

Keywords: presumption of validity; presumed valid; clear and convincing; preponderance; standard of proof; burden of proof; burden of persuasion; superfluity; common-law term; 35 U.S.C. §282

General: Congress specified the applicable standard of proof for an invalidity defense in 1952 when it codified the common-law presumption of patent validity. Specifically, a patent is presumed valid unless proven invalid by clear and convincing evidence.

Microsoft Corp. v. i4i Ltd. Partnership

No. 10-290 (June 9, 2011)
563 U.S. __ (2011)

I. Facts

i4i Limited Partnership and Infrastructures for Information Inc. (collectively, i4i) hold the patent at issue. The i4i patent claims an improved method for editing computer documents, which stores a document's content separately from the metacodes associated with the document's structure. In 2007, i4i sued Microsoft Corporation for willful infringement, claiming that Microsoft word-processing products infringed.

Microsoft denied infringement. Additionally, Microsoft sought a declaration that i4i's patent was invalid and unenforceable. Specifically, Microsoft claimed that the on-sale bar under 35 U.S.C. § 102(b) rendered the i4i patent invalid due to a prior sale by i4i of a software program referred to as "S4". The parties agreed that, more than one year prior to filing the application for the i4i patent, i4i had sold S4 in the United States. However, the parties did not agree that S4 embodied the invention claimed in the i4i patent.

The source code for S4 had been destroyed years before the commencement of litigation in this case. Accordingly, the factual dispute regarding the content of S4 turned largely on trial testimony by S4's two inventors (the same inventors named on the i4i patent). Both of these inventors testified that S4 did not practice the key invention disclosed in the i4i patent.

During prosecution of the i4i patent application, S4 was never submitted to the PTO examiner. This fact was undisputed. Relying on this, Microsoft objected to i4i's proposed instruction that Microsoft was required to prove its invalidity defense by clear and convincing evidence. Specifically, Microsoft stated the following:

"Microsoft's burden of proving invalidating and unenforceability is by clear and convincing evidence. However, Microsoft's burden of proof with regard to its defense of invalidity based on prior art that the examiner did not review during the prosecution of the patent-in-suit is by preponderance of the evidence."

This hybrid standard of proof advocated by Microsoft was rejected by the District Court and the jury was instructed that Microsoft had the burden of proving invalidity by clear and convincing evidence. The jury subsequently found that Microsoft willfully infringed and failed to invalidate the i4i patent. On appeal, the Federal Circuit affirmed the District Courts decision with regard to the burden of proof, and the Supreme Court granted certiorari.

II. Issues

- A. Does 35 U.S.C. §282 require an invalidity defense to be proved by clear and convincing evidence?
- B. Must a preponderance standard apply when an invalidity defense rests on evidence that was never considered by the PTO during examination?

III. Discussion

A. Yes. 35 U.S.C. §282 requires an invalidity defense to be proved by clear and convincing evidence. A preponderance of the evidence standard is not an appropriate standard of proof.

When Congress prescribes a governing standard of proof, its choice controls absent countervailing constitutional constraints. According to §282 of the Patent Act of 1952, “[a] patent shall be presumed valid” and “[t]he burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting such invalidity.” 35 U.S.C. §282. While the statute specifies the burden of proof (i.e., burden of persuasion), it does not expressly indicate the standard of proof (i.e., degree of certainty by which the factfinder must be persuaded to find in favor of the party bearing the burden of persuasion).

However, by stating that a patent is “presumed valid” in §282, Congress utilized a term with settled meaning in common law. The common-law presumption of patent validity requires that a patent be presumed valid unless overcome by convincing evidence of error. Indeed, the common-law presumption of patent validity reflected the universal understanding that a preponderance standard of proof was too dubious a basis to deem a patent invalid. Under the general rule that a common-law term comes with its common-law meaning, it must be concluded that Congress did not intend to remove the heightened standard of proof by merely failing to reiterate it expressly in §282. Indeed, in *American Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F. 2d 1350 (CA Fed. 1984), the Federal Circuit held that §282 codified an existing common-law presumption of validity of patents based on the basic proposition that a government agency is presumed to have done its job. Additionally, in *American Hoist & Derrick Co.*, the Federal Circuit determined that the presumption imposes the burden of proving invalidity on the attacker, and that the burden is to convince the court of invalidity by clear evidence.

Microsoft asserted that the heightened standard of proof was only applied in pre-1952 cases under limited circumstances. Specifically, Microsoft asserted that a clear-and-convincing standard of proof was only applied in two limited circumstances. First, Microsoft asserted that the heightened standard applied in cases involving oral testimony of prior invention to account for the unreliability of such testimony. Second, Microsoft asserted that the heightened standard applied in cases involving invalidity challenged based on priority of invention, where the issue had previously been litigated between the parties in PTO proceedings. However, a global view of the case law was not found to support Microsoft’s position.

Microsoft also argued that the Federal Circuit’s interpretation of §282’s statement that “[a] patent shall be presumed valid” must fail because it renders superfluous the statute’s additional statement that “[t]he burden of establishing invalidity ... shall rest on the party asserting such invalidity.” However, it is not unusual for Congress to enact provisions that are superfluous. Further, the canon against superfluity assists only where a competing interpretation gives effect to every clause and word of a statute.

B. No. Nothing in the text of §282 indicates that Congress intended to depart from a clear-and-convincing standard of proof to enact a fluctuating standard of proof based on the facts of each case. While numerous courts of appeals in the years preceding the 1952 Act observed that a presumption of validity is weakened when evidence in an infringement action was not considered by the PTO, this cannot be interpreted as suggesting that a preponderance standard would apply in such circumstances under §282. Rather, these cases merely reflect the commonsense principle that new evidence supporting an invalidity defense may carry more weight in an infringement action than evidence previously considered by the PTO. That is, if the PTO did not have all material facts before it, its considered judgment may lose significant force and the challenger’s burden to persuade of invalidity by clear and convincing evidence may be easier. A jury instruction to consider that it has heard evidence that the PTO had no opportunity to evaluate before granting the patent could have been included. But, Microsoft failed to preserve this issue.

IV. Conclusion

A patent is presumed valid unless proven invalid by clear and convincing evidence. Congress specified the applicable standard of proof for an invalidity defense in 1952 when it codified the common-law presumption of patent validity. Any recalibration of the standard of proof remains in the hands of Congress.

V. Concurrences

Breyer, Scalia, and Alito concurred and emphasized that the evidentiary standard of proof applies to the questions of fact, not to questions of law. Thus, according to Breyer, Scalia, and Alito, a factfinder must use the clear-and-convincing standard where there are disputes about facts (e.g., when a product was sold or whether a prior art reference had been published).

Thomas concurred but was not persuaded that Congress codified a standard of proof when it stated in the Patent Act of 1952 that “[a] patent shall be presumed valid.”