A hat is obvious? A recent U.S. Supreme Court decision has patent lawyers and the courts rethinking the answer to what may seem like a fairly simple question.

In its recent decision in *KSR Int’l. Co. v. Teleflex Inc.*, the court threw four decades of case law on its head and required that more common sense be applied in deciding the fate of a patent. The court’s new stance will have a profound effect on business.

U.S. patents are granted to encourage and reward inventors for novel, useful, nonobvious inventions. They are government granted rights to exclude others from making, using, offering to sell, or selling a described invention disclosed in defined “claims” — the technical terms — of what a “patent” covers.

When an inventor applies for a patent the U.S. Patent & Trademark Office (PTO) must be provided with patent “claims” all material “prior art” in the field of the invention. After a patent is issued, and a patent holder sues an alleged infringer, a defendant typically asserts that the patented invention was “obvious” and no patent should have been issued. The issue of “obviousness” and (construing a patent’s “claims”) tend to be the two major focal points, both in patentability as well as in most patent infringement litigation.

In 1966 the U.S. Supreme Court mandated a proper way to analyze whether the subject matter of a patent would have been “obvious.”

Over the past 40-plus years, refinements in the case law required both patent examiners at the PTO and federal court juries to view evidence of “obviousness” through a three-part analysis: (1) they were to place themselves in the shoes of a hypothetical person of ordinary skill in the pertinent prior art in the field of the patented invention at the time the patent was issued, (2) they were to consider the nature of the problem solved by a patented invention, and (3) they were to avoid unfair “hindsight” reconstruction by finding some actual “teaching, suggestion, or motivation” to combine what already was contained in unrelated, published materials.

The last part — the “TSM” test — was deemed crucial to assure “uniformity” to the inquiry and to prevent patentees from being denied exclusivity for their patented invention due to a mischievous or contrived aggregation of hypothetical facts served in a stew of hindsight.

In April 2007, the Supreme Court unanimously decided that the long-standing approach to “obviousness” had become too “rigid.”

In *KSR Int’l. Co. v. Teleflex*, (2007 U.S. LEXIS 4745, 550 U.S. ___, 127 S.Ct. 1727) the court determined that common sense had been relegated to a mandatory formula, out-of-step with the intent of patent law. It needed to be changed.

The business ramifications and economic effects of the KSR decision are enormous.
To control a car’s speed, the driver depresses a gas pedal. KSR had developed an easily adjustable pedal for cars with cable-actuated throttles. General Motors chose that design for its trucks, using newer, computer-controlled throttles, to which KSR added a modular sensor.

Teleflex already held the exclusive right to an adjustable pedal with an electronic sensor attached to a fixed pivot. Neither KSR’s patent application nor Teleflex’s patent had alerted the PTO to another issued patent with an adjustable pedal. The PTO examiner was clueless about the situation, and unaware of the prior art, granted KSR’s patent.

At the trial level, the federal district judge had granted a summary judgment in KSR’s favor, finding a “claim” in Teleflex’s patent “obvious” because it was too similar to another patent for modular sensors already used in GM trucks. The judge found that GM’s patent taught all but one of the limitations that differentiate Teleflex’s adjustable automobile pedal with an electronic sensor from anything that preceded the patent, the prior art.

At the time Teleflex’s patent application was filed, there “was a marketplace creating a strong incentive to convert mechanical pedals to electronic pedals and the prior art taught a number of methods for doing so.”

Teleflex appealed to the U.S. Court of Appeals for the Washington, D.C., circuit, which decides most appeals of patent matters from federal trial courts. The appellate court applied the long-standing “obviousness” standard and reversed the trial court.

It decided that a summary judgment was inappropriate because the law had been misapplied by the trial court. Genuine issues of material fact remained because the trial court failed to make specific findings “showing a teaching, suggestion, or motivation to combine prior art teachings in the particular manner claimed by the patent at issue.”

And, the court said, the “precise problem ... the patentee was trying to solve” was not addressed by prior art (i.e., references published before the patent issued).

KSR appealed to the Supreme Court, which rejected the federal circuit’s “rigid approach” on three grounds: (1) the analysis of the precise problem the patentee was trying to solve was too restrictive, (2) only looking at prior art that solved the same problem ignored “familiar items [that] may have obvious uses beyond their primary purpose” and might be “fit... together like pieces of a puzzle,” and (3) “if known options within... [the] technical grasp” [of a person with ordinary skill in the art of the patent]... leads to anticipated success, it is likely the product not of innovation but of ordinary skill and common sense.

In other words, slavish, myopic adherence to the bright-line TSM test had hijacked the “obviousness” inquiry away from common sense.

Given the fact-specific inquiry and a very slim trial court record, portions of the Supreme Court’s opinion strongly suggest that the TSM test might have been misapplied by the federal circuit (not that the test is worthless). Further, the KSR decision disregards the mischiefness that accompanies “hindsight” bias, once the TSM test for obviousness is replaced by a skills-based analysis.

The practical effect of the Supreme Court’s opinion is stunning.

On the simplest level, KSR simply stands for the proposition that the lack of a teaching, suggestion or motivation to combine is not dispositive.

Nevertheless, much broader application of KSR is more likely than just a revised test for “obviousness” in connection with mechanical arts, which is what dominated the Supreme Court’s analysis, and may have provided a somewhat easier fact pattern on which the Supreme Court could rule.

The immediate effect of KSR has been to destabilize patent law as a new balance is struck between inventors and challengers to an invention. Many longer effects and economic ramifications appear likely and will have broad consequences. Here are five major concerns:

The gatekeepers

The Supreme Court, legislators, and many patent lawyers are concerned that too many patents have been granted based on trivial improvements without proper scrutiny. This retards innovations and increases transactional costs as a consequence of litigation.

By resetting the balance in KSR, the Supreme Court has signaled to the PTO and district courts that each of them is expected to be a more pro-active gatekeeper. It will be harder to obtain a U.S. patent, easier to challenge one that is granted, and more difficult for plaintiffs to sustain validity.

The presumption of validity (set forth in 35 USC §273(b)(9)) is likely to be weakened or diminished because there is a greater potential for an obviousness ruling to invalidate a patent.

Also, greater harmonization with foreign patent convention and systems is likely to occur because a plaintiff must overcome “obviousness” by proving there was no nexus or apparent reason to combine various pieces of prior art; real creativity was involved in solving the problem to which the patent is addressed; and market incentives existed that should have encouraged others to have arrived at a solution before the inventor.

In other words, there was a real “inventive step” involved in the process, which a hypothetical person skilled in the art would not have had the insight and luck or perspicacity to have recognized.

The notion of an “inventive step” is fundamental to European (and other) patent systems outside the U.S. Hence harmonization with other patent systems is a foreseeable, secondary effect of the KSR decision.
At the PTO

Examiners will be given greater deference in finding more patent applications unworthy pursuant to “conditions for patentability,” (35 USC §§ 102 and 103.)

Questions about prior art increasingly will be dealt with administratively, at the PTO. This burdens the inventor and increases the expense to prove nonobviousness because of the greater potential for a threshold rejection of a patent application. However, a side effect of KSR is that a patent examiner’s reasons for rejecting a patent application will need to be very well articulated to withstand judicial review. This (combined with new regulations at the PTO) should increase the quality of the examination of patent applications and provide better basis for judicial oversight of the process. That would benefit everyone.

In patent applications

The “specifications” in patent applications probably need to explain in sufficient detail: (a) the state of the art in the lines of commerce applicable to the invention, (b) the overall problem in the prior art that needed to be solved, (c) the specific “problem” the invention solves, and (d) a definition of the hypothetical ordinary person skilled in the art along with an explicit explanation about the level of skill in the art of the invention.

This more encompassing type of specification (which exceeds what the Patent Act minimally requires) creates greater impediments that need to be overcome if the inventor is to anticipate and prevent rejection, especially in patent applications for mechanical devices.

Impact on litigation

There is likely to be an increase in judges ruling on “obviousness” at the summary judgment phase, and less likelihood of the ultimate infringement dispute actually getting to a jury.

More emphasis on “obviousness” earlier in litigation will require a plaintiff to prove prior art was “teaching away” from the patented invention.

In effect, the TSM rubric is not really dead. It just is no longer the exclusive test. The new test, following KSR, appears to be the old TSM test as well as any other reasonably objective evidence of “obviousness.” After that the burden shifts to the plaintiff to demonstrate secondary considerations — long-felt but unsolved needs, failure of others to solve the problem, and commercial success of the patent at issue — that indicate an invention was not obvious.

Defendants will revive as defenses notions that the challenged patent merely embodies a combination of predictable techniques; no real inventive step or novelty, and that persons skilled in “analogous arts” would have known this.

Ironically, there will be even greater reliance on “experts” (and increased expense to pay them) to explain the secondary commercial considerations and context of the state of the art at the time of the invention.

Can you imagine: experts will be required to be talking heads to explain what should be common sense.

Defendants more likely will be willing to contest “secondary considerations” plaintiffs raise, in light of KSR’s “obvious to try” language, because a “rigid” interpretation of the prior TSM test reduced the persuasiveness of arguments regarding the necessary skill in the art, the level of creativity required, etc.

Finally, KSR also is likely to embolden some would-be infringers to reevaluate their proposed conduct because of a lowered likelihood of injunctive relief now that the “rigid” TSM test has been dethroned.

In effect, the Supreme Court unintentionally has assured more work for patent attorneys, greater uncertainty for patent holders; and much more work for federal judges.

Strategic issues

When a legal decision as destabilizing as KSR occurs the fallout is likely to transcend tactical litigation maneuvers.

It should be anticipated that retroactive invalidation of patent licenses, abrogation of licenses, devaluation or reduction in financial value of patent investment portfolios and other significant economic consequences are likely to occur in some industries.

More strategic-thinking trial lawyers will — at the district court level — cite Supreme Court decisions outside patent law to set-up a case to go to the Supreme Court, if necessary, forcing the federal circuit to address legal arguments outside its normal areas of experience and knowledge.

As the “motivation to combine” issue now is just one of many considerations, design incentives, market demand incentives, and the overall context of the industry’s problems (all forms of secondary considerations) will assume greater importance in litigation outcomes.

Finally, all plaintiffs specifically should request the pattern federal jury instruction on “common sense,” in anticipation of an appeal along KSR lines.

KSR is one of those far-reaching Supreme Court decisions that will generate much more litigation (not reduce it) in the patent arena. It is, undoubtedly, the most important development in U.S. patent case law in 2007.

Stephen Nagin is a Miami-based trial attorney with Nagin Gallop & Figueredo, a former chair of the Florida Bar Journal editorial board and of The Bar’s Intellectual Property Law Committee. He is a member of the Intellectual Property Law Certification Committee, and of the Florida Supreme Court Task Force on Management of Litigation in Complex Cases.