

Supreme Court Confirms That Patent Invalidation Must Be Shown By Clear And Convincing Evidence

In its unanimous decision last week in *Microsoft Corp. v. i4i Limited Partnership*,¹ the Supreme Court reaffirmed that an alleged infringer must prove patent invalidity by clear and convincing evidence. The Court rejected the argument of Microsoft, seeking to overturn a \$290 million infringement verdict against it, that proving invalidity by a preponderance of the evidence should suffice, especially when the invalidity challenge is based on evidence not previously considered by the Patent and Trademark Office (the “PTO”). Reasoning that Congress must have chosen not to disturb the common-law clear and convincing test when it enacted the Patent Act in 1952, the Court declined to consider the parties’ and the *amici*’s policy arguments concerning the heightened standard of proof and instead invited Congress to “judge the[ir] comparative force” and evaluate whether to make a change. (Op. at 19).

The Court’s analysis centered on Section 282 of the Patent Act, which the Court acknowledged “includes no express articulation of the standard of proof” for invalidating a patent. (*Id.* at 6). Instead, Section 282 states only that “[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. To fill this apparent gap, the Court looked to common-law articulations of the presumption of validity, which were in place when Congress enacted Section 282 in 1952. Relying heavily on Justice Cardozo’s opinion in *Radio Corporation of America v. Radio Engineering Laboratories, Inc.*,² the Court explained that the common-law presumption had incorporated “not only an allocation of the burden of proof but also an imposition of a heightened standard of proof.” (Op. at 8). In particular, courts considered “a preponderance . . . of proof . . . too ‘dubious’ a basis to deem a patent invalid” and thus required “clear and cogent evidence” to overcome the presumption of validity. (*Id.* at 7-8). Therefore, the Court concluded, when Congress referred to the presumption of validity in Section 282, it must have meant to incorporate the heightened standard of proof. (*Id.*)

¹ No. 10-290 (S. Ct. June 9, 2011) (Sotomayor, J.). Citations are to the slip opinion, available at <http://www.supremecourt.gov/opinions/10pdf/10-290.pdf>

² 293 U.S. 1 (1934).

Despite its holding, the Court offered some encouragement to parties asserting challenges based on evidence not considered by the PTO during the examination process. In its decision four years ago in *KSR International Co. v. Teleflex Inc.*, the Court had hinted at a willingness to entertain a lower standard in such circumstances, observing that for invalidity arguments based on such new evidence, the “rationale underlying the presumption—that the PTO, in its expertise, has approved the claim—seems much diminished.”³ But the *Microsoft* Court declined to adopt a lower standard of proof, finding no basis for doing so in its earlier precedents and observing the impracticalities of adopting “a variable standard of proof that must itself be adjudicated in each case.” (Op. at 14-18).

Nonetheless, the Court acknowledged that “new evidence supporting an invalidity defense may ‘carry more weight’ in an infringement action than evidence previously considered by the PTO,” explaining that “if the PTO did not have all material facts before it, its considered judgment may lose significant force” and “concomitantly, the challenger’s burden to persuade the jury of its invalidity defense by clear and convincing evidence may be easier to sustain.” (Op. at 17). The Court further suggested that courts give jury instructions on this point that would invite the jury “to evaluate whether the evidence before it is materially new, and if so, to consider that fact when determining whether an invalidity defense has been proved by clear and convincing evidence.” (Op. at 17-18). Though this formulation may be difficult for jurors to follow, it should provide some basis for increased traction to patent challengers who are relying on new evidence. The Court’s analysis did not help Microsoft, however, because it had failed to request any such instruction. (*Id.*)

Justice Breyer, joined by Justices Scalia and Alito, concurred in the majority opinion but wrote briefly to urge courts to limit the “clear and convincing” standard to fact issues – such as “when a product was first sold or whether a prior art reference had been published.” (Breyer Concurrence at 1). Observing that many claims of invalidity rest “not upon factual disputes, but upon how the law applies to facts as given,” Justice Breyer asserted that “today’s strict standard of proof has no application” to such questions as whether “the given facts show that the product was previously ‘in public use’” or the facts show “that the invention was ‘novel.’” (*Id.*) Justice Breyer suggested that this nuanced analysis would “increase the likelihood that discoveries or inventions will not receive legal protection where none is due.” (*Id.* at 2). Though Justice Breyer’s approach is intriguing and no doubt will be pursued by future patent challengers, because it was adopted by only three Justices, it will likely have limited impact.

Finally, Justice Thomas concurred in the judgment only, opining that Section 282 neither incorporates the “clear and convincing” standard, nor “alter[s] the common-law rule,” and accordingly the common-law heightened standard should remain intact. (Thomas Concurrence at 2).

³ 550 U.S. 398, 426 (2007).

The *Microsoft* decision ultimately breaks little new ground, instead reassuring patent owners that the clear and convincing standard remains in place and offering patent challengers only the limited aid of a highlighting jury instruction when their invalidity contentions are based on evidence not considered by the PTO. In that sense, the decision represents something of a departure from recent rulings in the Supreme Court and Federal Circuit that have pared back the rights of patent holders, including the *eBay* decision making it more difficult for patent owners to obtain permanent injunctions against infringers;⁴ the *MedImmune* decision allowing licensees to challenge a patent's validity while continuing to enjoy the benefit of a license to exploit the patent;⁵ the *KSR* decision making it easier to invalidate a patent based on obviousness;⁶ and the *Seagate* decision making it more difficult to establish willful infringement in order to recover enhanced damages and attorneys' fees.⁷

If you have any questions, please feel free to contact Lawrence Friedman, Leonard Jacoby, David Herrington or Daniel Ilan, or any of our partners and counsel listed under "Intellectual Property" in the "Practices" section of our website at <http://www.clearygottlieb.com>.

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⁴ *eBay Inc v. MercExchange, L.L.C.*, 547 U.S. 388 (2006).

⁵ *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118 (2007).

⁶ *KSR Int'l Co. v. Teleflex Inc.*, 127 S. Ct. 1727 (2007).

⁷ *In re Seagate Tech., LLC*, 497 F.3d 1360 (Fed. Cir. 2007), *cert. denied sub nom.*, 552 U.S. 1230 (2008).

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