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IP: Supreme Court Poised to Make Fundamental Change to the Nature of Patents

Last week, the Supreme Court heard arguments in *Microsoft v. i4i*, a case regarding the appropriate standard of proof juries should use for validity challenges in patent litigation. Currently, courts require a heightened standard of “clear and convincing evidence.” Microsoft seeks to change the standard to a “preponderance of evidence.” While the question of which standard of proof to use may seem trivial to the casual reader, in patent litigation it is critically important. In fact, the Supreme Court’s decision in *Microsoft v. i4i* could change the fundamental nature of patents in the United States.

Patent Procurement and Litigation

To obtain a patent, an inventor files an application with the United States Patent Office. A patent examiner reviews the invention disclosure against existing patents and articles (referred to as the “prior art”) to determine whether the proposed invention is new and non-obvious. If the patent examiner concludes that the invention meets the conditions of patentability, the Patent Office issues a patent. Because of the limited resources of the Patent Office however, a patent examiner cannot review all of the prior art. As a result, the Patent Office inevitably issues some patents for inventions that are not new and non-obvious.

In general, patent litigation involves claims by patent holders against defendants who are accused of practicing the patent. In response to these claims, defendants often attempt to prove that the patent in question is invalid because the prior art disclosed the invention at issue. Because defendants have greater incentive (and, often, greater resources) to

search for prior art than a typical patent examiner, defendants often uncover art not considered by the Patent Office.

Burden of Proof

While not required by statute, courts have long taken the position that a patent defendant must prove that a patent is invalid by “clear and convincing” evidence. This standard is in contrast to the traditional civil litigation “preponderance of evidence” standard. While the words standing alone may not seem so dissimilar, in practice, the two standards are very different. To prove an issue by a preponderance of evidence, you must produce more evidence favoring your position than opposing your position. In other words, you need slightly better than 50 percent of the evidence in your favor. However, proving something by “clear and convincing” evidence requires a higher threshold showing. While the “clear and convincing” standard is hard to reduce to a numerical percentage, plaintiff’s lawyers are quick to point out that it is a heightened bar—some are fond of pointing out that it’s the same standard the government must meet in order to take someone’s children away.

Supreme Court’s View

It is always hard to predict how the Supreme Court will rule in any particular case, but several of the justices do seem inclined to change the “clear and convincing” standard. The Court appears to be bothered by the incongruity of applying a heightened standard to prior art that the Patent Office never considered. For example, when counsel for the government argued that a heightened standard was appropriate given

that the issuance of a patent is a decision made by an executive branch agency, Justice Alito retorted that the argument “doesn’t carry very much weight when the [prior art] was never considered by the [Patent Office].” Justices Scalia, Breyer, Sotomayor and Kagan seemed similarly skeptical of the legitimacy of a heightened standard.

Although some may question why the appropriate standard for patent validity is important enough for Supreme Court review, the outcome of this case will likely have a huge impact on the way we look at patents. For a long time, conventional wisdom has held that honoring patents helped spur invention, which in turn helped the economy. As a result, we hold U.S. patents on something of a pedestal. Over the past decade, however, we’ve seen that bad patents (i.e., patents that should never have been issued in the first place) have a countervailing deleterious impact. As Justice Breyer put it, “It’s a bad thing not to give protection to an invention that deserves it; and it is just as bad a thing to give protection to an invention that doesn’t deserve it. Both can seriously harm the economy.”

In resolving *Microsoft v. i4i*, the Supreme Court will decide much more than a burden of proof; it will determine if U.S. patents will continue to occupy their lofty place in the intellectual property lexicon.”

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