56 (Fed. Cir. 2000) (“While the presentation at trial of a reference that was not before the examiner does not change the presumption of validity, the alleged infringer’s burden may be more easily carried because of this additional reference.”).

57. *i4i*, 131 S. Ct. at 2250; *see Jacuzzi Bros., Inc. v. Berkeley Pump Co.*, 191 F.2d 632, 634 (9th Cir. 1951) (“largely dissipated”); *Gillette Safety Razor Co. v. Cliff Weil Cigar Co.*, 107 F.2d 105, 107 (4th Cir. 1939) (“greatly weakened”); *H. Schindler & Co. v. C. Saladino & Sons*, 81 F.2d 649, 651 (1st Cir. 1936) (“weakened”).

(*KSR*),⁵⁸ the United States Supreme Court indicated the deference provided the PTO is diminished where material prior evidence was not before the PTO.⁵⁹

III. ANALYSIS

Justice Sotomayor delivered the opinion of the Court.⁶⁰ The majority affirmed the Federal Circuit's decision, holding the statutory presumption of validity in 35 U.S.C. § 282 requires a defendant raising an invalidity defense to prove invalidity by clear and convincing evidence.⁶¹ Justice Breyer filed a concurring opinion, which was joined by Justices Scalia and Alito.⁶² Justice Thomas filed an opinion concurring in the judgment.⁶³ Chief Justice Roberts took no part in the decision.⁶⁴

A. THE MAJORITY OPINION

In *Microsoft Corp. v. i4i Ltd. Partnership*,⁶⁵ the United States Supreme Court analyzed (1) the standard of proof applicable to an alleged infringer claiming patent invalidity under § 282;⁶⁶ (2) the effect of new material evidence before the factfinder but not before the PTO during the examination on the standard of proof;⁶⁷ and (3) policy arguments relating to the heightened standard of proof allegedly unduly insulating "bad" patents from invalidity challenges.⁶⁸ The Court relied on *RCA, AmHoist*, and other cases⁶⁹ to conclude an alleged infringer's burden of persuasion in an invalidity defense must be by clear and convincing evidence.⁷⁰ The clear and convincing standard was reaffirmed by the Supreme Court as the only standard of proof applicable to an invalidity defense, regardless of whether the evidence before the factfinder was before the PTO during the examination process.⁷¹ Consistent with requiring a heightened standard of proof, the presumption of validity may be weakened, and the burden of proving

58. 550 U.S. 398 (2007).

59. *KSR*, 550 U.S. at 426.

60. *i4i*, 131 S. Ct. at 2242.

61. *Id.* at 2252-53.

62. *Id.* at 2253.

63. *Id.*

64. *Id.*

65. 131 S. Ct. 2238 (2011).

66. *i4i*, 131 S. Ct. at 2243.

67. *Id.* at 2249-50.

68. *Id.* at 2251-52.

69. *E.g.*, *Mumm v. Jacob E. Decker & Sons*, 301 U.S. 168, 171 (1937); *Smith v. Hall*, 301 U.S. 216, 233 (1937); *Coffin v. Ogden*, 85 U.S. 120, 124 (1873).

70. *i4i*, 131 S. Ct. at 2242.

71. *Id.* at 2250.

invalidity may be easier to sustain in circumstances indicating the PTO never considered the evidence.⁷² The Supreme Court suggested several jury instructions that an accused infringer may request to satisfy the burden of persuasion.⁷³

1. *The Evidence Standard for Patent Invalidity*

The Supreme Court first considered Microsoft's argument that § 282 does not impose a heightened standard of proof for patent invalidity and the appropriate standard is by a preponderance of the evidence.⁷⁴ For Microsoft, § 282 did not codify a heightened standard of proof in the enactment of a presumption of validity.⁷⁵ Microsoft based its assumption on the rationale that the presumption of validity, by itself, does not allocate the burden of proof or impose a specific standard of proof.⁷⁶ Congress explicitly allocated the burden of proof in the statute but declined to include a particular standard of proof.⁷⁷ In Microsoft's view, if Congress had intended to codify a heightened standard of proof, it would have done so explicitly.⁷⁸

The Supreme Court conceded the statute explicitly specified the party bearing the burden of proof but did not enunciate the applicable evidentiary standard of proof.⁷⁹ However, the Supreme Court rejected Microsoft's arguments and refused to treat the presumption as a procedural device that would only shift the burden of production or shift both the burden of production and the burden of persuasion.⁸⁰ Instead, the Supreme Court held the presumption allocates the burden of proof and specifies the burden of persuasion.⁸¹

The Supreme Court established "presumed valid" as a common law term with a common law meaning.⁸² The Supreme Court relied on principles of statutory construction to hold Congress intended to adopt the

72. *Id.*

73. *Id.* at 2251.

74. *Id.* at 2244.

75. Brief for Petitioner, *supra* note 1, at 18-19.

76. *Id.*

77. *Id.* at 19.

78. *Id.*

79. *Id.*, 131 S. Ct. at 2245. "Standard of proof" refers to "the degree of certainty by which the factfinder must be persuaded of a factual conclusion to find in favor of the party bearing the burden of persuasion," whereas "burden of persuasion" and "burden of proof" are used interchangeably to identify the party who must persuade the jury in its favor to prevail. *Id.* at 2245 n.4.

80. *Id.* at 2247.

81. *Id.* at 2246.

82. *Id.*; see also *Safeco Ins. Co. of Am. v. Burr*, 551 U.S. 47, 58 (2007) ("[A] common law term in a statute comes with a common-law meaning, absent anything pointing another way.").

settled meaning under the common law because the statute did not indicate any other evidentiary standard.⁸³ The common law presumption was subsumed in the Supreme Court's decision in *RCA*, and according to the settled meaning of the common law presumption, an alleged infringer raising an invalidity defense had a heightened burden of proof requiring an invalidity defense to be proven by clear and convincing evidence.⁸⁴

The Supreme Court declined Microsoft's contention that Congress intended to depart from the settled meaning simply because Congress did not specify the heightened standard of proof in the statute.⁸⁵ On the contrary, the Supreme Court held Congress intended to incorporate the settled meaning under the common law by omitting to specify a different evidentiary standard.⁸⁶ The Court reasoned Congress' choice of a standard of proof controls "absent 'countervailing constitutional constraints.'"⁸⁷

In the alternative, Microsoft argued the heightened standard of proof only applied to cases involving oral testimony of prior invention⁸⁸ and cases based on priority of invention where the priority issue had previously been litigated in an inter partes⁸⁹ proceeding before the PTO,⁹⁰ but not invariably in all cases involving an invalidity defense.⁹¹ The Supreme Court dismissed Microsoft's argument by stating case law did not indicate any explicit or inherent limitation on the application of the heightened standard of proof.⁹² Microsoft also argued the heightened standard attributed to the presumption of validity renders superfluous the statutory language allocating the burden of proof to the party asserting invalidity because the height-

83. *Id.*, 131 S. Ct. at 2246-47; see *NLRB v. Amax Coal Co.*, 453 U.S. 322, 329 (1981) ("Where Congress uses terms that have accumulated settled meaning under . . . the common law, a court must infer, unless the statute otherwise dictates, that Congress means to incorporate the established meaning of these terms.").

84. *Id.*, 131 S. Ct. at 2245-46; *Radio Corp. of Am. v. Radio Eng'g Labs.*, 293 U.S. 1, 8 (1934).

85. *Id.*, 131 S. Ct. at 2246.

86. *Id.*

87. *Id.* at 2244 (quoting *Steadman v. SEC*, 450 U.S. 91, 95 (1981)).

88. See, e.g., *T.H. Symington Co. v. Nat'l Malleable Castings Co.*, 250 U.S. 383, 386 (1919); *Washburn & Moen Mfg. Co. v. Beat 'Em All Barbed-Wire Co.*, 143 U.S. 275, 284 (1892) ("The Barbed Wire Patent").

89. "Inter partes reexamination is a [PTO] administrative proceeding to challenge the validity of patents that have already issued." MATTHEW A. SMITH, INTER PARTES REEXAMINATION § 1:2 (2011). Only a third-party may file an inter partes request. See 35 U.S.C. § 311(a) (2007). The third-party requester is estopped in any further civil action from asserting invalidity of any claim where the issues could have been raised during the inter partes reexamination proceedings. See *id.* § 311(c).

90. See, e.g., *Radio Corp. of Am. v. Radio Eng'g Labs.*, 293 U.S. 1 (1934); *Morgan v. Daniels*, 153 U.S. 120 (1894).

91. *Id.*, 131 S. Ct. at 2247.

92. *Id.* at 2247-48.

ened standard would have identified the party required to overcome the presumption.⁹³ For Microsoft, the most consistent interpretation of § 282 is to construe the presumption of validity as allocating the burden of production, or both the burden of production and the burden of persuasion.⁹⁴

While the Court recognized effect must be given “to every clause and word of a statute,” the Court concluded there existed no interpretation that avoided excess language.⁹⁵ The Supreme Court reasoned, if the presumption was simply a shifting mechanism to allocate the burden of production, the statutory language stating “[t]he burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting such invalidity” would be superfluous.⁹⁶ The Court reconciled the apparent tension between the superfluous language of the statute and the canon against superfluity by conceding excess language is “hardly unusual” in statutes involving a presumption, a burden of persuasion, and a standard of proof.⁹⁷

2. *The Effect of Evidence Never Considered by the PTO*

Microsoft argued in the alternative, claiming even if the presumption of validity was interpreted as imposing a heightened standard of proof, a preponderance standard of proof is appropriate where prior art before the factfinder was not considered by the PTO during the examination.⁹⁸ Microsoft presented numerous cases where the presumption of validity was “diminished,”⁹⁹ “absent,”¹⁰⁰ or “weakened”¹⁰¹ in such circumstances.¹⁰² Despite accepting the veracity of Microsoft’s proposition, the Supreme

93. Brief for Petitioner, *supra* note 1, at 9.

94. *Id.* at 21-22.

95. *i4i*, 131 S. Ct. at 2248 (internal quotation marks omitted) (quoting *United States v. Menasche*, 348 U.S. 528, 538-39 (1955)).

96. *Id.*; see 21B CHARLES ALAN WRIGHT ET AL., FEDERAL PRACTICE AND PROCEDURE § 5122, at 401 (2d ed. 2005) (“[T]he same party who has the burden of persuasion also starts out with the burden of producing evidence.”).

97. *i4i*, 131 S. Ct. at 2249; see, e.g., 28 U.S.C. § 2254(e)(1) (2006).

98. *i4i*, 131 S. Ct. at 2249.

99. See *KSR v. Int’l Co. v. Teleflex*, 550 U.S. 398, 426 (2007) (“[T]he rationale underlying the presumption—that the PTO, in its expertise, has approved the claim—seems much diminished.”); *Am. Soda Fountain Co. v. Sample*, 130 F. 145, 149 (3d Cir. 1904) (“[T]he force of that presumption is much diminished, if not destroyed, by the lack of any reference by the Examiner to, or consideration of, the . . . patents.”).

100. See *Nordell v. Int’l Filter Co.*, 119 F.2d 948, 950 (7th Cir. 1941) (“[T]here can be no presumption of validity over . . . prior art which the Examiner did not note.”); *Nat’l Elec. Prods. Corp. v. Grossman*, 70 F.2d 257, 258 (2d Cir. 1934) (“[P]resumption of validity does not extend beyond the record before the [e]xaminer.”).

101. See, e.g., *Gillette Safety Razor Co. v. Cliff Weil Cigar Co.*, 107 F.2d 105, 107 (4th Cir. 1939); *Butler Mfg. Co. v. Enter. Cleaning Co.*, 81 F.2d 711, 716 (8th Cir. 1936).

102. Brief for Petitioner, *supra* note 1, at 33-34.

Court declined to view the cases cited by Microsoft as creating a different standard of proof than in cases where the evidence before the factfinder is different from the evidence before the PTO.¹⁰³ Instead, the Court advanced the proposition that, although the evidentiary standard remains unaltered, the deference given the PTO “may lose significant force,” and the alleged infringer’s burden of proving invalidity “may be easier to sustain.”¹⁰⁴

Accordingly, the Court indicated jury instructions on the effect of new evidence should be provided when the PTO does not have all material fact during the examination.¹⁰⁵ Specifically, the Supreme Court indicated, when warranted, a jury may be instructed on (1) whether evidence of invalidity was not considered by the PTO during the examination, (2) whether the new evidence was material to the validity of the patent, and (3) the effect of materially new evidence when determining whether an alleged infringer has proved invalidity by clear and convincing evidence.¹⁰⁶ Microsoft argued a jury instruction specifying S4 was never before the PTO was warranted, but the Supreme Court refused to consider the argument because Microsoft never requested an instruction to that effect.¹⁰⁷

3. *Concerns About the Issuance of “Bad” Patents*

The United States Supreme Court refused to weigh the strength of the policy arguments raised by the parties and the amici.¹⁰⁸ The Court left to Congress the responsibility of addressing any criticism with regard to the PTO issuing “bad” patents insulated from invalidity challenges because of the heightened standard of proof.¹⁰⁹ The Court observed Congress has on many occasions amended § 282 and other parts of the Patent Act but has never considered lowering the standard of proof adopted in § 282.¹¹⁰

B. CONCURRING OPINION BY JUSTICE BREYER

Justice Breyer wrote a concurring opinion, emphasizing the clear and convincing standard of proof applied to factual questions but not to

103. *i4i*, 131 S. Ct. at 2249-51.

104. *Id.* at 2251; *see Am. Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350, 1360 (Fed. Cir. 1984) (stating new material evidence as to the validity of a patent may instead “carry more weight” in proving invalidity than evidence previously considered by the PTO); *cf. KSR*, 550 U.S. at 427.

105. *i4i*, 131 S. Ct. at 2251.

106. *Id.*

107. Reply Brief for Petitioner at 22-23, *i4i*, 131 S. Ct. 2238 (No. 10-290); *cf. FED. R. CIV. P.* 51(d)(1)(B).

108. *i4i*, 131 S. Ct. at 2252.

109. *Id.*

110. *Id.*

questions involving the application of the law to the facts or the ultimate legal question of patent validity.¹¹¹ For Justice Breyer, applying the clear and convincing standard to questions of law may increase the risk of granting patent protection where none is due.¹¹² Justice Breyer proposed using case-specific instructions to assist a jury in separating factual and legal questions of validity, or interrogatories and special instructions to help a jury isolate the facts and apply the correct standard to its legal conclusions.¹¹³

C. CONCURRING OPINION BY JUSTICE THOMAS

Justice Thomas concurred with the judgment and agreed the heightened standard of proof adopted in *RCA* applied to invalidity defenses because the specific standard adopted in the common law had never been overruled or modified by Congress.¹¹⁴ Justice Thomas did not, however, share the majority's contention that Congress' use of the term "presumed valid" codified a standard of proof by borrowing a term of art.¹¹⁵ In his opinion, the lack of consistency in the case law prior to the adoption of the Patent Act of 1952 precluded the conclusion that Congress intended to adopt a term of art to which a particular standard of proof would attach.¹¹⁶

IV. IMPACT

The decision in *i4i* will affect the corrective role of the judiciary in reviewing patent eligibility determinations.¹¹⁷ The effect of the decision on insulating "bad" patents from judicial review remains uncertain,¹¹⁸ particularly in light of the dissimilar procedures by which patents are issued.¹¹⁹ The number of amici briefs submitted in support of Microsoft demonstrated some amici expected the Supreme Court to provide for exceptions to the clear and convincing evidentiary standard for proving invalidity defenses depending on the circumstances surrounding the exam-

111. *Id.* at 2253 (Breyer, J., concurring).

112. *Id.*

113. *Id.*; see FED. R. CIV. P. 49, 51.

114. *i4i*, 131 S. Ct. at 2253 (Thomas, J., concurring).

115. *Id.*

116. *Id.*

117. Brief of Amicus Curiae William Mitchell College of Law Intellectual Property Institute in Support of Petitioner at 5-7, *i4i*, 131 S. Ct. 2238 (2011) (No. 10-290).

118. Brief of EMC Corporation as Amicus Curiae in Support of Petitioner at 7, *i4i*, 131 S. Ct. 2238 (2011) (No. 10-290).

119. Brief of Fédération Internationale Des Conseils En Propriété Industrielle as Amicus Curiae in Support of Neither Party at 8-9, *i4i*, 131 S. Ct. 2238 (2011) (No. 10-290).

ination process.¹²⁰ *i4i* was particularly important as the decision resulted in the largest patent infringement damages award to be upheld on appeal.¹²¹

A. THE BURDEN OF PROVING INVALIDITY

The clear and convincing standard of proof remains a hurdle difficult to overcome for defendants claiming invalidity as several cases since the *i4i* decision illustrate.¹²² One of the purposes of the Patent Act is to promote innovation.¹²³ Microsoft and its amici expressed concerns over the application of the clear and convincing standard as undermining innovation by insulating “bad” patents from invalidity challenges.¹²⁴ In affirming the clear and convincing standard of proof for an alleged infringer who raises an invalidity defense, the Supreme Court unanimously declined to depart from the rule adopted in *RCA*, which the Court held was implicitly codified by Congress in the Patent Act of 1952.¹²⁵ Through its decision, the Court sent a strong signal of affirmance by stating any modification to the standard of proof for invalidity defenses requires congressional action.¹²⁶

Congress is in a better position than the judiciary to comprehensively deal with policy concerns by assessing the impact of the current patent system and the result of changes to the patent system.¹²⁷ Congress had previously addressed concerns over “bad” patents by amending the patent laws, including an expansion of the reexamination process to provide for inter partes proceedings.¹²⁸ The limits set by Congress on the reexam-

120. See *Microsoft v. i4i Limited Partnership*, SCOTUSBLOG, <http://www.scotusblog.com/case-files/cases/microsoft-v-i4i-limited-partnership/> (last visited Sept. 5, 2011). Forty-eight amicus briefs were submitted to the Court, including nineteen in support of petitioner. *Id.*

121. Abby Lauer, *Microsoft Corp. v. i4i Ltd. P’ship: Microsoft Asks the Supreme Court To Rule on the Evidentiary Standard for Patent Invalidity*, JOLTDIGEST (Sept. 10, 2010), <http://jolt.law.harvard.edu/digest/software/microsoft-corp-v-i4i-ltd-pship>.

122. See *Research Found. of State Univ. of N.Y. v. Mylan Pharmaceuticals Inc.*, 809 F. Supp. 2d 296, 332 (D. Del. 2011) (holding defendant failed to prove invalidity by clear and convincing evidence); *Pozen Inc. v. Par Pharm., Inc.*, 800 F. Supp. 2d 789, 819-21 (E.D. Tex. 2011) (holding defendants failed to rebut presumption of validity by clear and convincing evidence); *Pfizer Inc. v. Teva Pharmaceuticals USA, Inc.*, 803 F. Supp. 2d 409, 446-47 (E.D. Va. 2011) (finding defendant had not shown invalidity by clear and convincing evidence).

123. *Bilski v. Kappos*, 130 S. Ct. 3218, 3225 (2010).

124. *Microsoft Corp. v. i4i Ltd. P’ship*, 131 S. Ct. 2238, 2251 (2011).

125. *Id.* at 2243, 2252.

126. *Id.* at 2252.

127. Brief of Amici Curiae Biotechnology Industry Organization, Association of University Technology Managers, and CropLife International in Support of Respondents at 4-5, *i4i*, 131 S. Ct. 2238 (2011) (No. 10-290).

128. *i4i*, 131 S. Ct. at 2251; see 35 U.S.C. §§ 311-18 (2007).

ination process are construed to protect inventors' and investors' reliance interests.¹²⁹

Nearly five months after the *i4i* decision, Congress passed and President Obama signed the Leahy-Smith America Invents Act,¹³⁰ "the most sweeping statutory changes to patent law in over half a century."¹³¹ The legislation will amend 35 U.S.C. §§ 311-19 to replace the current inter partes reexamination proceeding with an "inter partes review" proceeding.¹³² The inter partes review proceeding will require the PTO to issue a final determination within one year of notice of review.¹³³ The Act will also introduce a "post-grant review proceeding."¹³⁴ The post-grant review procedure is "one of the most significant changes in U.S. patent law called for by the Act."¹³⁵ The post-grant review proceeding will allow a public petitioner seeking review to raise in the PTO the same patentability issues as a defendant claiming invalidity in a patent infringement action.¹³⁶

Within a post-grant review proceeding, the PTO will be able to consider any basis for invalidity, including prior sale.¹³⁷ In *i4i*, Microsoft and its amici argued the PTO procedural system shielded "bad" patents from some invalidity challenges, including the on-sale bar, which could not previously be raised in inter partes reexamination procedures.¹³⁸ In a post-grant review, the petitioner will have the burden of proving invalidity by a preponderance of the evidence.¹³⁹ Although these procedures will be conducted before administrative patent judges, the rationale is that, unlike in litigation, a patent does not enjoy a presumption of validity during the post-grant review proceeding.¹⁴⁰ On the other hand, a petitioner will be estopped from raising claims in civil court that the petitioner raised or

129. Brief of Amici Curiae Biotechnology Industry Organization, Association of University Technology Managers, And CropLife International in Support of Respondents, *supra* note 127, at 2.

130. Pub. L. No. 112-29, 125 Stat. 284 (2011).

131. Gregory N. Mandel, *Keeping Current: Patents; Will America Reinvent Itself? Patent Reform in 2011*, BUS. L. TODAY, Aug. 2011, at 1.

132. *Id.* § 6 (to be codified at 35 U.S.C. §§ 311-19).

133. *Id.* (to be codified at 35 U.S.C. § 316(a)(11)).

134. *Id.* § 7 (to be codified at 35 U.S.C. §§ 321-29).

135. Hayden W. Gregory, *Post-Legislation Lawmaking: Where Rules Rule*, 3 LANDSLIDE 1, 55 (2011).

136. Robert A. Armitage, *The Leahy-Smith America Invents Act: The Once-Secret Patenting Process Grows More Public*, 4 LANDSLIDE 1, 1 (2011) (discussing the post-grant review procedure).

137. Pub. L. No. 112-29, § 7, 125 Stat. 284, § 6(d) (to be codified at 35 U.S.C. § 321(b)); *see* 35 U.S.C. § 282(b)(2)-(3).

138. Microsoft Corp. v. i4i Ltd. P'ship, 131 S. Ct. 2238, 2251-52 (2011).

139. Pub. L. No. 112-29, § 7, 125 Stat. 284, § 6(d) (to be codified at 35 U.S.C. § 326(e)).

140. Andrew L. Schaeffer, *Parallel Patent Reexaminations: The Poor Man's Litigation*, in 1 PATENT LITIGATION 441, 454 (2011).

reasonably could have raised during the post-grant review.¹⁴¹ Accused infringers will have to strategically determine whether the post-grant review procedure is worth the risk of having the PTO confirm by a preponderance of the evidence the validity of the patent, in comparison to attempting to prevail in court under the clear and convincing standard.¹⁴²

B. RECOURSE FOR ALLEGED INFRINGERS

The decision in *i4i* will disrupt the way invalidity defenses are litigated. In situations where the PTO never considered material prior art, a jury is not faced with having to defer to the PTO or disagree with its expertise.¹⁴³ The jury instructions proposed by the Supreme Court will allow new prior art or other invalidating evidence not considered by the PTO to reduce the deference due the PTO and carry more weight towards sustaining the defendant's burden of persuasion.¹⁴⁴

An alleged infringer will certainly look at the perspective of claiming a diminished presumption of validity and will contemplate making use of the jury instructions suggested by the Supreme Court to meet the heightened standard of proof.¹⁴⁵ Accordingly, if the parties dispute whether the evidence presented to the jury differs from the evidence previously before the PTO, an alleged infringer should consider requesting a jury instruction mandating the jury to consider that question.¹⁴⁶ The defendant claiming invalidity may also seek an instruction to evaluate whether the evidence before the jury is materially new, as well as an instruction on the effect of new evidence not considered by the PTO.¹⁴⁷

The Supreme Court, however, left open the manner and circumstances in which those jury instructions should be requested by defendants or granted by judges.¹⁴⁸ If properly applied, the jury instructions will enable juries to appropriately consider the evidence of invalidity and the burden of persuasion may be easier to sustain.¹⁴⁹ Carefully tailored case-specific jury instructions will shield juries from the confusion resulting from the application of a dual standard of invalidity.¹⁵⁰ Interrogatories and special

141. Pub. L. No. 112-29, § 7, 125 Stat. 284, § 6(d) (to be codified at 35 U.S.C. § 325(e)).

142. See Schaeffer, *supra* note 140.

143. Am. Hoist & Derrick Co. v. Sowa & Sons, Inc., 725 F.2d 1350, 1360 (Fed. Cir. 1984).

144. Brief of Amicus Curiae International Business Machines Corporation in Support of Neither Party at 32, *Microsoft Corp. v. i4i Ltd. P'ship*, 131 S. Ct. 2238 (2011) (No. 10-290).

145. *i4i*, 131 S. Ct. at 2251.

146. *Id.*

147. *Id.*

148. *Id.*

149. *Id.*

150. *Id.* at 2253 (Breyer, J., concurring).

verdicts will alleviate Justice Breyer's concerns involving a jury attempting to distinguish between questions of fact and questions of law, as the clear and convincing standard of proof is an evidentiary standard that applies only to questions of fact.¹⁵¹

V. CONCLUSION

In *i4i*, the United States Supreme Court affirmed the heightened standard of proof applicable to patent invalidity defenses under § 282.¹⁵² An invalidity defense must be proven by clear and convincing evidence even in cases where the evidence before the factfinder was never considered by the PTO.¹⁵³ However, the Court indicated an alleged infringer's burden of persuasion may be easier to sustain in such circumstances, and advised on requesting instructions asking for a jury to consider the effect of materially new evidence when determining whether an invalidity defense has been proved by clear and convincing evidence.¹⁵⁴

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151. *Id.*

152. *Id.* at 2242 (majority opinion).

153. *Id.* at 2251.

154. *Id.*

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