

Preview Of KSR V. Teleflex

Tuesday, February 20, 2007 --- After briefing and oral arguments last fall, the U.S. Supreme Court's decision in *KSR Intl. Co. v. Teleflex Inc.*, No. 04-1350, is imminent. The case could be the most important patent law decision in the last two decades.

The U.S. patent statute requires, among other things, that to be patentable an invention must not be "obvious at the time the invention was made to a person having ordinary skill in the art" to which the invention pertains. 35 U.S.C. § 103.

The Court will revisit the standard for when an invention is sufficiently "nonobvious" to merit a U.S. patent. KSR is likely to be as important as the Court's decision over forty years ago on this subject in *Graham v. John Deere Co.*, 383 U.S. 1 (1966).

At issue in KSR is whether the so-called "teaching, suggestion, or motivation test" of nonobviousness is faithful to the patent statute and consistent with prior Supreme Court precedent.

The TSM test evolved at the U.S. Court of Appeals for the Federal Circuit, the federal appellate court with almost exclusive jurisdiction over appeals in patent cases.

The Supreme Court's decision could have far-reaching consequences for pending patent applications, challenges to previously issued patents, and for the U.S. patent system generally in the years to come. This is a preview of the decision.

* Background *

KSR's road to the Supreme Court was somewhat unusual. Unlike controversial or momentous patent cases, which sometimes garner significant attention even before the Federal Circuit ever decides them, KSR flew below radar until it arrived at the steps of the Supreme Court.

The case itself concerns relatively simple technology—an adjustable gas pedal for automobiles. The district court granted summary judgment in favor of the defendant KSR, holding that Teleflex's patent claim was invalid as obvious in view of prior inventions.

A three-judge Federal Circuit panel reversed, disposing of the case in a relatively brief, unanimous, and non-precedential opinion. Applying the TSM test, the Federal Circuit determined that no sufficiently clear teaching,

suggestion, or motivation to combine the prior art appeared in any evidence presented by KSR. Subsequently, KSR did not file a petition for rehearing at the Federal Circuit.

Interest in the case escalated, however, when KSR filed a petition for the U.S. Supreme Court to hear the case. Two dozen law professors penned a brief urging the Supreme Court to take the case. They argued that the Federal Circuit's TSM test conflicts with the patent statute and Supreme Court precedent such as *Graham*.

The TSM test, they wrote, "relegates the person having ordinary skill in the art to the sidelines and looks almost entirely to the contents of the prior art references to determine obviousness..." Further, they contended that application of the TSM test by the U.S. Patent Office results in "suspect" patents covering trivial inventions, which increase transaction costs for private parties and burden the federal courts.

When invited to submit a brief, the Solicitor General, on behalf of the U.S. government, also urged the Supreme Court to hear the case. The government argued that the Federal Circuit's TSM test had morphed the Supreme Court's "flexible framework" in *Graham* into "an inflexible requirement" for determining nonobviousness.

In the government's view, the U.S. Patent Office needs the flexibility to reject inventions as obvious, even though a combination of prior art references contains no teaching, suggestion, or motivation pointing to the new invention in question. Sometimes a combination of elements "is sufficiently obvious to persons skilled in the art that no one would have had need or incentive to record the trivial extension of the art."

In the government's view, application of the Federal Circuit's test does not adequately allow the Patent Office to reject patent claims when they are indeed mere trivial extensions of prior inventions.

After the Supreme Court agreed to hear KSR, but prior to oral argument, two Federal Circuit panels issued opinions in different cases, further explaining the TSM test. In *Alza Corp. v. Mylan Labs. Inc.*, 464 F.3d 1286, 1291 (Fed. Cir. 2006), a three-judge panel pronounced that the Federal Circuit does not have a "rigid" test for obviousness, and that it is "guided by the wisdom of the Supreme Court in striving for a 'practical test of patentability.'"

A month later, an opinion written by Chief Judge Michel reasoned that the Federal Circuit's TSM test "is not a rigid categorical rule" and that the Federal Circuit has "flexibly" applied the TSM test in "myriad cases over several decades..." *Dystar TextilFarben GMBH & Co. v. C.H. Patrick Co.*, 464 F.3d 1356, 1361-67 (Fed. Cir. 2006).

At the Supreme Court, KSR argued that the TSM test has no basis in either the patent statute or Supreme Court precedent. Respondent Teleflex contended, on the other hand, that the TSM test has indeed been flexibly

applied over the years, and that the proposals proffered by KSR and the government were inferior to the TSM test.

At oral argument, the Justices characterized the TSM test as “meaningless” and “gobbledygook.” Chief Justice Roberts and Justices Kennedy, Breyer, and Scalia were some of the most active questioners.

However, despite some seemingly critical commentary, some Justices appeared willing to allow the TSM test a place—albeit a reduced one—within the law. The government appeared amenable to Justice Kennedy’s suggestion to “keep the motivation test” but “supplement it with...other ways of showing obviousness[.]”

Justice Breyer proposed to “say exactly what this Court already said” about the nonobviousness requirement, but to also “list a few of these additional factors that [the Federal Circuit has] thrown in,” while keeping the ultimate focus of the inquiry on the word “obvious.”

Despite their apparent unease with the TSM test, some Justices voiced concern about the retroactive effects of changing the Federal Circuit’s established caselaw. Justice Souter asked whether the Supreme Court’s abandonment of the TSM test would disturb the myriad of patents that have issued under the current nonobviousness standard.

He asked the government: “[I]f we see it your way, are there going to be 100,000 cases filed tomorrow morning?” Justice Scalia also inquired about the effect of any change on the presumption of validity afforded to issued patents.

* Preview of the Decision *

Given the composition of the current Court, its recent patent law decisions, and the views expressed at oral argument, it appears likely that the Court will reverse or vacate the Federal Circuit decision in KSR, and in doing so, give guidance as to the TSM’s place in the caselaw.

The Supreme Court will likely shift the focus of the nonobviousness requirement to a case-by-case approach that stays focused on the language of the statute (however helpful that language may or may not be) and Supreme Court precedent set forth in *Graham v. John Deere*. This case-by-case approach will likely elucidate the TSM test’s application in the overall analysis of nonobviousness.

This disposition would be consistent with the Court’s recent patent law decisions in *Ebay Inc. v. Mercexchange LLC*, 126 S. Ct. 1837 (2006), and *MedImmune Inc. v. Genentech Inc.*, 127 S. Ct. 764 (2007).

In *ebay* the Supreme Court rejected the Federal Circuit’s “general rule” that injunctions should issue against patent infringement “absent special circumstances.” 126 S. Ct. 1839. Likewise, in *MedImmune* the Court

disposed of the Federal Circuit's bright-line rule requiring a licensee to materially breach a license in order to bring a declaratory judgment of patent invalidity against a licensor.

Although it is probable the Supreme Court will alter the law of obviousness as espoused by the Federal Circuit, it is also possible that the majority and/or any concurring opinions may add a few words of "damage control." For example, the Court might attempt to curb perception that its decision will disrupt the patent system.

In the past, the Court has been sensitive to the potential retroactive effects of substantial judicial changes in patent law. In *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722, 739 (2002), the Court warned that "courts must be cautious before adopting changes that disrupt the settled expectations of the inventing community.... Fundamental alterations in these rules risk destroying the legitimate expectations of inventors in their property."

This concern at least partially motivated the Court's decisions in *Festo* and *Warner-Jenkinson Co. v. Hilton Davis Chem. Co.*, 520 U.S. 17, 28 (1997), both of which concerned the patent law "doctrine of equivalents."

Arguably, the effect of a dramatic change in the nonobviousness standard is much larger than with that doctrine.

As the questions at oral argument by Justices Souter and Scalia indicated, this is not lost on the Justices, and may factor into the majority opinion or perhaps motivate a separate opinion by one or more Justices, as in *Warner-Jenkinson*. See 520 U.S. at 41-42 (Ginsburg, J., and Kennedy, J., concurring) (expressing concern about the retroactive application of the decision to established expectations of patent owners).

At the end of the day, *KSR* will undoubtedly not be the last word regarding the nonobviousness requirement in patent law. Further appellate decisions—perhaps from the Supreme Court—will attempt to refine any new or altered nonobviousness standard set forth by the Supreme Court.

Moreover, precisely how innovative an invention must be to be considered a "nonobvious" invention has always been an inherently amorphous concept. But hopefully the Supreme Court's decision in *KSR* will offer guidance to the courts and the U.S. Patent Office to "know it when [they] see it." *Jacobellis v. Ohio*, 378 U.S. 184, 197 (1964) (Stewart, J., concurring).

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