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The US Supreme Court Rejects the Federal Circuit's "Rigid" Obviousness Test in Favor of a "Common Sense" Approach

On April 30th, the United States Supreme Court issued a significant decision clarifying the standard for the "obviousness" defense to patent infringement. *KSR Int'l Co. v. Teleflex Inc. et al.*, No. 04-1350, ___ S.Ct. ___, 2007 WL 1237837 (Apr. 30, 2007). To issue, patents must be useful, novel and nonobvious. Patent litigation frequently turns on the accused infringer's claim that the patent is invalid because the invention was "obvious." The obviousness defense is rarely resolved at the summary judgment stage due to the "high standard" of obviousness imposed by the United States Court of Appeals for the Federal Circuit.

In its decision, the Supreme Court rejected the Federal Circuit's formulaic test for deciding obviousness claims and reaffirmed a more flexible approach. Moreover, rather than remanding for the district court to further consider or try the obviousness defense, the Supreme Court affirmed the trial court's summary judgment of obviousness despite plaintiff's expert testimony that the invention was not obvious.

This opinion, the latest in a string of cases sharply critical of the Federal Circuit's patent jurisprudence, represents a significant victory for companies that are accused of infringing weak patents but are forced to settle to avoid an expensive patent trial.

On the same day, the Supreme Court issued another important patent decision in *Microsoft Corp. v. AT&T Corp.* No. 05-1056, ___ S.Ct. ___, 2007 WL 1237838 (Apr. 30, 2007). The Court held that U.S. patent law does not apply to operating system software developed in the United States but installed on computers abroad. In a 7-1 decision delivered by Justice Ginsberg, the Court rejected

AT&T's position that it is entitled to damages for every Windows-based computer manufactured outside the United States using technology that compresses speech into computer code.

These decisions follow in the wake of the Court's noteworthy patent decision last year, *eBay, Inc. v. MercExchange*, 126 S.Ct. 1837 (2006), in which the Court rejected the Federal Circuit's rigid standard for injunctive relief in patent cases, in favor of a more traditional and flexible approach.

The following is a summary of the Supreme Court's *KSR* decision.

Deeming the Federal Circuit's test for obviousness impermissibly "narrow" and "rigid," the United States Supreme Court unanimously reversed the Federal Circuit, and affirmed the district court's grant of summary judgment after finding a claimed invention for an adjustable pedal assembly invalid. *KSR Int'l Co. v. Teleflex Inc. et al.*, No. 04-1350, ___ S.Ct. ___, 2007 WL 1237837 (Apr. 30, 2007).

The *KSR* litigation arose when Teleflex Inc., owner of a patent relating to technology on an adjustable pedal, sued KSR International Co. for patent infringement. In response, KSR alleged that the asserted patent claim was invalid in light of the prior art (matter known or disclosed prior to the claimed invention), including an earlier patent that disclosed all the features of the pedal structure claimed in the alleged invention with the exception of electronic control.

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The U.S. District Court for the Eastern District of Michigan agreed with KSR, finding the patent claim invalid as obvious under 35 U.S.C. § 103 and granting summary judgment in KSR's favor. Section 103 of the Patent Act forbids a patent from issuing when "the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains." 35 U.S.C. § 103.

On appeal, the Federal Circuit found that the district court erred in invalidating the asserted patent claim without making specific findings as to whether there was a suggestion or motivation to combine the teachings of the prior art patent with an electronic control.

The Supreme Court, with Justice Anthony M. Kennedy writing for a unanimous court, disagreed: "In rejecting the District Court's rulings, the Court of Appeals analyzed the issue in a narrow, rigid manner inconsistent with §103 and our precedents."

The Supreme Court found the Federal Circuit's "high standard" of obviousness – *viz.*, the formulaic requirement of a "teaching, suggestion, or motivation" to combine prior art references – contrary to the plain language of 35 U.S.C. § 103(a). The Court further criticized the Federal Circuit's "rigid approach" as "inconsistent" with the Court's "expansive and flexible approach" to obviousness articulated in *Graham v. John Deere Co.*, 383 U.S. 1 (1966). The obviousness bar "must not be confined with a test or formulation too constrained to serve its purpose."

Although the "teaching, suggestion, or motivation to combine" test could offer "helpful insight," it became incompatible with the Court's precedents when applied in a "rigid and mandatory" fashion. "The obviousness analysis cannot be confined by a formalistic conception of the words teaching, suggestion, and motivation, or by overemphasis on the importance of published articles and the explicit content of issued patents. The diversity of inventive pursuits and of modern technology counsels against limiting the analysis this way."

The Supreme Court looked to the principles outlined in *Graham* and its progeny to determine "whether a patent

claiming the combination of elements of prior art is obvious. When a work is available in one field of endeavor, design incentives and other market forces can prompt variations of it, either in the same field or a different one. If a person of ordinary skill can implement a predictable variation, 103 likely bars its patentability. For the same reason, if a technique has been used to improve one device, and a person of ordinary skill in the art would recognize that it would improve similar devices in the same way, using the technique is obvious unless its application is beyond his or her skill."

The Court acknowledged that applying these principles may prove more difficult in other cases. "Often, it will be necessary for a court to look to interrelated teachings of multiple patents; the effects of demands known to the design community or present in the marketplace; and the background knowledge possessed by a person having ordinary skill in the art, all in order to determine whether there was an apparent reason to combine the known elements in the fashion claimed by the patent at issue."

Although the Court acknowledged the potential for "hindsight bias" and "arguments reliant upon *ex post* reasoning," it rejected "[r]igid preventative rules that deny factfinders recourse to common sense ... as neither necessary under [the Court's] case law nor consistent with it."

Applying the correct obviousness standard to KSR's invalidity claim, the Court found that the asserted patent claim "must be found obvious." Noting that obviousness is ultimately a legal determination and the material facts were not disputed, the Court rejected the argument that the patentee's expert declarations created an issue of material fact, precluding summary judgment. Significantly, rather than allowing the Federal Circuit to revisit the issue of obviousness on remand, the Supreme Court – in a highly unusual step – held that the asserted patent claim was obvious and thus invalid.

The Court reversed the judgment and remanded the case for further proceedings consistent with its opinion.

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