II-7.2: The organization of the burden of proof in intellectual property cases currently pending before the United States Supreme Court

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MAIN INFORMATION

The American Supreme Court accepted on November 29th, 2010, to hear Microsoft's claims in an appeal of a decision of the U.S. Court of Appeals of the Federal Circuit in Washington of December 12th, 2009, arguing that the burden of proof is too high for companies accused of infringement and whose defense is that the patent is not valid.

CONTEXT AND SUMMARY

In a case opposing Microsoft and I4i LP, I4i attacked Microsoft in 2007 for violation of a patent, arguing that Microsoft had illegally incorporated a method developed by I4i in its Word software, which is used worldwide by more than 500 million people. This method, developed by I4i, aimed at editing some documents using XML, a markup language, which tells the computer how text should appear. I4i developed a process enabling the storage of both the content and the XML codes separately, making it easier for users to work alone with either the content or the codes. This process was protected by a patent issued to i4i by the United States Patent and Trademark Office (USPTO) in 1998.

Hence, I4i sold software to its customers including this specific, patented method. Companies such as Merck & Co and Bayer AG used this complementary product to add special data to Word files, and therefore to make sure that their customers get the most up-to-date information on their medicine. In 2007 however, I4i sued Microsoft for breach of patent, arguing that Microsoft had copied and included I4i's invention in its latest Word software.

Eventually, Microsoft was found guilty of infringement, and after it appealed, the company could not convince the U.S. Court of Appeals for the Federal Circuit in Washington that no patent should have been attributed to such a software, especially since I4i sold a product including this innovation more than a year before filling an application to protect it, which renders the invention ineligible with regards to patent law.

Microsoft's line of defense was a quite traditional one as far as patent cases are concerned: it should not have been condemned for infringement since

the patent, in the first place, should not have been issued. To prove that, Microsoft tried to prove that the disputed technology was already available on the market before the patent was issued.

Condemned to a US$ 200 million fine, increased by the judge because of Microsoft's lawyer's misconduct during trial, and by Microsoft's refusal to pay, Microsoft currently owes more than 500 million $ to I4i. The company also had to update its software, being forbidden to use I4i's invention any longer.

The company made an appeal before the Supreme Court, arguing that the burden of the proof that is borne by those accused of infringement is currently too high. Indeed, Microsoft had to offer the Court of Appeals for the Federal Circuit in Washington clear and convincing evidence that the patent should not have been approved by the US Patent and Trademark Office (USPTO). On October 1st, 2010, several important companies backed Microsoft's appeal before the Supreme Court, amongst which Apple and Google, by filing an *amicus* brief with the Supreme Court. They agree upon the fact that the patent system gives disproportionate power to those who secure patents.

The Supreme Court will consider the case during the first semester of 2011.

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BRIEF COMMENTARY

The decision of the Supreme Court, if it considers Microsoft's arguments valid, could most certainly have a decisive impact on the innovation policy of most American companies. Indeed, the patent system has been implemented to guarantee a certain level of innovation: by allowing a company a certain monopolistic position for a certain amount of time, the patent represents an efficient incentive for innovation, especially since the costs of research have tremendously increased during the second half of the 20th century.

Yet, as shown by the support of twelve important American companies to Microsoft's claim, it seems today that the security given by the patent system has developed counterproductive effects. The most obvious perverse incentive in this particular case is that the strong level of security given by the allowance of a patent by the USPTO provides a company with a monopolistic situation, which can lead to a certain amount of market shutout. Thus, if deprived of the fluidity necessary to nourish a constant flow of innovations and progress, the functioning of the market can

become rigid.

Such risks are inherent to the patent system, and therefore, the acceptance by the Supreme Court of Microsoft's appeal is a sign of the awareness of the Court of the need to examine how balanced the system is, between effective incentive for research and development, and efficient preservation of a certain fluidity of the market.

In the case of disputes around the validity of an allowance of a patent, a rather strict interpretation has long prevailed. Therefore, when accused of infringement, a company arguing that the patent is invalid must offer "clear and convincing" evidence that no patent should have been allowed. The patent is ineligible when the innovation was already on the market. Yet, when confronted with certain evidence on this matter, case law considers that a strict, literal interpretation must be given to the criteria of "clear and convincing" evidence, letting doubt play in favor of the USPTO's allowance of a patent. In a certain way, the "clear and convincing evidence" standard presumes that the patent is valid, and in return, fails to preserve the presumption of innocence of the accused, for the sake of the security to the patent's holder and the patent system. The foreseeable nature of such jurisprudence works as a part of the patent system's design in favor of investments in research and innovation within companies.

A validation by the Supreme Court of Microsoft's arguments would radically shift the current patent system to less security and an increased need for companies to firmly dissociate and distinguish their inventions from the existing technology on the market. This would somehow cast a shadow on the very diffuse nature of inventions, progresses and innovations being mostly due to wider and better interpretations or implementation of already existing objects. The difficulty will then reside in the definition of how far a patented invention constitutes a real innovation, or, on the contrary, a mere enhancement of processes already existing – even if not used optimally.

The major issue in Economic Law today concerns the distribution of the burden of proof, which has been dealt with by Competition Law in a system of burdens of proof that equally distributes the risk of proof, and thereby gives birth to incentives. In this area, Anglo-American lawyers are better equipped to deal with the law of proof better than their Continental counterparts, who are handicapped by the legalism of their legal systems, and who have not, as a result, learned this art of proof. This results in the fact that Regulatory Law is a better 'fit' for Common Law lawyers than for Civil Law lawyers. This is not a natural phenomenon, but rather, a conjectural one.