

The Proper Role for the Presumption of Validity

Derek Dahlgren¹

DOI: 10.6521/NTUTJIPLM.2014.3(2).9

Quick View

In 2011, the Supreme Court addressed the presumption of validity in *Microsoft Corp. v. i4i Ltd. P'ship*.² It confirmed that the standard of proof for invalidity is clear and convincing evidence. Initially, this opinion was seen by many as preserving the strength of patents. But closer scrutiny reveals that the Supreme Court's analysis does not extend to all invalidity defenses. According to Justice Breyer's concurrence, joined by Justices Scalia and Alito, the presumption of validity only provides protection against factual elements of an invalidity challenge. That concurrence, and the Supreme Court's recent opinion in *Nautilus, Inc. v. Biosig Instruments, Inc.*,³ suggest that the presumption of validity has no application to purely legal bases for invalidity.

A brief discussion of *i4i* and *Nautilus* is instructive. In *i4i*, Microsoft appealed a jury decision finding that it had not proven invalidity due to the on-sale bar, a purely factual inquiry, by clear and convincing evidence. On appeal, Microsoft argued that a defendant to an infringement action need only persuade the jury of an invalidity defense by a preponderance of the evidence. The Supreme Court rejected that argument.

Instead, the Supreme Court concluded that the presumption of validity codified the pre-1952 standard set forth in opinions such as *Radio Corp. of Am. v. Radio Eng'g Labs., Inc.*⁴ The Supreme Court stated that by the time Congress enacted 35 U.S.C. § 282, "the presumption encompassed not only an allocation of the burden of proof but also an imposition of a heightened

¹ Associate, Rothwell, Figg, Ernst & Manbeck, P.C.; B.S. in Chemical Engineering, Bucknell University; M.S. in Biotechnology, Johns Hopkins University; J.D., Georgetown University Law Center. Contact email: ddahlgren@rfem.com. This article (without footnotes) was originally published at <http://patentlyo.com/patent/2014/06/proper-presumption-validity.html>. The opinions expressed are those of the author and do not necessarily reflect the views of Rothwell, Figg, Ernst & Manbeck, P.C. or its clients. This article is for general information purposes and is not intended to be and should not be taken as legal advice.

² *Microsoft Corp. v. i4i Ltd. P'ship*, 131 S. Ct. 2238 (2011).

³ *Nautilus, Inc. v. Biosig Instruments, Inc.*, 134 S. Ct. 2120 (2014).

⁴ *Radio Corp. of Am. v. Radio Eng'g Labs., Inc.*, 293 U.S. 1 (1937).

standard of proof.”⁵ The Supreme Court then upheld the Federal Circuit’s articulation that “a defendant seeking to overcome [the presumption of validity] must persuade the factfinder of its invalidity defense by clear and convincing evidence.”⁶

Justice Breyer wrote a separate concurrence. There, he stated “I believe it worth emphasizing that in this area of law as in others the evidentiary standard of proof applies to questions of fact and not to questions of law.”⁷ He also noted:

Many claims of invalidity rest, however, not upon factual disputes but upon how the law applies to facts as given . . . Where the ultimate question of patent validity turns on the correct answer to legal questions—what these subsidiary legal standards mean or how they apply to the facts as given—today’s strict standard of proof has no application.⁸

In *Nautilus*, the same issue—the application of the presumption of validity—arose at oral argument. During the argument, Justice Kennedy pressed *Nautilus*’ counsel on how the presumption of validity applies to indefiniteness. *Nautilus*’ counsel conceded that the presumption of validity would accord deference to the U.S. Patent & Trademark Office’s (“PTO”) fact-finding.⁹ But he stated that since there were no fact-findings at issue in this case, the presumption did not apply.¹⁰ At Justice Kennedy’s prompting, he also agreed that the PTO’s legal decisions are not accorded any deference.¹¹

On June 2, 2014, the Supreme Court issued its opinion in *Nautilus*, and again touched on the issue. In footnote 10, the Supreme Court rejected the idea that a permissive definiteness standard accords with the presumption of validity.¹² To the contrary, it stated that the presumption does not alter the degree of clarity that 35 U.S.C. § 112, ¶2 requires.¹³ That said, the Supreme Court ultimately did not address the parties’ dispute as to whether subsidiary

⁵ *i4i*, 131 S. Ct. at 2246.

⁶ *Id.* at 2243.

⁷ *Id.* at 2253 (Breyer J., concurring).

⁸ *Id.*

⁹ See Oral Argument Transcript at 19:22 – 21:8, *Nautilus, Inc. v. Biosig Instruments, Inc.*, 134 S. Ct. 2120 (2014), available at http://www.supremecourt.gov/oral_arguments/argument_transcripts/13-369_4oc4.pdf

¹⁰ See *id.*

¹¹ See *id.* at 21:4-8.

¹² See *Nautilus, Inc.*, 134 S. Ct. at 2130 n.10.

¹³ See *id.*

factual issues trigger the clear-and-convincing evidence standard.¹⁴ Because the Federal Circuit treated indefiniteness as a legal issue reviewed without deference, and the parties had not identified any contested factual matter, Supreme Court concluded the question could be settled another day.¹⁵

So where does that leave us? While the Supreme Court has not expressly held that the presumption of validity has no role in purely legal validity challenges, it certainly makes sense. According to *i4i*, the presumption of validity serves two functions: allocating the burden of proof and imposing the standard of proof.¹⁶ For a purely legal question, however, there is nothing to prove by clear and convincing evidence. Furthermore, to apply the presumption for a legal challenge would give deference to the PTO's legal conclusions. The Federal Circuit does not do that. And the PTO lacks substantive rule-making authority, at least with respect to defining the metes and bounds of invalidity defenses. Thus, there does not appear to be any basis for according deference to the PTO's legal conclusions. Consequently, for pure questions of law, it seems reasonable to conclude that the presumption of validity has absolutely no bearing. And as a result, invalidity challenges based on purely legal grounds may be much more powerful.

Nonetheless, while the Supreme Court may have circumscribed the application of the presumption of validity, it now has the opportunity to reject the assertion that claim construction is a pure question of law.¹⁷ The Supreme Court hinted in *Nautilus* that factual questions permeate claim construction when it cited to *Markman* and stated that claim construction "may turn on evaluations of expert testimony."¹⁸ Should that become settled law after *Teva*, one likely consequence would be a resurgence of the presumption in areas previously considered purely legal domains. Generally, the pure legal bases for invalidity are premised on the notion that claim construction is a pure question of law. Therefore, while the Supreme Court may have given patent challengers a gift in *i4i* and *Nautilus*, it could be short-lived to a certain degree.

Cited as:

Bluebook Style: Derek Dahlgren, *The Proper Role for the Presumption of Validity*, 3 NTUT J. OF INTELL. PROP. L. & MGMT. 191 (2014).

¹⁴ See *id.*

¹⁵ *Id.*

¹⁶ See *i4i*, 131 S. Ct. at 2246.

¹⁷ See *Teva Pharms. USA, Inc. v. Sandoz, Inc.*, No. 13-854, 134 S.Ct. 1761 (2014).

¹⁸ *Nautilus, Inc.*, 134 S. Ct. 2130.

[2014] Vol. 3 No. 2 NTUT J. of Intell. Prop. L. & Mgmt.

APA Style: Dahlgren, D. (2014). The proper role for the presumption of validity. *NTUT Journal of Intellectual Property Law & Management*, 3(2), 191-194.

OSCOLA Style: D Dahlgren, 'The Proper Role for the Presumption of Validity' (2014) 3 NTUT Journal of Intellectual Property Law & Management 191.