

Does Society Expect a Patent from the U.S. Patent and Trademark Office to Hold Water?

On Nov. 29, 2010, the U.S. Supreme Court granted certiorari to hear Microsoft Corporation's appeal of what is purported to be the largest patent infringement verdict ever upheld on appeal. By statute, patents are presumed to be valid. And the Court of Appeals for the Federal Circuit has supported this presumption so vigorously that it has long required a party seeking to invalidate a patent to do so by "clear and convincing evidence." This requirement will now be tested. Perhaps, in some circumstances, it makes sense to lower the standard to a preponderance of the evidence. The issue to society is whether people can be confident that a patent issued by the U.S. Patent and Trademark Office (PTO) will be valid and enforceable. If the standard changes, the value society places on a patent is likely to change as well.



The issue before the Court is whether the heightened standard of proof of invalidity currently required by the Federal Circuit in all circumstances should apply to a party seeking to invalidate a patent using evidence that the Patent and Trademark Office has not previously considered. Because the Federal Circuit has applied the current standard for more than a quarter-century, a decision by the Court altering the standard could have immense ramifications on patent litigation.

In *Microsoft Corp. v. i4i L.P.*, i4i L.P. sued Microsoft for infringement of U.S. Patent Number 5,787,449 (the '449 patent) in the U.S. District Court for the Eastern District of Texas, alleging that certain versions of Microsoft's popular Word software included the ability to edit documents containing custom XML, a computer language that uses "metacodes," and therefore infringed the patent. In defending against this claim, Microsoft challenged the validity of the '449 patent on a number of grounds, including a claim that the invention of the '449 patent was embodied in a software product titled "S4" that

i4i indisputably began selling more than a year before filing the application that matured into

the '449 patent. If true, the invention of the '449 patent would be barred from patent protection by virtue of the on-sale bar of 35 U.S.C. § 102.

According to i4i's response to Microsoft's petition for certiorari, the patent underlying the dispute is for a method for editing documents that involves separating the content, or text, of the document from the metacodes that provide information as to how the content is to be interpreted. The novel invention in the '449 patent was a method to separate the metacodes by creating a "metacode map" to store each metacode and its location within the document. According to i4i, this improved method solved numerous problems that plagued prior technology related to the creation and editing of documents that use metacodes, or markup language, for text.

At trial, Microsoft introduced testimony and evidence—including a letter to investors prepared by i4i's founder—stating that the S4 software included the invention now patented in the '449 patent. At trial, the inventors testified that the S4 software did not practice the invention of the '449 patent, and i4i's founder testified that, to further his own financial interests, he had lied in his letter. Neither Microsoft nor i4i could provide a source code for the S4 software, because i4i had deleted all copies of the S4 source code several years before suing Microsoft.

This particular validity challenge is important in two respects. First, the PTO did not consider the S4 software during its examination of the application that matured into the '449 patent. Second, the PTO did not consider the S4 software in the ex parte re-examination of the '449 patent that Microsoft initiated because of certain limitations of the re-examination process. Because the PTO had never considered the S4 software as giving rise to a statutory bar to patentability for the invention, Microsoft requested that the trial court instruct the jury that it should find the '449 patent invalid on this particular ground if the jury found that Microsoft had established, by a preponderance of the evidence, that the S4 product included the invention of the '449 patent. The district court refused to do so and, instead, instructed the jury that, in order to find the '449 patent invalid, the jury had to find that Microsoft had proven invalidity by clear and convincing evidence. In doing so, the district court noted the Federal Circuit's long-standing rule that the higher standard of proof applied regardless of whether the



PTO had previously considered the material being used at trial to demonstrate patent invalidity. The jury then found for Microsoft, and the Federal Circuit affirmed the verdict.

By way of background, 25 U.S.C. § 282 provides that a patent—as well as each claim in the patent—shall be presumed to be valid. This statute was first enacted in 1952 to codify existing case law according to the legislative notes associated with the enactment of this statutory presumption. The statute does not, however, expressly impose an enhanced standard of proof for overcoming this presumption by the party challenging the validity of a patent, whereas other patent statutes, such as 35 U.S.C. § 273, do impose such a standard. And the Federal Circuit's imposition of such a burden, despite the lack of a statutory requirement, forms the basis for Microsoft's appeal to the Supreme Court.

In addition to noting the lack of a statutory requirement that invalidity be established by clear and convincing evidence, Microsoft also points to the existing precedent in the regional circuits before the establishment of the Federal Circuit. According to Microsoft, each of the regional circuits' precedent when the Federal Circuit was formed either expressly held that a preponderance instruction was appropriate when the invalidity claim rested on prior art that had not been before the PTO or that the presumption of validity was weakened. A position that is further supported by the Supreme Court's recent decision in *KSR International Co. v. Teleflex Inc.*, 550 U.S. 398 (2007), in which the Court noted that “the rationale underlying the § 282 presumption—that the PTO, in its expertise, has approved the claim—seems much diminished here,” where the evidence of invalidity had not been previously considered by the PTO. Microsoft further asserts that the imposition of this higher standard of proof when the PTO has not considered the prior art at issue has the effect of limiting innovation by making it overly difficult for a litigant to establish the invalidity of a patent.

This case has also drawn a great deal of attention from other parties that have financial and academic interests in the patent system. Eleven amicus briefs were submitted in support of Microsoft's position from parties including Apple, Wal-Mart, and Yahoo, the Electronic Frontier Foundation et al., the securities industry, and CTIA—The Wireless Association.

In its response to Microsoft's petition, i4i took the position that Microsoft had misread the precedents of the Supreme Court that had led to Congress' enactment of § 282 and the regional circuits and that there is no conflict in need of resolution. From a more substantive standpoint, i4i argued that the clear and convincing standard applied by the Federal Circuit for more than a quarter-century has created a settled expectation in the minds of inventors and the inventing community. In addition, i4i argues that establishing a lower standard of proof at

this time would also stifle the patent system's goal of promoting progress in at least three ways.

No matter how the Court decides this important case, the ramifications to the inventing community and those in society who depend on patents in their businesses will be enormous. If the Supreme Court affirms the Federal Circuit's bright-line test and imposes the clear and convincing standard across the board for all invalidity arguments, regardless of the basis and whether the PTO had previously considered the prior art, more litigation could be waged on an inter partes basis on two fronts: in a federal district court and in an inter partes re-examination in front of the PTO. This approach would enable the challenger to have its invalidity argument judged on a preponderance standard in front of the PTO. A re-examination increases the costs to all parties, however, because of the multiplicity of “litigation” in the same dispute. And, unless the patent is completely invalidated when it is re-examined, the matter of infringement will still have to be litigated following the conclusion of the re-examination (assuming the district court stays the litigation in the first place). Moreover, an inter partes re-examination would not assist a challenger when the invalidity issue involves the on-sale bar, as in this case, because an inter partes re-examination request, as with an ex parte re-examination request, must be based on a patent or a printed publication.

If the Supreme Court rejects the heightened burden of proof imposed by the Federal Circuit, the severity of the impact will depend in large part on how far the Court goes in rejecting the clear and convincing standard. For example, if the Court concludes that the heightened burden should never be applied, then those seeking to invalidate a patent during litigation will be more likely to assert prior art considered by the PTO during its examination of the patent application, in effect forcing the patent holder to overcome the same prior art a second time. If the Court reduces the burden only for prior art that the PTO has not considered, the issue will involve determining exactly what has and has not been considered by the PTO. Finally, because those challenging the validity of a patent based on patents or prior publications that have not been considered by the PTO have access to a proceeding where only a preponderance standard applies (that is, an inter partes re-examination), the Court could lower the standard only for challenges that do not involve patents or written publications and that were not previously considered by the PTO.

I do not have a crystal ball. However, considering the last approach would address the specific circumstances of this case, it would not be unreasonable to expect the Court to issue a narrow ruling on only this particular circumstance. It also would not be

INSIGHT *continued on page 14*

YLD Perspective

KELLE S. ACOCK

Winter 2011 YLD Update

As we kick off a new year, I would like to welcome new members to the Younger Lawyers Division and remind the membership of our exciting upcoming events. I would also like to extend a special welcome to the newest members of the YLD's National Board of Directors: David Goodwin, Andrew Lilly, Glen McMurray, and Melissa Manning. A list of the YLD's current officers and board members is also posted on the YLD's section of the Federal Bar Association's website.



The Younger Lawyers Division sponsors a number of programs throughout the year and holds others in conjunction with annual meetings of the association and National Council. As in past years, the YLD will kick off a busy spring and summer schedule with one of the division's most successful programs: the Thurgood A. Marshall Memorial Moot Court Competition. The competition will be held in Washington, D.C., during the FBA Midyear Meeting and will feature teams from law schools across the country. All FBA members are invited to attend the competition and are also encouraged to judge moot court rounds. We extend thanks to all members who have supported the program in the past and look forward to a successful competition this year.

On May 31, 2011, the YLD will sponsor its annual U.S. Supreme Court Admissions Ceremony for all FBA members interested in and eligible for admission to the Bar of the Supreme Court of the United States. After the swearing-in, new admittees will be treated to a reception at the Supreme Court, where

they have traditionally been greeted by Supreme Court justices. The YLD will also be welcoming summer law clerks to the Washington, D.C., area through the Summer Law Clerk Program. The annual program, which runs from June through August, begins with a kick-off event and generally includes round table and question-and-answer sessions held at the Department of Justice, at the Department of Defense, and on Capitol Hill. These locations give law clerks an opportunity to visit with federal lawyers serving throughout the various federal agencies and departments.

In addition to these programs, the YLD encourages every chapter of the FBA to form a Younger Lawyers Division Committee. The YLD is always grateful for its members' many contributions in carrying out its mission. Should you or anyone in your chapter seek to become more involved in YLD activities or to create a local YLD Committee, please do not hesitate to contact me or Adrienne Woolley at FBA national headquarters for assistance. On behalf of the YLD and its national Board, thank you for your continued support and the opportunity to provide you with the YLD Perspective. **TFL**

Kelle S. Acock is the chair of the Younger Lawyers Division and is a member of the Federal Bar Association Board of Directors.

INSIGHT continued from page 13

unreasonable to expect the Court to strike down yet another inflexible bright-line rule established by the Federal Circuit as the Court has done on multiple occasions over the last few years. And, in the eyes of this author, this would not be a bad thing, because the result would be a system that encourages, rather than discourages, full and forthright disclosure by the inventor during the examination of a patent application. **TFL**

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