

# Microsoft v i4i

## Supreme Court Rules on the Standard for Invalidating Patents



Under federal law, inventors can be granted a patent after disclosing their inventions in exchange for a period of exclusivity.

A party can challenge the validity of a patent, but there has been disagreement as to the appropriate legal standard for invalidating the patent. The U.S. Supreme Court recently heard oral arguments and is in *unanimous agreement* on this issue.

### FACTS OF THE CASE

**(1)** i4i Limited Partnership (i4i), a Canadian software company, brought suit against Microsoft Corporation (Microsoft) in Federal District Court alleging that certain versions of Microsoft Word infringed one of i4i's patents relating to software technology. Microsoft argued that i4i's patent was invalid under the "on-sale bar" defense of the Patent Act, alleging that the technology that i4i sought to patent was part of a software program developed and distributed by i4i in the U.S. more than one year before i4i's patent application was filed with the Patent and Trademark Office (PTO). i4i presented evidence that the earlier software program did not practice the key invention disclosed in the patent. The jury found in favor of i4i and awarded \$250+ million in damages. The District Court also entered a permanent injunction barring further sales of Microsoft Word (as it then existed). After the Federal Circuit Court affirmed the decision and the injunction of the District Court, Microsoft appealed to the Supreme Court.

**(2)** In April, the Supreme Court heard oral arguments to decide whether the invalidity defense must be proved by "clear and convincing evidence." The Patent Act itself is silent as to the evidentiary standard required to overcome the presumption of validity and 35 U.S.C. § 282 merely states that patents are "presumed valid." The Federal Circuit Court, which has long had a monopoly on patent appeal cases, has consistently taken the position that a challenger must establish that the patent is invalid by clear and convincing evidence.

**(3)** Microsoft argued that a lower "preponderance of the evidence" standard should be used and also contends that the lower standard must at least apply in this instance because the PTO did not consider the earlier software program when it issued the i4i patent. In support of its argument, Microsoft relied on the Supreme Court's 2007 statement in *KSR International Co. v Teleflex Inc.* that the rationale underlying the presumption of validity – that the PTO, in its expertise, has approved the patent – "seems much diminished" when prior art exists that the PTO never considered.

**(4)** On June 9th, the Court *unanimously* rejected Microsoft's argument and affirmed that an invalidity defense be proved by clear and convincing evidence. The Court determined that when Congress enacted section 282 it intended to codify the common-law holding set forth in *Radio Corp. of America v Radio Engineering*

*Laboratories, Inc.*, which stated that "there is a presumption of [patent] validity [that is] not to be overturned except by clear and cogent evidence." The Court also rejected Microsoft's contention that KSR endorsed a fluctuating standard of proof dependent on the facts of a particular case. Rather, the Court clarified 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."

To learn more about this case, as well as other intellectual property issues, please call our office.

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