

**MAINTAINING THE CLEAR AND CONVINCING
EVIDENCE STANDARD FOR PATENT INVALIDITY
CHALLENGES IN *Microsoft Corp. v. i4i Limited
Partnership*, 131 S. CT. 2238 (2011)**

The term “burden of proof” is one of the “slipperiest members of the family of legal terms,” and the correct standard of proof when challenging the validity of a patent is no exception.¹ Section 282 of the Patent Act states that “[a] patent shall be presumed valid” and that “[t]he burden of establishing invalidity of a patent . . . shall rest on the party asserting such invalidity.”² Eighteen years before the Act’s codification in 1952, the Supreme Court held that the presumption of validity must be overcome by clear and convincing evidence.³ In the years following the Patent Act’s enactment, the Federal Circuit similarly interpreted Section 282 to require a defendant seeking to overcome this presumption to prove invalidity by clear and

1. *Microsoft Corp. v. i4i Ltd. P’ship*, 131 S. Ct. 2238, 2245 n.4 (2011) (quoting *Schaffer v. Weast*, 546 U.S. 49, 56 (2005)); see also FED. TRADE COMM’N, TO PROMOTE INNOVATION: THE PROPER BALANCE OF COMPETITION AND PATENT LAW AND POLICY 8–10 (2003), available at <http://www.ftc.gov/os/2003/10/innovationrpt.pdf> (stating that the clear and convincing evidentiary standard is “unjustified” and calling for a preponderance of the evidence standard); Doug Lichtman & Mark A. Lemley, *Rethinking Patent Law’s Presumption of Validity*, 60 STAN. L. REV. 45, 49 (2007) (arguing that the clear and convincing evidence standard does not “accurately reflect the realities of current patent practice” and should be replaced with a preponderance of the evidence standard); David O. Taylor, *Clear but Unconvincing: The Federal Circuit’s Invalidity Standard*, 21 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 293, 318 (2011) (“To correct for the significant problems associated with the Federal Circuit’s standard for proving invalidity—including its logical shortcomings, incorrect assumptions, perverse incentives, negative effects on patent quality, unjust rewards, and unnecessary transaction costs—that standard, which requires clear and convincing evidence of invalidity in every circumstance, should be replaced with a preponderance burden of proof when the U.S. Patent and Trademark Office did not consider material prior art.”).

2. 35 U.S.C. § 282 (2006).

3. See *Radio Corp. of Am. v. Radio Eng’g Labs., Inc. (RCA)*, 293 U.S. 1, 7 (1934) (“A patent regularly issued, and even more obviously a patent issued after a hearing of all the rival claimants, is presumed to be valid until the presumption has been overcome by convincing evidence of error.”).

convincing evidence.⁴ The clear and convincing evidentiary standard is higher than the “preponderance of the evidence” standard commonly used in civil cases, but lower than the “beyond a reasonable doubt” standard for criminal cases.⁵ The main rationale for requiring a higher evidentiary standard to prove the invalidity of patents is deference to the decision of the United States Patent and Trademark Office (PTO) to grant the patent in the first place after considering any relevant “prior art.”⁶ Prior art is defined as the knowledge of, usage of, patent on, or description relating to an invention already in existence before the invention described in the patent application.⁷ As part of its duties, the PTO must search for any relevant prior art and consider any prior art relating to the subject matter of the claimed invention before granting a patent.⁸

4. *E.g.*, *ALZA Corp. v. Andrx Pharm., LLC*, 603 F.3d 935, 940 (Fed. Cir. 2010); *Tech. Licensing Corp. v. Videotek, Inc.*, 545 F.3d 1316, 1327 (Fed. Cir. 2008); *Ultra-Tex Surfaces, Inc. v. Hill Bros. Chem. Co.*, 204 F.3d 1360, 1367 (Fed. Cir. 2000); *Greenwood v. Hattori Seiko Co.*, 900 F.2d 238, 240–41 (Fed. Cir. 1990); *Am. Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350, 1360 (Fed. Cir. 1984).

5. *See, e.g.*, *Tech. Licensing Corp.*, 545 F.3d at 1326–27. *See generally* Christopher B. Mueller & Laird C. Kirkpatrick, *Federal Evidence* § 3.5 (3d ed.) (“Normally the burden of persuasion in civil cases is defined in terms of a preponderance of the evidence. This standard applies unless there is some special reason to prefer a higher one . . .”).

6. *See i4i*, 131 S. Ct. at 2243 (noting the presumption of validity is based upon the “basic proposition that a government agency such as the [PTO] was presumed to do its job”) (quoting *Am. Hoist*, 725 F.2d at 1359); *see also RCA*, 293 U.S. at 7 (“A patent regularly issued . . . is presumed to be valid until the presumption has been overcome by convincing evidence of error.”) (emphasis added); *id.* at 8 (“[O]ne otherwise an infringer who assails the validity of a patent *fair upon its face* bears a heavy burden of persuasion . . .”) (emphasis added); *Morgan v. Daniels*, 153 U.S. 120, 125 (1894) (“[W]here the question decided in the Patent Office is one between contesting parties as to priority of invention, [that decision is] controlling upon that question of fact in any subsequent suit between the same parties, unless the contrary is established by testimony which in character and amount carries thorough conviction.”); *Cantrell v. Wallick*, 117 U.S. 689, 695 (1886) (stating that where the PTO already had considered the prior art submitted, “[t]he burden of proof is upon the defendants to establish [the invalidity based on prior invention] defence. For the grant of letters patent is *prima facie* evidence that the patentee is the first inventor of the device described in the letters patent and of its novelty.”).

7. *See* 35 U.S.C. § 102(a) (2006).

8. *See, e.g.*, 37 C.F.R. § 1.104 (2010); U.S. PTO Manual of Patent Examining Procedure (“MPEP”) § 706, available at http://www.uspto.gov/web/offices/pac/mpep/documents/0700_706.htm#sect706 (“After the application has been read and the claimed invention understood, a prior art search for the claimed invention is made. With the results of the prior art search, including any references provided by the applicant, the patent application should be reviewed and analyzed in conjunction with the state of the prior art to determine whether the claims define

Last Term, in *Microsoft Corp. v. i4i Limited Partnership*, the Supreme Court held that the clear and convincing evidence standard applies to all invalidity challenges to patents—even when the patent’s prior art has not been considered by the PTO.⁹ Purporting to defer to Congress’s intent as expressed in the Patent Act, the Court found that because the presumption of patent validity articulated in Section 282 of the Patent Act already had a common law meaning at the time the Act was passed, Congress intended the clear and convincing standard to apply to all challenges based on a patent’s invalidity.¹⁰ In so doing, however, the Court ignored the fundamental logic behind the presumption, thereby setting the standard for proving patent invalidity higher than Congress actually intended for patents whose prior art was never reviewed by the PTO. Although this mistaken decision might decrease uncertainty about the burden of proof for invalidity defenses, the Court’s opinion clears the way for holders of bad patents to stifle innovation and business growth.

i4i Limited Partnership (i4i) was a software consulting company that created customized software for its clients.¹¹ “In June 1994, i4i applied for a patent concerning a method for processing and storing information about the structure of electronic documents.”¹² The PTO granted the application in 1998 and issued the patent.¹³ In 2007, i4i brought suit against Microsoft for willful infringement, alleging that Microsoft infringed claims of the patent by “making, using, selling, offering to sell, and/or importing Word products capable of processing or editing custom XML.”¹⁴ Microsoft counterclaimed and sought a declaration that i4i’s patent was invalid and unenforceable.¹⁵ At trial, Microsoft alleged that i4i’s patent was invalid under the on-sale bar of Patent Act Section 102(b), which states that an invention is not pat-

a useful, novel, nonobvious, and enabled invention that has been clearly described in the specification.”).

9. See 131 S. Ct. at 2244, 2252–53.

10. See *id.* at 2245–46.

11. *I4I Limited P’ship v. Microsoft Corp.*, 598 F.3d 831, 839 (Fed. Cir. 2010).

12. *Id.*

13. See *id.* The patent claims an improved method for editing documents containing markup languages, including XML, that direct the computer to process the text by inserting “tags” around the text. See *id.* at 839–40. Tags give the computer information about the text, such as how to display it or what the text’s content includes. *Id.*

14. *Id.* at 840.

15. *Id.*

entable if it was patented or described in a printed publication or in public use or on sale in the United States more than one year prior to the date of the application.¹⁶ More than one year before filing the application, i4i's predecessor developed and sold a software program known as S4 in the United States.¹⁷ Because the S4 software was never submitted to the PTO examiner, Microsoft challenged i4i's proposed jury instruction that Microsoft was required to prove invalidity by clear and convincing evidence.¹⁸ Basing its challenge on dicta in both *KSR International Co. v. Teleflex, Inc.*¹⁹ and *American Hoist & Derrick Co. v. Sowa & Sons, Inc.*,²⁰ Microsoft instead requested that its burden of proof should be by a preponderance of the evidence.²¹ The district court rejected Microsoft's proposal for a varying standard of proof and instructed the jury that Microsoft had the burden of proving invalidity by clear and convincing evidence.²²

In 2010, the Federal Circuit affirmed.²³ According to the court, Federal Circuit precedent and the Supreme Court's decision in *KSR* did not change the burden of proving invalidity by clear and convincing evidence.²⁴

16. *See id.* at 844; *see also* 35 U.S.C. § 102(b) (2006).

17. *Microsoft Corp. v. i4i Ltd. P'ship*, 131 S. Ct. 2238, 2243–44 (2011). The parties disputed, however, whether S4 embodied the invention claimed in i4i's patent because S4's source code had been destroyed long before the suit was commenced. *See id.*

18. *Id.* at 2244.

19. 550 U.S. 398 (2007). In *KSR*, the Supreme Court did not reach the question of whether the failure to disclose prior art during the prosecution of the patent voided the presumption of validity but nevertheless explicitly noted that "the rationale underlying the presumption [of validity]—that the PTO, in its expertise, has approved the claim—seems much diminished here." *Id.* at 426.

20. 725 F.2d 1350, 1359–60 (Fed. Cir. 1984) ("When an attacker, in sustaining the burden imposed by § 282, produces prior art or other evidence *not* considered in the PTO, there is, however, *no reason to defer* to the PTO so far as *its* effect on validity is concerned. Indeed, new prior art not before the PTO may so clearly invalidate a patent that the burden is fully sustained merely by proving its existence and applying the proper law . . .").

21. *See i4i*, 131 S. Ct. at 2244.

22. *Id.*

23. *I4I Limited P'ship v. Microsoft Corp.*, 598 F.3d 831, 839 (Fed. Cir. 2010).

24. *Id.* at 848 (citing *Lucent Techs., Inc. v. Gateway, Inc.*, 580 F.3d 1301, 1311–16 (Fed. Cir. 2009)).

The Supreme Court affirmed.²⁵ Justice Sotomayor's opinion purported to defer to Congress's intent based on the text of the Patent Act. Although Congress had not expressly articulated a burden of proof in the statute, the Court began its analysis with "the assumption that the ordinary meaning of the language chosen by Congress accurately expresses the legislative purpose."²⁶ Where Congress used a common-law term, however, the Court assumed that Congress used the term according to its common-law meaning, "absent anything pointing another way,"²⁷ and adopted "the cluster of ideas" attached to the borrowed term.²⁸ Importantly, the Court found that by the time Congress enacted Section 282, the clear and convincing evidentiary standard for proving invalidity "had long been a fixture of the common law."²⁹ Relying heavily on Justice Cardozo's decision in *RCA*, the Court pointed to language in *RCA* articulating a "clear and cogent" standard for the party asserting the invalidity defense, which the Court equated with the clear and convincing standard.³⁰

The Court rejected Microsoft's contention that the cases decided before Congress passed Section 282 had not uniformly applied the clear and convincing standard of proof for invalidity challenges and, therefore, that the presumption had no settled meaning at common law.³¹ Justice Sotomayor concluded that *RCA* and the Court's decisions following it did not allow

25. *i4i*, 131 S. Ct. at 2253. Justice Sotomayor delivered the opinion of the Court. Justices Scalia, Kennedy, Ginsburg, Breyer, Alito, and Kagan joined in the opinion. Justice Breyer filed a concurring opinion in which Justices Scalia and Alito joined. Justice Thomas filed a separate opinion concurring in the judgment. Chief Justice Roberts took no part in the decision. *Id.* at 2241.

26. *Id.* at 2245 (citation and internal quotation marks omitted).

27. *Id.* at 2245.

28. *Id.* at 2247 (internal quotation marks omitted).

29. *Id.* at 2246–47.

30. *See id.* at 2245–46 (citing *RCA*, 293 U.S. 1, 2, 8 (1934)).

31. *See id.* at 2247–48. Microsoft argued that the pre-1952 cases applied the heightened standard of proof only in two kinds of cases—those involving possibly unreliable "oral testimony of prior invention" and "invalidity challenges based on priority of invention" where the parties had already litigated the issue during PTO proceedings. *Id.* In support of this contention, Microsoft also pointed to a handful of Supreme Court decisions addressing patent validity between 1938 and 1952, none of which mentioned a heightened standard of proof. *See* Brief for Petitioner-Appellant at 31 n.2, *Microsoft Corp. v. i4i Ltd. P'ship*, 131 S. Ct. 2238 (2011) (No. 10-290).

for a varying standard of proof depending on whether the patent's prior art had been considered by the PTO.³²

Although the Court acknowledged that numerous courts of appeal before 1952 stated that the presumption of validity was "weakened" where the PTO never considered the evidence in an infringement action, the Court nevertheless declined to impute to Congress the intention of establishing a lower burden of proof in Section 282 where a failure to consider prior art weakened the presumption of validity.³³ Rather, the Court understood such cases to reflect the "commonsense principle" that new evidence never considered by the PTO supporting an invalidity defense would "carry more weight" in an infringement action but would not change the burden of proof.³⁴ Purporting to defer to the intent of the legislature, the Court found itself "in no position to judge the comparative force of [the] policy arguments" for and against maintaining the clear and convincing standard of proof, holding that "[a]ny re-calibration of the standard of proof remains in [Congress's] hands."³⁵ Although Congress had amended Section 282, because it had not specifically enacted a standard of proof contrary to *RCA's* and the Federal Circuit's interpretation that challengers must prove invalidity by clear and convincing evidence, the Court refused to infer that Congress had implicitly created a variable standard of proof for invalidity defenses.³⁶

Justice Breyer³⁷ concurred in the opinion but wrote separately to emphasize that the evidentiary standard of proof applies to questions of fact and not to questions of law.³⁸ Justice Breyer's concurrence, therefore, left open the question of what

32. *Id.* at 2250 ("[T]his Court often applied the heightened standard of proof without any mention of whether the relevant prior-art evidence had been before the PTO examiner, in circumstances strongly suggesting it had not.").

33. *Id.*, 131 S. Ct. at 2250–51.

34. *Id.* at 2251 (quoting *Am. Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350, 1360 (Fed. Cir. 1984)). In addition, the Court noted that the jury may be instructed to take into consideration whether the evidence before them has never been evaluated by the PTO when determining whether an invalidity defense has been proved by clear and convincing evidence. *See id.* If the evidence has not been before the PTO, the instruction would presumably contribute to finding that the burden of proof had been satisfied. The Court, however, refused to consider the omission of such an instruction in this case. *See id.*

35. *Id.* at 2252.

36. *See id.*

37. Justice Breyer was joined by Justices Scalia and Alito. *Id.* at 2241 (Breyer, J., concurring).

38. *Id.* at 2253.

evidentiary standard should apply to questions of law, such as whether the product was previously “in public use,”³⁹ or whether the invention was novel⁴⁰ or non-obvious.⁴¹ In such cases, the concurring Justices concluded only that the “strict standard of proof has no application.”⁴²

Justice Thomas concurred in the judgment only.⁴³ In contrast to the majority opinion, Justice Thomas was “not persuaded that Congress codified a standard of proof when it stated in the Patent Act of 1952 that ‘[a] patent shall be presumed valid.’”⁴⁴ Focusing on the appellate court split before 1952 about the effect of the presumption of validity, Justice Thomas expressed his doubt that the presumption of validity constituted a term of art in 1952 or even that Congress’s use of a word that was “similar to a term of art” codified it as a term of art.⁴⁵ Faced with Section 282’s silence as to the standard of proof, however, Justice Thomas concluded that Section 282 did not alter the common-law rule.⁴⁶ Because *RCA* predated the Act and had never been overruled by the Court or Congress, Justice Thomas determined that the heightened standard of proof set forth in that case controlled.⁴⁷

Although the Court’s decision decreased uncertainty by rejecting a standard-based approach to determining the burden of proof in invalidity defenses, in so doing the Court cherry-picked from the “cluster of ideas”⁴⁸ attached to the presumption of validity to infer a heightened standard of proof for all patents regardless of whether the PTO considered the prior art. In its decision, the Court focused solely on the Federal Circuit’s interpretation that the presumption of validity requires proof by clear and convincing evidence and ignored the fundamental logic behind the presumption of patent validity—that the PTO had examined the patent properly. By selecting only the burden of proof traditionally associated with the presumption without considering the rationale underlying that association, the Court read into the

39. 35 U.S.C. § 102(b) (2006).

40. *See id.* § 102.

41. *See id.* § 103.

42. *i4i*, 131 S. Ct. at 2253.

43. *Id.* (Thomas, J., concurring).

44. *Id.* (quoting 35 U.S.C. § 282 (2000)).

45. *Id.* at 2253; *cf. Bruesewitz v. Wyeth LLC*, 131 S. Ct. 1068, 1076–77 (2011).

46. *i4i*, 131 S. Ct. at 2254.

47. *Id.*

48. *Id.* at 2247 (majority opinion) (quoting *Beck v. Prupis*, 529 U.S. 494, 501 (2000)).

legislative radio silence a higher evidentiary standard than Congress actually intended for patents whose prior art was never reviewed by the PTO. The Court's narrow reading of the ideas attached to the presumption of patent validity allows holders of bad patents to assert them against businesses to extract unearned value and thereby deter innovation and growth.

The function of the evidentiary standard is "to allocate the risk of error between the litigants and to indicate the relative importance attached to the ultimate decision."⁴⁹ Higher evidentiary standards are warranted only where the interests at stake are deemed to be "more substantial than mere loss of money" and to protect "particularly important individual interests in civil cases," usually in the realm of fundamental personal rights.⁵⁰ For patents specifically, several reasons have been offered to justify the seemingly aberrant application of the clear and convincing evidence standard instead of the preponderance standard normally used in civil cases. The preponderance standard was thought to be too "dubious" a standard to deem intellectual property, the purest form of Locke's labor theory of property,⁵¹ invalid.⁵² Second, the higher evidentiary standard can be considered part of the "bargain" that inventors take into account when they agree to disclose their invented processes to the public.⁵³ Finally, courts have justified the use of an elevated burden of proof for invalidity defenses because of the belief that a lay jury should not overturn the "considered judgment of an expert agency."⁵⁴

Even if intellectual property merits special deference simply because of its nature as a "most precious property right,"⁵⁵ however,

49. *Addington v. Texas*, 441 U.S. 418, 423 (1979).

50. *Id.* at 424 (citing cases of denaturalization); see also *Santosky v. Kramer*, 455 U.S. 745, 758–59 (1982) (finding a higher evidentiary standard appropriate for interests, here parental rights, that are "far more precious than any property right"); cf. *Grogan v. Garner*, 498 U.S. 279, 286–87 (1991) (rejecting higher evidentiary standard for insolvent debtors who had perpetrated fraud because higher standard only applies where "particularly important individual interests or rights are at stake").

51. See JOHN LOCKE, *TWO TREATISES OF GOVERNMENT* 287–88 (Peter Laslett ed., 2d ed. 1967).

52. *Id.*, 131 S. Ct. at 2246 (citing *Radio Corp. of Am. v. Radio Eng'g Lab.*, 293 U.S. 1, 8 (1934)).

53. See *id.* at 2252 (citing *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 150–51 (1989)).

54. *Id.* at 2252.

55. *Santosky v. Kramer*, 455 U.S. 745, 758–59 (1982) (discussing the right to take care of one's children).

it is hard to see why this heightened evidentiary threshold does not extend to other areas of intellectual property. In particular, trademarks and copyrights require only a preponderance of the evidence to overcome the presumption of validity.⁵⁶ Distinguishing between patent law and other intellectual property law is puzzling in light of the “historic kinship” courts have recognized between patent and copyright law.⁵⁷ In light of Congress’s apparent acceptance of the lower preponderance of the evidence standard for proving copyright invalidity, maintaining a higher threshold for patents and giving deference even when prior art has not been considered by the examiner merely because of the purported precious property right of patents risks drawing a false dichotomy.

Even if the presumption of patent validity merits using a higher evidentiary standard than a preponderance of the evidence, the clear and convincing standard should not apply to patents where the prior art was not before the PTO. Central to the presumption of validity is the “basic proposition that a government agency such as the [PTO] was presumed to do its job”⁵⁸ and is therefore entitled to deference.⁵⁹ The PTO must, as part of its examination, consider prior art related to the proposed patent application.⁶⁰ Importantly, the mere fact that the PTO has considered the prior

56. For trademarks, for example, see 15 U.S.C. §§ 1057(b), 1115(a) (2006); *Cold War Museum, Inc. v. Cold War Air Museum, Inc.*, 586 F.3d 1352, 1356 (Fed. Cir. 2009) (“A party seeking to cancel a registration must overcome the registration’s presumption of validity by a preponderance of the evidence.”). For copyrights, for example, see 17 U.S.C. § 410 (2006); *Medforms, Inc. v. Healthcare Mgmt. Solutions, Inc.*, 290 F.3d 98, 114 (2d Cir. 2002) (holding that district court did not err by instructing the jury that defendants in copyright infringement case could rebut the presumption of validity by a preponderance of the evidence).

57. *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 439 (1984).

58. *i4i*, 131 S. Ct. at 2243 (citing *Am. Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350, 1359 (Fed. Cir. 1984)).

59. See, e.g., *KSR Int’l Co. v. Teleflex Inc.*, 550 U.S. 398, 426 (2007) (finding that where the patentee had failed to disclose prior art, “the rationale underlying the presumption [of validity]—that the PTO, in its expertise, has approved the claim” was “much diminished”); *Am. Hoist*, 725 F.2d at 1359 (“When no prior art other than that which was considered by the PTO examiner is relied on by the attacker, he has the added burden of overcoming the deference that is due to a qualified government agency presumed to have properly done its job.”); cf. *Purdue Pharma L.P. v. Faulding Inc.*, 230 F.3d 1320, 1329 (Fed. Cir. 2000) (“[D]eference . . . takes the form of the presumption of validity that is accorded to issued patents under 35 U.S.C. § 282”).

60. See, e.g., 35 U.S.C. § 102(b) (2006); *id.* § 102(e). See also *supra* note 8 and accompanying text.

art does not make the patent valid.⁶¹ Even if the examiner considers the patent's prior art, the patent must also be novel,⁶² nonobvious,⁶³ and clearly described.⁶⁴ The PTO examiner's consideration of the prior art is thus a statutorily necessary condition for deference to its determination to grant the patent, not merely a sufficient one. The assumption that the PTO has reviewed the prior art for the presumption of validity to carry the same weight has been articulated by numerous courts both before and after the Patent Act was promulgated in 1952,⁶⁵ most recently in *KSR Int'l Co. v. Teleflex Inc.*, where the Supreme Court found that when the patentee failed to disclose prior art, and the Court stated that "the rationale underlying the presumption [of validity]—that the PTO, in its expertise, has approved the claim" seemed "much diminished."⁶⁶ As such, even assuming that the presumption of validity was a term of art that carried a higher evidentiary standard, the "cluster of ideas"⁶⁷ attached to the pre-

61. For example, the patent must satisfy the requirements of eligibility in 35 U.S.C. § 101 (2006). *See* *Bilski v. Kappos*, 130 S. Ct. 3218, 3221 (2010) ("The § 101 eligibility inquiry is only a threshold test. Even if a claimed invention qualifies in one of the four categories, it must also satisfy 'the conditions and requirements of this title,' § 101(a), including novelty, see § 102, nonobviousness, see § 103, and a full and particular description, see § 112.").

62. *See* 35 U.S.C. § 102 (2006).

63. *Id.* § 103(a).

64. *Id.* § 112.

65. *See, e.g.,* *Am. Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350, 1359–60 (Fed. Cir. 1984) ("When an attacker, in sustaining the burden imposed by § 282, produces prior art or other evidence *not* considered in the PTO, there is, however, *no reason to defer* to the PTO so far as *its* effect on validity is concerned. Indeed, new prior art not before the PTO may so clearly invalidate a patent that the burden is fully sustained merely by proving its existence and applying the proper law . . ."); *Ludlow Corp. v. Textile Rubber & Chem. Co.*, 636 F.2d 1057, 1059 (5th Cir. 1981) ("A patent is presumed valid. . . . The presumption of validity, however, is not conclusive. It is weakened when pertinent art has not been considered by the Patent Office.") (citation omitted); *Nordell v. Int'l Filter Co.*, 119 F.2d 948, 950 (7th Cir. 1941) ("[T]here can be no presumption of validity over . . . prior art which the Examiner did not note."); *Nat'l Elec. Prods. Corp. v. Grossman*, 70 F.2d 257, 258 (2d Cir. 1934) (holding that the "presumption of validity does not extend beyond the record before the Examiner"); *Am. Soda Fountain Co. v. Sample*, 130 F. 145, 149 (3d Cir. 1904) ("[T]he force of th[e] presumption is much diminished, if not destroyed, by the lack of any reference by the Examiner to, or consideration of, [allegedly invalidating] patents.").

66. 550 U.S. 398, 426 (2007).

67. *Microsoft Corp. v. i4i Ltd. P'ship*, 131 S. Ct. 2238, 2247 (quoting *Beck v. Prupis*, 529 U.S. 494, 501 (2000)).

sumption thus includes this assumption that the patent and its prior art had been examined by the PTO.

The Court's reading of the Patent Act's presumption of validity as a term of art directly contrasts with the way the Court has interpreted the language of the Patent Act in the past, a sentiment echoed by Justice Thomas in his concurring opinion.⁶⁸ In *Bilski v. Kappos*, for instance, the Court found that "[i]n patent law, as in all statutory construction, unless otherwise defined, words will be interpreted as taking their ordinary, contemporary, common meaning."⁶⁹ The ordinary meaning of the word "presume" in the phrase "[a] patent shall be presumed valid"⁷⁰ merely establishes a procedural device for shifting the burden of production or persuasion.⁷¹ Instead of limiting the meaning of the presumption of validity to its evidentiary function, however, the Court chose to read the word "presume" as a term of art that carried with it a clear and convincing evidentiary burden of proof.⁷² In justifying its decision, the Court remarked that, "[w]hatever the significance of a presumption in the abstract, basic principles of statutory construction require us to assume that Congress meant to incorporate 'the cluster of ideas' attached to the common-law term it adopted."⁷³ In importing the clear and convincing evidence the Court felt was attached to the common law term "presume," however, the Court ignored the fundamental rationale—deference to the PTO—underlying that evidentiary threshold. By cherry-picking one "cluster" out of all of the ideas associated with the presumption of validity, the Court thus "read into the patent laws limitations and conditions which the legislature has not ex-

68. See *id.*, 131 S. Ct. at 2254 (Thomas, J., concurring) (asserting that Congress's use of a word that is similar to a term of art does not necessarily codify the term of art) (citing *Bruesewitz v. Wyeth LLC*, 131 S. Ct. 1068, 1076–77 (2011)).

69. 130 S. Ct. 3218, 3226 (2010) (citing *Diamond v. Diehr*, 450 U.S. 175, 182 (1981)); see also *Diamond v. Chakrabarty*, 447 U.S. 303, 308 (1980) (reading the term "manufacture" in § 101 of the Patent Act in accordance with dictionary definition).

70. 35 U.S.C. § 282 (2006).

71. See *i4i*, 131 S. Ct. at 2246–47 (majority opinion); see also JAMES BRADLEY THAYER, A PRELIMINARY TREATISE ON EVIDENCE AT THE COMMON LAW 336–39 (1898); JOHN HENRY WIGMORE, SELECT CASES ON THE LAW OF EVIDENCE 1068–71 (2d ed. 1913).

72. *i4i*, 131 S. Ct. at 2247 (quoting *Beck v. Prupis*, 529 U.S. 494, 501 (2000)). The Court found that the attached "cluster of ideas" was the standard proof required to overcome the presumption of validity. *Id.*

73. *Id.* at 2247.

pressed”⁷⁴ and probably did not intend.⁷⁵ Further, Congress’s silence regarding the evidentiary standard for invalidity defenses does not give the Court carte blanche to create categorical rules, even if such rules could decrease uncertainty.⁷⁶ Rather, the Court instead could have allowed the Federal Circuit to continue to develop “other limiting criteria that further the purposes of the Patent Act and are not inconsistent with its text.”⁷⁷ Such an interpretation would be more in conformity with the Court’s previous approach to interpreting terms in patent law—where such terms are undefined and not a term of art—with respect to their common or ordinary meanings.⁷⁸

The Court’s opinion also will increase the costs of doing business and thwart innovation. In its quest for the Goldilocks balance between protecting the rights of inventors and encouraging innovation, Congress specifically focused on “drawing a line between the things which are worth to the public the em-

74. *Diehr*, 450 U.S. at 182 (internal quotation marks omitted).

75. SUBCOMM. ON PATENTS, TRADEMARKS, AND COPYRIGHTS OF THE COMM. ON THE JUDICIARY, 86TH CONG., COURT DECISIONS AS GUIDES TO PATENT OFFICE 5–6 (Comm. Print 1960) (“[The] presumption [of validity] is strongest where the Patent Office records includes the most pertinent prior patents and/or publications adduced in support of a defense of invalidity for lack of patentable invention. The presumption of validity is weakened where the patents and/or publications adduced in court present a significantly stronger case of lack of patentable invention than do the patents and/or publications cited by the Patent Office. When the presumption is so weakened, the burden of proof . . . is reduced from a burden of proof beyond a reasonable doubt to a burden of proof by preponderance of the evidence.”) (emphasis added).

76. See *Grogan v. Garner*, 498 U.S. 279, 286 (1991) (“[Congress’s] silence is inconsistent with the view that Congress intended to require a special, heightened standard of proof.”); see also *Bilski v. Kappos*, 130 S. Ct. 3218, 3226 (2010) (asserting that a few traditional deviations from the ordinary meaning of terms in the Patent Act do not give “the Judiciary *carte blanche* to impose other limitations that are inconsistent with the text and the statute’s purpose and design”).

77. *Bilski*, 130 S. Ct. at 3231; see also Jennifer K. Bush et al., *Six Patent Law Puzzlers*, 13 TEX. INTELL. PROP. L.J. 1, 19 (2004) (“[T]he requirement of proof by clear and convincing evidence to rebut the presumption of validity appears unique to patent law. Although the presumption of validity is statutory, the resulting proof burden was judicially imposed. Consequently, the Federal Circuit, sitting *en banc*, could enact the FTC’s recommendation to reduce the quantum of proof required to rebut the presumption without legislation.”); Dan L. Burk & Mark A. Lemley, *Policy Levers in Patent Law*, 89 VA. L. REV. 1575, 1659 (2003) (“[The Federal Circuit] could, if it wished, make the presumption one that could be overcome by preponderance of the evidence, rather than by clear and convincing evidence. Alternatively, the Federal Circuit could change its rule so that the presumption did not apply to prior art that was not considered by the PTO.”).

78. See *supra* note 69 and accompanying text.

barrassment of an exclusive patent, and those which are not.”⁷⁹ Although bright-line rules might reduce the complexity and cost of litigation,⁸⁰ this logic only applies where the rule enables plaintiffs to make a better decision about whether to initiate suit. It does *not* apply, however, where the categorical rule essentially facilitates the filing of weak suits by limiting defenses aimed at identifying suits that should never have been brought in the first place—in this case, patent infringement suits for invalid patents. Accordingly, the Court’s categorical rule in *i4i* actually *increases* costs ex ante by arming holders of bad patents with a Damocles’ sword to hold over the heads of inventors and business owners in exchange for “nuisance-value settlements.”⁸¹ Opportunities for nuisance-value suits are particularly prolific in patent litigation because plaintiffs can begin the litigation process quite easily, and it often can cost less for larger defendants to pay royalties or acquire the patent portfolio than to litigate the case all the way to trial.⁸² Even if such suits do not decrease the availability of products, the increased costs of innovation will ultimately be passed on to consumers.⁸³ The Court’s proposed solution—to maintain a higher evidentiary

79. *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 148 (1989) (quoting Letter from Thomas Jefferson to Isaac McPherson (Aug. 13, 1813), in *THE WRITINGS OF THOMAS JEFFERSON* 326, 335 (Albert Ellery Bergh ed., Memorial ed. 1904)).

80. See Louis Kaplow, *Rules Versus Standards: An Economic Analysis*, 42 DUKE L.J. 557, 569 (1992).

81. See Randy J. Kozel & David Rosenberg, *Solving the Nuisance-Value Settlement Problem: Mandatory Summary Judgment*, 90 VA. L. REV. 1849, 1858 (2004); see also Robert P. Merges, *One Hundred Years of Solicitude: Intellectual Property Law, 1900–2000*, 88 CALIF. L. REV. 2187, 2190–91 (2000) (“There is a fine line, after all, between a meritorious property right and an odious government enforced rent.”); Michael J. Meurer, *Controlling Opportunistic and Anti-Competitive Intellectual Property Litigation*, 44 B.C. L. REV. 509, 509–10 (2003) (“[Intellectual property law] promotes harmful rent-seeking by owners of IP rights who undertake opportunistic and anti-competitive lawsuits. Some IP owners value their property rights chiefly as ‘tickets’ into court that give them a credible threat to sue vulnerable IP users.”).

82. See Kozel & Rosenberg, *supra* note 81, at 1856; see also Meurer, *supra* note 81, at 510 (“Socially harmful IP litigation is common because the rights are easy to get and potentially apply quite broadly, and the problem is growing worse because of the expansion of the scope and strength of IP law.”).

83. See Mark A. Lemley, *Rational Ignorance at the Patent Office*, 95 NW. U. L. REV. 1495, 1521 (2001) (“[T]he costs of licensing and litigation are imposed not just on patent owners, but also on accused infringers and, indirectly, on the public.”); see also U.S. FED. TRADE COMM’N, *supra* note 1, at 6 (“If the competitor chooses to negotiate a license to and pay royalties on the questionable patent, the costs of follow-on innovation and commercial development increase due to unjustified royalties.”).

standard but allow evidence that the PTO did not consider the prior art to contribute to proving invalidity⁸⁴—does not address the fundamentally skewed incentives for filing nuisance suits that the higher threshold creates. A variable standard would therefore not only decrease costs to business and courts, but also would not jeopardize “good” patents because the clear and convincing evidence standard would continue to apply for those patents whose prior art had been considered by the PTO.

By attempting to create more certainty in the convoluted field of patent law, the Court in *i4i* read into Congress’s silence a higher standard than the one it likely intended to impose for patents whose prior art was never examined by the PTO. In so doing, the Court cherry-picked from all of the assumptions attached to the presumption of validity to arrive at its conclusion that the clear and convincing evidence standard applied to all patents, regardless of whether the PTO’s decision to grant the patent deserved deference. The Court should have followed its own reasoning in *Bilski* and allowed the Federal Circuit to continue to develop the evidentiary standard depending on what deference is owed to the PTO. By drawing a line in the sand at the clear and convincing evidence high-water mark, the Court’s decision will likely increase the costs to businesses, deter innovation, and ultimately harm consumers by decreasing the availability of products in the market.

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84. See *Microsoft Corp. v. i4i Ltd. P’ship*, 131 S. Ct. 2238, 2251 (2011) (“[N]ew evidence supporting an invalidity defense may ‘carry more weight’ in an infringement action than evidence previously considered by the PTO.” citing *Am. Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350, 1360 (Fed. Cir. 1984)).