

## **Microsoft Corp. v. i4i Ltd.**

On November 29, 2010, the U.S. Supreme Court granted certiorari in *Microsoft Corp. v. i4i Ltd.* The question presented is: "Whether the [Federal Circuit] erred in holding that Microsoft's invalidity defense must be proved by clear and convincing evidence" when the allegedly invalidating prior art was not before the Patent Office.

Patents are presumed valid, under 35 USC section 282, and the patent challenger must prove invalidity by clear and convincing evidence. This is true even for prior art that was not before the Patent Office during prosecution. In the appeal below, the Federal Circuit rejected the infringer Microsoft's challenge to a jury instruction on the burden of proving anticipation, in which Microsoft argued that the burden should be lower for prior art that was not before the Patent Office during prosecution. Microsoft repeated this argument just this month in *Uniloc USA, Inc. v. Microsoft Corp.*, 2010-1035, -1055, at 54-55 (Fed. Cir., January 4, 2011), in which Microsoft argued that its burden was to show invalidity by a preponderance of the evidence, because the '093 reference was not before the Patent Office. Microsoft's argument, the court noted, is based on a statement in the *KSR* case: "[T]he rationale underlying the presumption - that the PTO, in its expertise, has approved the claim - seems much diminished here [where the allegedly invalidating prior art was not before the patent office]." *KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398, 426 (2007).

In both the *i4i* and *Uniloc* cases, the Federal Circuit held that the statutory presumption of validity can be overcome only by showing invalidity by clear and convincing evidence, even where allegedly invalidating prior art was not before the Patent Office. "Until changed by the Supreme Court or this court sitting en banc, that is still the law," the court stated in *Uniloc*. *Id.*, at 55. The court in *i4i* relied on its precedent under which the patent challenger is required to prove invalidity by clear and convincing evidence, as well as the court's recent decisions making clear that the Supreme Court's decision in *KSR* did not change the burden of proving invalidity by clear and convincing evidence. *i4i Ltd. v. Microsoft Corp.*, 598 F.3d 831, 848 (Fed. Cir. 2010) (citing *Lucent Technologies, Inc. v. Gateway, Inc.*, 580 F.3d 1301, 1311-16 (Fed. Cir. 2009); *Technology Licensing Corp. v. Videotek, Inc.*, 545 F.3d 1316, 1327 (Fed. Cir. 2008)); See also the IP Law Outline - IX. DEFENSES TO INFRINGEMENT - A. INVALIDITY-GENERALLY - "Presumption of validity - 35 USC section 282" (citing *Poweroasis, Inc. v. T-Mobile USA, Inc.*, 522 F.3d 1299, 86 USPQ2d 1385 (Fed. Cir. 2008) (the patent challenger's burden of proof on invalidity, and the presumption of validity, are not

changed for newly cited prior art); *Z4 Technologies, Inc. v. Microsoft Corp.*, 507 F.3d 1340, 85 USPQ2d 1340 (Fed. Cir. 2007) (district court's refusal to provide jury instruction that burden is reduced was proper; burden is not changed, reduced when new prior art was not before the examiner); and *Tokyo Keiso Co. v. SMC Corp.*, 1/9/09 (nonprecedential) (ignoring the issue of whether the presumption of validity is weakened (under KSR) with respect to more pertinent art that was not before the Patent Office)).

The Federal Circuit held in *i4i* (and again in *Uniloc*) that the presumption of validity, and the challenger's clear and convincing burden of proof for invalidating a patent during litigation, are not changed where the allegedly invalidating prior art was not before the Patent Office during prosecution.

Despite the above holdings, the court arguably has already ruled in other cases (at least implicitly) that the fact that the allegedly invalidating prior art was not before the Patent Office -- although not changing the clear and convincing burden of proof for invalidity -- is nonetheless relevant to the question of validity. This is evidenced by two related rules of the court.

One rule is that the burden of proving invalidity is harder or "especially difficult" when the allegedly invalidating prior art was before the Patent Office during prosecution. Another rule refers to the burden of overcoming the deference due to the patent examiner when the infringer asserts prior art that was before the Patent Office. See the IP Law Outline - IX. DEFENSES TO INFRINGEMENT - A. INVALIDITY-GENERALLY - "Prior art before/not before the examiner" (citing *Impax Labs v. Aventis Pharmaceuticals*, 545 F.3d 1312, 88 USPQ2d 1381 (Fed. Cir. 2008) (the burden is "particularly heavy" when the examiner considered the asserted prior art and basis for the validity challenge during prosecution); *Poweroasis, Inc. v. T-Mobile USA, Inc.*, 522 F.3d 1299, 86 USPQ2d 1385 (Fed. Cir. 2008) (referring to the "added burden of overcoming the deference due to a qualified government agency presumed to have properly done its job"); *Pharmastem Therapeutics v. Viacell, Inc.*, 491 F.3d 1342, 83 USPQ2d 1289 (Fed. Cir. 2007) (stating that when the party asserting invalidity relies on references that were considered during examination or reexamination, that party "bears the added burden of overcoming the deference that is due to a qualified government agency presumed to have done its job"); *Liebel-Flarsheim Co. v. Medrad, Inc.*, 481 F.3d 1371, 82 USPQ2d 1113 (Fed. Cir. 2007) (the burden of showing invalidity is "especially difficult" when the prior art reference was before the examiner during prosecution); *Sanofi-Synthelabo v. Apotex, Inc.*, 470 F.3d 1368, 81 USPQ2d 1097 (Fed. Cir. 2006) (stating that because the prior art patent was before the patent

examiner during prosecution made Apotex's burden of proving invalidity at trial "especially difficult"); *Impax Laboratories v. Aventis Pharm.*, 468 F.3d 1366, 81 USPQ2d 1001 (Fed. Cir. 2006) (when the prior art was before the patent examiner during prosecution, there is a particularly heavy burden of establishing invalidity); *Syntex (USA) v. Apotex*, 407 F.3d 1371, 74 USPQ2d 1823 (Fed. Cir. 2005) (stating that the "challenger's burden to show invalidity is more difficult when prior art references have been presented to the PTO"); *Glaxo Group Ltd. v. Apotex, Inc.*, 376 F.3d 1339, 71 USPQ2d 1801 (Fed. Cir. 2004) (burden is "especially difficult" for prior art that was before the Patent Office); See also *Ortho-McNeil Pharmaceutical, Inc. v. Teva Pharmaceuticals Indus.*, 8/26/09 (nonprecedential) (vacating summary judgment of invalidity based on obviousness where the burden was "especially heavy" for prior art that was before the Patent Office); *Andersen Corp. v. Pella Corp.*, 11/19/08 (nonprecedential) (district court in granting motion for summary judgment of obviousness failed to consider the additional burden borne by the movants of overcoming the deference owed to the Patent Office, which allowed the claims over the same prior art; also distinguishing *KSR*, in which the Patent Office had not considered the prior art which rendered the claims obvious)).

The converse of the above rules likewise would be true, that is, the burden of proving invalidity - albeit by clear and convincing evidence - is easier, and the burden of overcoming any deference due to the patent examiner is less, when the infringer asserts prior art that was not before the Patent Office during prosecution.

Has the Federal Circuit ruled that the burden of proving invalidity during litigation is easier when the allegedly invalidating prior art was not before the Patent Office during prosecution? See the IP Law Outline - IX. DEFENSES TO INFRINGEMENT - A. INVALIDITY-GENERALLY - "Prior art before/not before the examiner" (citing *Group One LTD v. Hallmark Cards*, 407 F.3d 1297, 74 USPQ2d 1759 (Fed. Cir. 2005) (stating "the fact that the examiner did not consider various stripping means references during prosecution of the patents . . . may affect the ease with which [the accused infringer] may carry its burden of proof" on obviousness)).

In view of the foregoing, even if the Supreme Court maintains the clear and convincing standard for proving invalidity based on prior art not before the Patent Office -- as the Court should, or else risk opening a flood gate to patent challenges based on prior art not good enough to invalidate a patent under the higher standard -- the fact that the allegedly invalidating prior art was not before the Patent Office during prosecution is still relevant to the patent's presumed validity. Just as the

Supreme Court in KSR adopted a "common sense" approach for the obviousness inquiry in some cases, so too would it be common sense to qualify the statutory presumption of validity and clear and convincing invalidity standard for prior art not before the Patent Office. Of course, the newly cited prior art must be sufficiently different from the prior art before the Patent Office to be subject to the qualified standard. See *Uniloc*, at 56 ("The number R in the [newly cited] '093 reference does just what the . . . prior art [distinguished during the prosecution of the '216 patent] does . . . The same is true for SK . . ."). Thus, the fact that the prior art was not before the Patent Office should be enough on which to base a rule and/or jury instruction which qualifies the statutory presumption of validity and clear and convincing burden of proof - something like: "The patent in suit is presumed valid. Invalidity must be proven by clear and convincing evidence, whether or not the allegedly invalidating prior art was before the Patent Office during prosecution. However, this is subject to the following qualification. The burden of proof for invalidating the patent in suit is harder for prior art that was before the Patent Office than for prior art that was not before the Patent Office. Similarly, the deference due to the patent examiner with respect to prior art that was before the Patent Office during prosecution is greater than for prior art that was not before the Patent Office. Reference A in this case was not before the Patent Office during prosecution. Therefore, should you decide that Reference A is sufficiently different from the prior art before the Patent Office, you should consider the above qualification to the statutory presumption of validity and clear and convincing burden of proof (both of which have been separately defined for you) in rendering your verdict."