Supreme Court to Hear Microsoft Appeal on i4i Patent

WASHINGTON (Reuters) - Microsoft Corp scored a victory in a long-running patent case by persuading the Supreme Court to hear its appeal against a record-breaking $290 million jury verdict for infringing a patent held by a small Canadian software firm.

The result of the Supreme Court's review of the three-year old case, which is expected by the middle of next year, could alter the way patents are enforced in the United States by making it easier to challenge their validity.

The dispute, which started in 2007, was seemingly resolved in 2009 when a federal jury awarded Toronto-based i4i $290 million after finding that Microsoft had infringed the i4i patent relating to text manipulation software in the 2003 and 2007 versions of Word, Microsoft's word processing application.

Microsoft, the world's biggest software company, subsequently appealed the verdict but was rebuffed by a federal appeals court that specializes in patent and trademark cases, making the jury award the largest patent infringement verdict ever affirmed on appeal. The U.S. Patent and Trademark Office upheld the validity of the i4i patent in April. Microsoft continued to dispute those decisions, but did remove the contested features from its current software.

In appealing to the Supreme Court, the country's highest, Microsoft argued that the appeals court had erred in holding that Microsoft's defense -- that the patent was invalid -- must be proved by clear and convincing evidence.

Redmond, Washington-based Microsoft said a lower standard should have been used, arguing that the issue is important to the effective functioning of the U.S. patent system, as it may be leaning too far in favor of those who establish questionable patents.

Google Inc, Yahoo Inc, and trade groups such as the Computer & Communications Industry Association and 36 law, business and economics professors all supported Microsoft's appeal.

I4i urged the Supreme Court to reject the appeal. It said Microsoft's arguments lacked merit and that Microsoft sought to bring about a dramatic change in patent law. It said Congress over the last 27 years has confirmed the correctness of the appeals court's interpretation of the law. Any change should come from Congress, which is considering patent law changes, i4i said. The congressional efforts could be disrupted if the court grants Microsoft's appeal, which would signal that it might change the standard.

Microsoft welcomed the Supreme Court's decision to hear the case. "It's a clear affirmation that the issues raised in this case are critical to the integrity of our patent system," said David Howard, Microsoft's deputy general counsel for litigation, in a statement. "We look forward to presenting our case to the Supreme Court." I4i said it was confident it would still win the legal argument. "There are vital issues in question, not just for i4i, but for the entire universe of inventors, technology pioneers and entrepreneurial companies," said Loudon Owen, chairman of i4i.

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