

## *KSR v. Teleflex*: A New Flexible Regime for Obviousness

June 5, 2007

On April 30, 2007, the U.S. Supreme Court rendered a decision that will have far-reaching consequences for patent owners and litigants. Writing for a unanimous Court, Justice Kennedy in *KSR Int'l Co. v. Teleflex Inc.* ("KSR")<sup>1</sup> rejected the longstanding "teaching, suggestion, or motivation" ("TSM") test developed by the United States Court of Appeals for the Federal Circuit in favor of a more expansive and flexible approach to obviousness. The *KSR* opinion continues the Supreme Court's recent trend of overruling the Federal Circuit, and it is the latest in a series of decisions<sup>2</sup> reflecting the view that overly-broad patent protection stifles rather than promotes "the Progress of Science and useful Arts."<sup>3</sup> After briefly summarizing the prior law on the subject of obviousness, this memorandum outlines the changes introduced by *KSR* and concludes by identifying some likely implications of the case.

### HIGHLIGHTS OF THE DECISION

- The "results of ordinary innovation are not the subject of exclusive rights under the patents laws"<sup>4</sup>: a patent must represent more than the predictable use of prior art elements according to their established functions – i.e., more than an "ordinary innovation."

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<sup>1</sup> 127 S. Ct. 1727 (2007).

<sup>2</sup> See, e.g., *eBay Inc. v. MercExchange, L.L.C.*, 126 S. Ct. 1837 (2006) (rejecting the Federal Circuit's test for liberally granting permanent injunctions for valid and infringed patents); *MedImmune, Inc. v. Genentech, Inc.*, 127 S. Ct. 764 (2007) (rejecting the Federal Circuit's standard for when a party may file a declaratory judgment action challenging the validity and alleged infringement of a patent); *Microsoft Corp. v. AT&T Corp.*, 127 S. Ct. 1746 (2007) (rejecting the Federal Circuit's extraterritorial application of § 271(f) of the U.S. patent laws).

The Federal Circuit has exclusive jurisdiction to hear an appeal from any case "arising under" the patent laws. 28 U.S.C. § 1295(a)(1) (granting Federal Circuit exclusive jurisdiction over appeals from final decisions of district courts "if the jurisdiction of that court was based, in whole or in part, on" 28 U.S.C. § 1338, which grants district courts original jurisdiction over any action "arising under" federal patent law).

<sup>3</sup> U.S. Const. art. I, § 8, cl. 8. (granting to Congress the power to "promote the Progress of Science and useful Arts" through patents).

<sup>4</sup> *KSR*, 127 S. Ct. at 1746.

- A combination of prior art elements must normally work together in “an unexpected and fruitful manner”<sup>5</sup> to be patentable.
- Obviousness may be established not only by what is explicitly taught in the prior art but also by the common sense of a person of ordinary skill or by the market realities facing such a person. The Court cautioned that persons of ordinary skill are not mere automatons.
- Prior art may render a patent obvious even though it is from a different field or solves a different problem than the patent. Thus, an innovation that merely applies what is already known in one field to another is likely to be unpatentable.
- In some cases, obviousness could be established by showing that a combination is “obvious to try.”
- The statutory presumption of patent validity may be weaker or non-existent where the PTO did not consider pertinent prior art.

#### IMPLICATIONS OF THE DECISION

- More patent applications may be rejected, and more patents invalidated in litigation, on obviousness grounds.
- Business method patents and patents on incremental innovation will be more difficult to obtain and to defend.
- Particularly in combination with the 2006 *eBay* ruling, *KSR* may increase the willingness of accused infringers to take obviousness challenges to trial, especially where the patentee is a non-practicing entity.
- Companies that seek to license combination patents may see the value of these patents decline.

#### PRIOR LAW REGARDING OBVIOUSNESS

Section 103(a) of the Patent Act provides that an invention is not patentable if “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.”<sup>6</sup> The Supreme Court in *Graham v. John Deere Co.* (“*Graham*”)<sup>7</sup> set forth the framework for applying this rule:

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<sup>5</sup> *Id.* at 1740.

<sup>6</sup> 35 U.S.C. § 103(a).

Under § 103, the scope and content of the prior art are to be determined; differences between the prior art and the claims at issue are to be ascertained; and the level of ordinary skill in the pertinent art resolved. Against this background, the obviousness or nonobviousness of the subject matter is determined. Such secondary considerations as commercial success, long felt but unresolved needs, failure of others, etc., might be utilized to give light to the circumstances surrounding the origin of the subject matter sought to be patented.<sup>8</sup>

To counteract the “subtle but powerful attraction of . . . hindsight,” – the temptation to see as obvious innovations which have already been made – the Federal Circuit adopted the TSM test.<sup>9</sup> Under the TSM test, a combination of prior art references proves obviousness only when the challenger can identify some teaching, suggestion, or motivation that would have led a person of ordinary skill in the art to combine the prior art references in the particular manner claimed.<sup>10</sup> The Federal Circuit required the relevant teaching, suggestion, or motivation to be found in the prior art references themselves, in the knowledge of those of ordinary skill in the art, or in the nature of the problem to be solved.<sup>11</sup> Because obviousness must be established by “clear and convincing evidence,”<sup>12</sup> the TSM test has been viewed as a significant hurdle for those seeking to invalidate patents under § 103(a).

#### BACKGROUND OF THE KSR DECISION

A brief summary of the facts and proceedings in *KSR* provides helpful context in understanding the implications of the decision. The plaintiff in *KSR*, a manufacturer of car pedals, sued KSR International, one of its competitors, for infringement of U.S. Patent No. 6,237,565 (the “’565 Patent”).<sup>13</sup> The ’565 Patent claimed a vehicle control pedal comprising two elements: (i) an

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<sup>7</sup> 383 U.S. 1 (1966).

<sup>8</sup> *Id.* at 17-18.

<sup>9</sup> *Teleflex, Inc. v. KSR Int’l Co.*, 119 Fed. Appx. 282, 285 (Fed. Cir. 2005) (quoting *In re Dembiczak*, 175 F.3d 994, 998 (Fed. Cir. 1999)).

<sup>10</sup> *KSR*, 127 S. Ct. at 1734.

<sup>11</sup> *Id.*

<sup>12</sup> See, e.g., *Moba v. Diamond Automation*, 325 F.3d 1306, 1319 (Fed. Cir. 2003) (“The Patent Act erects a presumption of validity for an issued patent. . . .Therefore, invalidity requires clear and convincing evidence.”).

<sup>13</sup> *KSR*, 127 S. Ct. at 1736-37.

adjustable pedal assembly, with (ii) an electronic sensor attached to the pedal assembly's bracket.<sup>14</sup> It was undisputed that the prior art disclosed pedals that incorporated adjustable pedal assemblies and other pedals that incorporated electronic sensors.<sup>15</sup> What the prior art did not disclose, however, was a pedal combining both features. Accordingly, the issue presented by the summary judgment motion filed by *KSR* was whether combining these pre-existing elements into a single device would have been obvious to a person of ordinary skill in the art.

The district court granted summary judgment in favor of *KSR*, finding that one of ordinary skill in the art would have been motivated to solve the problem addressed by the '565 patent by combining pre-existing prior art references.<sup>16</sup> On appeal, the Federal Circuit vacated the district court's opinion because it found the district court's TSM analysis to be incomplete.<sup>17</sup> In the opinion of the Federal Circuit, the district court improperly failed to make findings as to "the specific understanding or principle within the knowledge of a skilled artisan that would have motivated one with no knowledge of the invention" to combine references in the manner claimed by the '565 Patent.<sup>18</sup>

#### THE SUPREME COURT'S OPINION IN *KSR*

In a unanimous decision drafted by Justice Kennedy, the Supreme Court rejected what it described as "the rigid approach of the Court of Appeals."<sup>19</sup> Before detailing the problems inherent in that approach, the Court first addressed the principles underlying its own conception of obviousness. Quoting precedent "over half a century" old, the Court explained that granting patents for obvious advances stifles progress by "withdraw[ing] what is already known into the field of its monopoly and diminish[ing] the resources available to skillful men."<sup>20</sup> Sweeping language throughout the opinion re-sounds the theme that granting patent protection for "the results of ordinary innovation"

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<sup>14</sup> *Id.*

<sup>15</sup> *Id.* at 1735-36.

<sup>16</sup> *Id.* at 1737-38.

<sup>17</sup> *Id.* at 1738.

<sup>18</sup> *Id.* at 1739.

<sup>19</sup> *Id.* at 1739. It is significant that Justice Kennedy wrote for the Court, because the seeds of the *KSR* court's concern about the stifling of innovation can be found in Justice Kennedy's concurrence in *eBay*. See *eBay*, 126 S. Ct. at 1842 (Kennedy, J., concurring) (noting the rise of "firms [that] use patents not as a basis for producing and selling goods but, instead, primarily for obtaining licensing fees").

<sup>20</sup> *KSR*, 127 S. Ct. at 1739 (quoting *Great Atl. & Pac. Tea Co. v. Supermarket Equip. Corp.*, 340 U.S. 147, 152 (1950)).

would undermine the aim of the Patent Act and retard technological progress.<sup>21</sup> Patent protection, according to the KSR Court, should therefore be denied for “advances that would occur in the ordinary course without real innovation.”<sup>22</sup>

### **A More Flexible Obviousness Test**

Consistent with its desire to provide patents only for “real innovation,” the Court in *KSR* articulated a more expansive and flexible test for obviousness: “whether the improvement is more than the predictable use of prior art elements according to their established functions.”<sup>23</sup> Under this broader test, which the Court viewed as a logical implication of its prior decisions on obviousness, a combination is obvious “‘when a patent simply arranges old elements with each performing the same function it had been known to perform’ and yields no more than one would expect from such an arrangement.”<sup>24</sup> Although these formulations necessarily provide incomplete guidance as to when a particular patent or application is obvious, they indicate that unless a combination of pre-existing elements “works together in an unexpected and fruitful manner,” the innovation will face an uphill battle under § 103(a).<sup>25</sup> The broad test endorsed by *KSR* can be expected to profoundly affect patent prosecution and litigation: in prosecutions, patents will be harder to get, and in litigation, they will be easier to challenge.

### **TSM Remains Relevant – But Not Exclusive**

As for the Federal Circuit’s approach to obviousness, as reflected in the TSM test, the Court found that it led to numerous errors. One problem stemmed from the Federal Circuit’s assumption that the teachings in all fields of endeavor are recorded in writing. Contrary to this assumption, “[i]n many fields . . . there is little discussion of obvious techniques or combinations, and . . . market demand, rather than scientific literature, will drive design trends.”<sup>26</sup> Because it failed to recognize “the diversity of inventive pursuits and of modern technology,” the Federal Circuit’s TSM test “overemphasi[z]ed . . . the importance of published articles and the explicit contents of issued patents.”<sup>27</sup>

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<sup>21</sup> *Id.* at 1746.

<sup>22</sup> *Id.* at 1741.

<sup>23</sup> *Id.* at 1740.

<sup>24</sup> *Id.* (quoting *Sakraid v. Ag Pro, Inc.*, 425 U.S. 273, 282 (1976)).

<sup>25</sup> *Id.*

<sup>26</sup> *Id.* at 1741.

<sup>27</sup> *Id.*

Another problem with the TSM test stemmed from the Federal Circuit's failure to recognize that "[a] person of ordinary skill is also a person of ordinary creativity, not an automaton."<sup>28</sup> In assuming "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 Federal Circuit erroneously conceived of skilled artisans as unimaginative and robotic.<sup>29</sup> In the correct analysis, persons of ordinary skill should be credited with common sense and creativity. Hence, they will be presumed to recognize that "familiar items may have obvious uses beyond their primary purposes . . . and [to] be able to fit the teachings of multiple patents together like pieces of a puzzle."<sup>30</sup> Likewise, skilled artisans will sometimes consider teachings outside their specific field of endeavor and will draw "inferences and creative steps" even absent precise teachings in the prior art.<sup>31</sup> This expansion of the obviousness analysis is particularly problematic for business method patents which often take a known approach from one field and apply it to another.

A third problem with the Federal Circuit's approach was its focus on the subjective intentions of the patentee, rather than the objective reach of a patent's claims. In particular, the Federal Circuit committed error in holding "that courts and patent examiners should look only to the problem the patentee was trying to solve."<sup>32</sup> This approach ignores the fact that an invention may solve multiple problems, even if the inventor was subjectively focused on only one of them. A patent may be obvious if it comprises an obvious solution to any problem, regardless of whether the problem was considered by the inventor. "Under the correct analysis, *any* need or problem known in the field of endeavor at the time of invention and addressed by the patent can provide a reason for combining the elements in the manner claimed."<sup>33</sup>

Although the *KSR* Court found that the TSM test, as developed by the Federal Circuit, was too restrictive, the test likely will not be wholly irrelevant post-*KSR*. Clearly, if there is an express teaching, suggestion or motivation in the prior art, that will remain a sufficient basis for finding obviousness under § 103(a).<sup>34</sup> However, the obviousness analysis can no longer be limited to such a

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<sup>28</sup> *Id.* at 1742.

<sup>29</sup> *Id.*

<sup>30</sup> *Id.*

<sup>31</sup> *Id.* at 1740-41.

<sup>32</sup> *Id.* at 1742.

<sup>33</sup> *Id.* (emphasis added).

<sup>34</sup> *Id.* at 1741. ("There is no necessary inconsistency between the idea underlying the TSM test" and a more flexible approach).

“formalistic conception,” because that would risk protecting incremental advances at the cost of stifling progress.

### **Obvious to Try**

In a potentially far-reaching dictum, the Court also criticized the Federal Circuit’s long-standing policy of rejecting arguments that combinations were “obvious to try.”<sup>35</sup> According to the Court, when there is a design need or market pressure to solve a problem, then – so long as there are a finite number of identified, predictable solutions – “a person of ordinary skill has good reason to pursue the known options within his or her technical grasp.”<sup>36</sup> If that leads to a successful combination, “it is likely the product not of innovation but of ordinary skill and common sense.”<sup>37</sup> The fact that a combination “was obvious to try might show that it was obvious under § 103.”<sup>38</sup> Although the Court stopped short of saying that “obvious to try” and “obvious” will in fact be the same in some cases, its dictum nevertheless represents a marked departure from longstanding Federal Circuit precedent holding that the two are never equivalent.

### **Presumption of Validity**

In another potentially far reaching dictum, *KSR* suggested that the presumption of validity normally afforded patents might be inappropriate as to prior art not considered by the PTO. By direction of 35 U.S.C § 282, an issued patent is presumed valid. An obviousness challenge must overcome that presumption by clear and convincing evidence.<sup>39</sup> The Federal Circuit has consistently held that this presumption is absolute, even where the prior art used to challenge the patent was never considered by the PTO.<sup>40</sup> In *KSR*, the Court found it unnecessary to determine whether the PTO’s failure to consider a prior art reference voided the presumption of validity, because it found the ‘565 patent invalid in spite of the presumption.<sup>41</sup> Nevertheless, the Court offered the suggestive dictum that “the rationale underlying the presumption – that the PTO in its expertise, has approved the claim –

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<sup>35</sup> *Id.* at 1742.

<sup>36</sup> *Id.*

<sup>37</sup> *Id.*

<sup>38</sup> *Id.*

<sup>39</sup> *Moba*, 325 F.3d at 1319.

<sup>40</sup> See *ACS Hosp. Sys. Inc. v. Montefiore Hosp.*, 732 F.2d 1572, 1575 (Fed. Cir. 1984) (“The presumption is *never* annihilated, destroyed, or even weakened, regardless of what facts are of record”) (emphasis in original).

<sup>41</sup> *KSR*, 127 S. Ct. at 1745.

seems much diminished” where a piece of relevant prior art was not considered during prosecution.<sup>42</sup> Litigants mounting obviousness challenges under similar circumstances will undoubtedly seize on this language to urge trial courts to remove the presumption, to lower the standard of proof, or both.

### Summary Judgment and Conflicting Expert Testimony

Finally, the Court in *KSR* reaffirmed that the ultimate determination of obviousness is a “legal determination” for the judge susceptible of resolution by summary judgment, provided no underlying issues of material fact are in dispute.<sup>43</sup> In that regard, the Court indicated that although a district court “can and should take into account expert testimony,” “conclusory expert affidavits” alone do not create a triable issue of fact.<sup>44</sup> Where, as in *KSR*, “the content of the prior art, the scope of the patent claim, and the level of ordinary skill in the art are not in material dispute,” a court may appropriately determine that the obviousness of the claim is “apparent” as a matter of law,<sup>45</sup> regardless of expert affidavits extolling the patent as a “simple, elegant, and novel combination of features.”<sup>46</sup> As a practical matter, the Court’s approach may encourage district courts to resolve a greater number of obviousness defenses on summary judgment, particularly where there is no dispute as to the existence of prior art.

### CONCLUSION

By making obviousness easier to prove, the *KSR* decision will have a significant impact on patent law. However, because the opinion is long on principles but short on practical tips for applying those principles, the extent of its impact will depend on how the opinion is followed. Significantly, the Federal Circuit and the PTO have already adopted contrasting interpretations. In a memorandum to its examiners issued days after *KSR* was handed down, the PTO emphasized that “[t]he Court did not totally reject the use of teaching, suggestion, or motivation to combine the prior art as a factor in the obviousness analysis.”<sup>47</sup> The memorandum concluded: “Therefore in formulating a rejection under 35 U.S.C. § 103(a) based upon a combination of prior art elements, it remains *necessary* to identify the reason why a person of ordinary skill in the art would have

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<sup>42</sup> *Id.*

<sup>43</sup> *Id.* at 1745-46.

<sup>44</sup> *Id.*

<sup>45</sup> *Id.*

<sup>46</sup> *Id.* at 1739.

<sup>47</sup> Memorandum from Margaret A. Focarino, Deputy Commissioner for Patent Operations, to Technology Center Directors (May 3, 2007).



combined the prior art elements in the manner claimed.”<sup>48</sup> In contrast, in *Leapfrog Enter., Inc. v. Fisher-Price, Inc.*, an opinion issued shortly after the release of the PTO memorandum, the Federal Circuit affirmed a district court’s finding that a combination patent was invalid under § 103(a).<sup>49</sup> In *Leapfrog*, which cites repeatedly to *KSR*, the Federal Circuit does not expressly apply the TSM test. Moreover, the only “reasons to combine” identified in the opinion are common sense and the desire to increase marketability.<sup>50</sup> It remains to be seen when and how these and other contrasting interpretations will be reconciled.

In spite of this uncertainty, one thing is certain: obviousness will be easier to prove in a post-*KSR* world, especially for business method patents and patents that claim incremental innovations. It is also likely that litigation and prosecution costs will increase as courts flesh out the new and more amorphous standard, and as applicants adopt new strategies in response to *KSR*, such as highlighting in the prosecution history and patent specifications the creativity and unexpectedness of their inventions. Similar effects will be felt in the licensing arena as companies with combination patents may see a decrease in the value of these patents and, consequently, in their ability to license them.

For further information concerning *KSR* and the new standard for obviousness, please feel free to contact members of the Firm’s Intellectual Property Department, including:

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<sup>48</sup> *Id.* (emphasis added).

<sup>49</sup> No. 06-1402, 2007 WL 1345333 (Fed. Cir. May 9, 2007).

<sup>50</sup> *See id.* at \*4-5.