The Effects of the *KSR v. Teleflex* Decision on Patents

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The KSR Decision

- Brief Overview
- Historical underpinnings
- How the judges voted and why
- Earlier decisions that lead to this finding
- What it means to us
- What the future holds
“Common Sense” – the U.S. Supreme Court in KSR

Common Sense:

“Never having to be told to take your frog out of your pocket before you sit down”

-Robin Williams
Overview of KSR

- KSR patented a *mechanical* speed adjustment pedal for an automobile which was then modified using an *electronic* module.
- Teleflex Inc., claimed that this electronic modification infringed several of its patents and sued for infringement of claim 4 of US 6,237,565.
- District Court granted Summary Judgment in favor of KSR stating that the claim at issue was invalid for obviousness.
- On appeal, Federal Circuit reversed, stating that the District Court applied the Teaching, Suggestion, Motivation (TSM) test too broadly.
- Federal Circuit’s reversal was based on expert testimony.
- Supreme Court criticized the Federal Circuit’s interpretation of the TSM test and stated that the Federal Circuit focused on the motivation and purpose of the patentee.
- Supreme Court *unanimously* held what matters most is the objective reach of the claim and that the Federal Circuit transformed the TSM test into a rigid rule.

Cases leading up to KSR

• eBay, Inc. v. MercExchange, LLC, May, 2006
  – District Courts have a four-part test to approve injunctive relief in patent cases.

• LabCorp. v. Metabolite Laboratories, June 2006
  – How broadly can an invention be claimed? And what are the consequences?

  – Licensee does not have to terminate its license to challenge the licensed patent
Abbreviated History of Obviousness

• Hotchkiss v. Greenwood
  – 150 years ago
  – Supreme Court required that a patent should only be awarded for those inventions that embody a “degree of skill and ingenuity” beyond that of “an ordinary mechanic acquainted with the business.”
  – Interpreted as patents promote the “progress of the useful arts.”

• Graham v. John Deere
  – 40 years ago
  – Four flexible factors:
    • (1) Scope and content of the prior art
    • (2) Differences between the prior art and the patent claim as a whole
    • (3) Level of ordinary skill in the pertinent art
    • (4) Presence of secondary considerations (e.g., unexpected results)
Teaching, Suggestion, Motivation (TSM) Test

• Since Graham, the Federal Circuit has developed its own test for combating hindsight bias.
  – Teaching
  – Suggestion
  – Motivation

• Must be a specific finding of a teaching, suggestion, or motivation in the prior art to combine references in the manner claimed to support an obviousness conclusion.
TSM in KSR

• Justices expressed disdain for the TSM test.

• Justice Breyer said it was too protective of patents, a tendency with unfortunate implications for the economy.

• Justice Scalia said it was gobbledygook and irrational, and suggested Federal Court to soften its test with a sign of its demise

• Justices Kennedy and Ginsburg suggested the test could be retained merely as a non-dispositive factor in the flexible Graham framework.

• Primary agreement among Justices centered on how to reject the TSM test without undermining the validity of many pending patents and causing a flood of lawsuits.

KSR

• The Supreme Court found two major faults in the Federal Circuit TSM test:
  – (1) Its focus on the problem the patent was attempting to solve
  – (2) Its assumption that a person of ordinary skill attempting to solve a problem will be led only to those elements of prior art designed to solve the same problem

• The Court stated the TSM test was unnecessary where “Common sense” would have encouraged the inventor to combine teachings within the prior art.
Cases around the KSR decision

• Australian High Court decision in Lockwood v. Doric (23 May 2007)
  – Australian threshold test has been all but removed;
  – Obviousness is a question of fact;
  – Obvious means “very plain”;
  – “Scintilla of invention” remains sufficient to support non-obviousness;
  – Role of secondary evidence (commercial success, long felt need, failure of others, copying by others) should not be discounted in obviousness cases; and
  – Apparently, tried to reinforce the differences between Australian law and that of Europe in which the problem-solution approach prevails

European Position on Obviousness

• Europe uses a standard of “Inventive Step”

• Art. 56 EPC: “
  – An invention shall be considered as involving an inventive step if, having regard to the state of the art, it is not obvious to a person skilled in the art”
England v. Netherlands

• Two courts on same patent

• English High Court looked at application by Conor Medsystems regarding the revocation of an EP patent for a taxol-coated coronary stent owned by Angiotech Pharma

• In looking at obviousness, that was invalid. Court of Appeals upheld

• District Court of the Hague, Angiotech alleged patent was infringed by Sahajanand Medical was upheld and Angiotech got an injunction

• Under appeal, Jan 2007, one day after UK appellate decision, The Hague upheld validity of the patent and said that Conor Medsystems’ stent was an infringement of Angiotech’s patent.
Secondary Considerations of the Graham Decision

• Commercial success;
• Long-felt but unresolved needs;
• Failure of others; and
• Expert testimony.
Effects of Secondary Considerations on Patent Searching -
“Commercial Success”

• Need to search in trade and business literature, newsletters, maybe sales brochures, announcements at product fairs/trade shows

• Interviews with inventors may be necessary

• Public sources may be very important (Common Sense)

• Additional Evidence
Effects of Secondary Considerations on Patent Searching -
“Long-felt but unresolved needs”

Trade literature will be very helpful

Open press (newspapers, newswires)

Manufacturer’s associations newsletters, especially regarding laws

Government hearings (seat belts in cars, automobile baby seat requirements, helmet laws (motorcycling, bicycling)),
   New Jersey’s proposal to ban present “Quick Release” fittings in bicycle wheels

Additional Evidence
Effects of Secondary Considerations on Patent Searching - "Failure of Others"

- Need to search accident information (state databases, product liability files, *Consumer Reports* type information)
- Recalls (drug, product safety commission, legal information for settlement cases in which a product was recalled but the manufacturer settled without a court case), product liability court cases
- Epidemiology studies
- Statistical information
- Catastrophic cases, usually found in the investigatory media (*Challenger* accident report)
- Additional Evidence
Effects of Secondary Considerations on Patent Searching -
“Expert testimony”

• The “Additional Evidence” alluded to earlier

• Ability to locate experts in:
  – Subject area of the patent (Ph.D.s, researchers, etc.)
  – Overall Industry experts (business climate)
  – Specific Industry experts (engineers, scientists, practitioners, luminaries)
    • Brick Institute expert to testify on building materials;
    • But also consider a wood block manufacturer, a cement worker, an architect, a person who dreams of bricks...
Further Effects on Patent Searchers in Light of KSR

• Typical defense in a patent infringement lawsuit involves:
  – Denying that you infringe on the patent; and
  – Spending as much resources as you can afford invalidating the patent.

• There may be more re-examination procedures so that ongoing applications can get support for non-obviousness not in the original application.

• For searchers, this means increased need for fulfilling these needs, especially the second one

  With the threshold for obviousness challenges lowered, there may be increased litigation, thus necessitating increased need for:
  – Proving that a patent is non-obvious (by patent holder)
  – Proving that a patent is obvious (by infringer)
Effects on Inventors in Light of KSR

• “We need not reach the question whether the failure to disclose (a prior art reference during the prosecution.... but the presumption of validity , for the claim is obvious despite the presumption. ..

• We think it appropriate to note that the rationale underlying the presumption that the PTO has approved the claim seems much diminished here.

• “A person of ordinary skill is also a person of ordinary creativity, not an automaton.”

• In determining what prior art a person of ordinary skill in the art who is attempting to solve a problem will seek out, the analysis should not be limited to prior art directed only to that very same problem.

• Lab notebooks

• Obviousness may, in a contest where the possible combinations and permutations are limited, be established by “showing that the combination of elements was ‘obvious to try.’”

Effects on Applicants in Light of KSR

• It will become harder to defend “obvious” patents

• “Patent Trolls” will have a much more difficult time enforcing patents

• Expert witnesses become even more important, perhaps even more so in prosecution than litigation

• Facts relating to the four Graham factors will be paramount

• Prior art searching will include more than just publications prior to a date; such searches may have to be expanded to include background on obviousness objections such as experts in the field of the invention and in the general, industry information, competitors and the like, who know information prior to the same date.

• Patents are still presumed valid, and defendants have to prove obviousness via clear and convincing evidence.

Effects on Applicants in Light of KSR

• “The ruling in KSR v. Teleflex, is expected to make it harder to defend ‘obvious’ patents – that is, those that ‘would occur in the ordinary course (of business) without real innovation.’” - Todd Spangler, “Verizon Unlikely to Sue Cable on VoIP,” Multichannel News, 28, June 4, 2007

• “Verizon may think twice about enforcing its voice-over-Internet patents after an April 30 ruling by the U.S. Supreme Court.” - ibid.

• “The boundaries of declaratory judgment jurisdiction will be clarified in future patent cases, but in the wake of the Supreme Court’s April 2007 decision in KSR v. Teleflex, which altered the standards for obviousness, potential licensees can attempt to file declaratory judgment cases challenging patents that they do not yet practice.

Effects on patent litigation in Light of KSR

• What is obvious?
• What is common sense?
• How loose is the new (original?) TSM test?
• Who can tell?
  – Judges
  – Expert witnesses
Early Effects on Litigation in Light of KSR

• First jury in a case involving an obviousness defense based on KSR to a life sciences patent returned a verdict that the patent was not obvious.

• Patented combination of elements can be obvious if it was obvious to try (to combine the elements).
First Bio Case Since KSR

- Takeda Chemical Industries Ltd. v. Alphapharm (June 28, 2007)
- Federal Circuit rejected an obviousness challenge to a patent covering Pioglitazone, a therapy of Type 2 diabetes sold by Takeda under name Actos.
- Pioglitazone and the closest prior art, Compound B was minor.
- Court upheld patent on two grounds:
  - Court found no reason to make changes to compound B that lead to Pioglitazone
  - Evidence of unexpected results in the form of reduced toxicity from Pioglitazone.

-Indiana Business Journal, June, 2007, 23, 28
Effects on Patent Prosecution in Light of KSR

- Application should tell more of a story, rather than waiting until prosecution to introduce such evidence.
- Application should include more functional language, especially high technology inventions.
- Application should avoid arguing lack of motivation to combine reference cited in an obviousness rejection.
- Applicant should closely monitor statements across families of patents to be consistent.
- Prior art searches should be conducted before filing the application, especially a pre-application investigation.
- Evidence of surprising or unexpected results should be put in the application, rather than waiting to submit such support in a Declaration during prosecution.
- Re-examination to address additional prior art obviousness issues should be considered.

(The KSR Decision: Implications of a Modified Standard of Obviousness for Patents, Mondaq Business Briefing, June 14, 2007)
Effects on the Patent Process in Light of KSR

• U.S. Supreme Court modifies the obviousness standard Teaching, Suggestion or Motivation (TSM) test of the Federal Courts from a rigid application to a looser one;

• The new looser standard of the TSM test involves whether a person skilled in the art would have combined references to prove obviousness; and

• And the new looser TSM test would be returned to an “expansive and flexible approach” as per earlier Supreme Court decisions.

*Patent World, May 2007*
Effects on the Patent Process in Light of KSR

• The Supreme Court claims that this (decision) will bring back “common sense.”

• If...examiners supported obviousness rejections using uncorroborated and subjective common knowledge,...the patent examination process would become less objective and more costly. Applicants would have to rely more upon the use of objective indicia of non-obviousness, such as unexpected superior results, satisfaction of a long-felt unmet need, or commercial success.

• The validity of the patents issuing in the new era should be enhanced and less susceptible to obviousness attacks.

Ancillary work

• In those situations where a company has obtained a validity opinion stating that there were no obviousness issues, the company may want to consider revisiting the breadth of the opinion and have it updated based on the broader application voiced in the KSR decision. This is particularly important for patents claiming combination products. – “The KSR Decision: Implications of a Modified Standard of Obviousness for Patents,” Mondaq Business Briefing, June 14, 2007.
Effects of Lowering Barriers

• What happens when a tariff on trade goods is lowered?
• When a tax is adjusted downwards?
• When a “loophole” is found?
• When a price on a product heads down?
• When it is easier to prove a patent non-obvious?
Effects of Lowering Barriers, Specifically in Patents

• KSR may make it easier to keep patents from issuing, and;
• To invalidate issued patents.
Casual News

- The USPTO is under pressure to lower acceptance rate from 70% in 2000 to 55% in 2006

Is the End in Sight?

- On September 25, the U.S. Supreme Court agreed to review Quanta Computer, Inc. v. LG Electronics, Inc. (U.S., No. 06-937, cert. granted 9/25/07)

- This case covers the Federal Circuit’s law on patent exhaustion.

- General rule is that unconditional sale of a patented article exhausts the patentee’s right to control the buyer’s user of that article.

- Here, alleged infringers are not direct buyers from the patent owner, but buyers of products made by the patent licensee.


- Depending upon the results of the decision, the future may hold more searches on patent invalidation

- Or, is this just a normal extension of the Supreme Court’s attitude about intellectual property?
“Common Sense” – the U.S. Supreme Court in KSR

Common Sense: “Ain’t Common”

-Will Rogers
Thank you for your time

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