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Supreme Court Issues Groundbreaking Ruling Making It Easier to Invalidate Patents as Obvious

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by [Rachel Krevans](#), [Matthew I. Kreeger](#)

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Longstanding Federal Circuit “Teaching-Suggestion-Motivation” Test No Longer the Exclusive Way to Show Obviousness

The Supreme Court issued a major new decision on patent law today, creating uncertainty about whether existing patents might be invalidated as too similar to previous inventions. Under the patent statute, an inventor cannot obtain a patent if the invention is “obvious” in light of prior work in the field. The Supreme Court decision rejected a longstanding Federal Circuit test for demonstrating that a patent is obvious under that statute. In a decision issued on April 30, 2007, the Supreme Court held that the Federal Circuit’s “teaching-suggestion-motivation” test conflicted with the patent statute and the Supreme Court’s precedents. As a result, businesses facing a patent infringement suit will have an easier time demonstrating that the Patent and Trademark Office (“PTO”) mistakenly issued a patent for an obvious invention. In addition, examiners in the PTO will likely reject more applications as mere obvious variations on prior technology. *KSR International v. Teleflex Inc.*, U.S. Supreme Court No. 04-1350 (April 30, 2007).

Background

Section 103 of the patent statute provides that a patent cannot be obtained “if 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.” The Supreme Court considered the standard for obviousness more than 40 years ago, in the case of *Graham v. John Deere Co.*, 383 U.S. 1, 86 S. Ct. 684, 15 L. Ed. 2d 545 (1966). There the Supreme Court described four factors that are relevant to a determination of obviousness: (1) the scope and content of the prior art; (2) the skill level of a person of ordinary skill in the art; (3) the differences between the claimed invention and the prior art’s teachings; and (4) any objective indications of nonobviousness, such as the commercial success of the invention. The Supreme Court left it to the lower courts to develop the obviousness doctrine further.

The Federal Circuit has heard all appeals from patent cases (as well as appeals of decisions by the PTO whether to issue a patent) since the court was formed in 1982. Beginning in 1983, the Federal Circuit developed a doctrine for determining whether a patented invention was an obvious combination of prior teachings in the field. Under Federal Circuit precedent, there needed to be an explicit or implicit “teaching, suggestion, or motivation” that would lead a person of ordinary skill in the art to combine the prior art references to achieve the claimed invention. *Orthopedic Equip. Co. v. United States*, 702 F.2d 1005 (Fed. Cir. 1983). In practice, the teaching-suggestion-motivation test often required that one challenging the patent find in the prior art itself some indication that the ideas from two articles or patents should be combined. The Federal Circuit explained that the teaching-suggestion-motivation test was needed to combat the natural temptation of hindsight bias: many useful inventions seem obvious after the fact.

The underlying decision in the *KSR* case was an unpublished Federal Circuit decision in a case about an adjustable gas pedal system for an automobile. *Teleflex, Inc. v. KSR Int’l. Co.*, No. 04-1152, 2005 WL 23377 (Fed. Cir. Jan. 6, 2005) (unpublished). The district court held on summary

judgment that the patent claims were obvious and invalid. The Federal Circuit reversed, finding that the defendant had not demonstrated a “specific suggestion” to combine the prior art to arrive at the claimed adjustable gas pedal.

The Supreme Court’s Decision

The Supreme Court reversed the Federal Circuit’s ruling on obviousness. The Court reiterated its holding in *Graham v. John Deere Co.*, 383 U.S. 1 (1966), and held that the *Graham* “factors continue to define the inquiry that controls” under § 103. Slip Op. 2. The Court thus “reject[ed] the rigid approach of the Court of Appeals.” (Slip op. at 11.) The Court explained that its prior obviousness precedents have “set forth an expansive and flexible approach inconsistent with the way the Court of Appeals applied its [teaching-suggestion-motivation] test.” (*Id.*) The need for “uniformity and definiteness” in *Graham* did not obviate the “functional approach” set forth in *Hotchkiss v. Greenwood*, 52 U.S. 248 (1851). (*Id.*) “To this end, *Graham* set forth a broad inquiry and invited courts, where appropriate, to look at any secondary considerations that would prove instructive.” (*Id.*)

The Court noted that neither Congress’s enactment of § 103 nor the Court’s *Graham* decision “disturbed this Court’s earlier instructions concerning the need for caution in granting a patent based on the combination of elements found in the prior art.” (Slip Op. at 11.) The Court explained that for over half a century a combination patent that only “unites old elements with no change in their respective functions” withdraws knowledge from the public domain. (Slip Op. at 12 (quoting *Great Atlantic & Pacific Tea Co. v. Supermarket Equipment Corp.*, 340 U.S. 147, 152 (1950)).) The obviousness test under *Graham* is designed to prevent the patenting of combinations that are likely to yield no more than predictable results.

The Court noted that its decisions following *Graham* illustrate the proper application of the Court’s doctrine. (Slip Op. at 12-13 (citing *United States v. Adams*, 383 U.S. 39 (1966); *Anderson’s-Black Rock, Inc. v. Pavement Salvage Co.*, 396 U.S. 57 (1969); *Sakraida v. AG Pro, Inc.*, 425 U.S. 273 (1976)).)

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 actual application is beyond his or her skill.

(Slip Op. at 13.) A court applying § 103 must ask whether the improvements are “more than the predictable use of prior art elements according to their established functions.” (*Id.*)

The Court conceded that application of these principles may be difficult in some cases “because the claimed subject matter may involve more than the simple substitution of one known element for another or the mere application of a known technique to a piece of prior art ready for the improvement.” (Slip op. at 13-14.) The Court explained that “[o]ften, 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.” (Slip Op. at 14.) Lower courts should make this analysis explicit, although courts “need not seek out precise teachings directed to the specific subject matter of the challenged claim, for a court may take account of the inferences and creative steps that a person of ordinary skill in the art would employ.” (*Id.*)

The Court concluded that the Federal Circuit erred in using a narrow conception of the obviousness inquiry. Thus, the Court held that the court of appeals erred by only looking to the problem the patentee was trying to solve, and, in so doing, overlooked that the problem addressed by the patentee may be only one of many addressed by the patent’s subject matter. Moreover, the court of appeals failed to recognize “that familiar items may have obvious uses beyond their primary purposes, and in many cases a person of ordinary skill will be able to fit the teachings of multiple patents together like pieces of a puzzle.” (Slip Op at 16-17.) Likewise, the court held that the Federal Circuit erred by concluding that “a patent claim cannot be proved obvious merely by showing that the combination of elements was ‘obvious to try.’” (Slip Op. at 17 (citation omitted).) When there is a “design need or market pressure and 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. If this leads to the anticipated success, it is likely the product not of innovation but of ordinary skill and common sense.” (*Id.*) Finally, the Court acknowledged the dangers of hindsight bias, but held that “[r]igid preventative rules that deny factfinders recourse to common sense, however, are neither necessary under our case law nor consistent with it.” (*Id.*) Applying these principles, the Court concluded that the challenged patent was invalid as obvious.

Significance of the Decision

The Supreme Court’s rejection of the Federal Circuit’s obviousness test, and its direction to the lower courts to apply common sense to determine whether patent claims are obvious, will likely have significant impact in at least three ways. First, *KSR* should make it easier for the PTO to reject proposed patent claims as invalid during prosecution, and harder for the patent applicant to overcome such rejections, including on appeal. Second, it will likely make it easier for competitors of patentholders to initiate and win reexamination proceedings— proceedings in which the PTO takes a second look at the validity of a patent post-issuance. Third, the decision should make it easier for defendants in patent infringement lawsuits to challenge patent validity. These last two issues also could call into question the value of currently issued patents, as they may be more vulnerable to challenge than previously. Each of these issues is discussed below in more detail.

For those accused of infringing a patent, the *KSR* decision will lessen the burden for showing that a patent claim is obvious, particularly where (as often occurs) the claimed invention is a combination of previously known elements. A specific suggestion that the prior art elements should be combined will no longer be required in order to demonstrate that the patent is obvious. For example, one challenging a patent will no longer be faced with a jury instruction of the following type:

Importantly, there must be a showing of suggestion or motivation to modify the teachings of the reference to the claimed invention in order to support an obviousness conclusion. This suggestion or motivation to modify the teachings of that reference to the claimed invention may be derived from the prior art reference itself, from the knowledge of one of ordinary skill in the art, or from the nature of the problem to be solved.

AIPPLA Model Jury Instruction 7.5 (2005). Instead, juries are likely to be instructed on the statute itself and told that they should take the four *Graham* factors into consideration when deciding whether the statute applies, without being given any specific guidance as to how to apply the factors.

The *KSR* decision will likely have a large impact on summary judgment decisions in patent infringement litigation. In the past, patent holders could rely on the “teaching, suggestion, or motivation” test to obtain summary adjudication of non-obviousness. Patent holders will likely find it much more difficult to obtain summary judgment of non-obviousness after *KSR*.

Those accused of infringing a patent, by contrast, may have a much easier time obtaining summary a judgment that the patent is obvious. The Supreme Court emphasized that obviousness is a legal question, and a court can find a patent obvious even where the expert testimony on the subject is in dispute:

In considering summary judgment on [the question of obviousness] the district court can and should take into account expert testimony, which may resolve or keep open certain questions of fact. This is not the end of the issue, however. The ultimate question of obviousness is a legal determination. Where, as here, 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, and the obviousness of the claim is apparent in light of these factors, summary judgment is appropriate.

(Slip op. at 23 (citation omitted).) Thus, the Court emphasized that the trial court should make its own determination of obviousness, based on factors that will frequently be undisputed (the content of the prior art, the scope of the patent claim, and the level of ordinary skill in the art). Where it is “apparent” that the claim is obvious, the court should grant summary judgment against the patent holder. Thus, although an expert declaration may be useful in addressing these underlying factors, an expert who offers the ultimate opinion that the patent claim is non-obvious (or obvious) will be given little weight. Indeed, in *KSR* the Supreme Court determined on its own that the patent was obvious, without remanding for further proceedings, despite an expert declaration submitted by the patentee to the contrary.

Inventors seeking a patent may find it tougher sledding in the PTO as a result of the *KSR* decision. Applicants previously had some success overcoming obviousness rejections by pointing out that the prior art lacked any specific teaching, suggestion, or motivation to combine prior art references. See MPEP § 2143.01. The PTO can be expected to change its procedures in light of *KSR* to permit examiners to issue obviousness rejections even where there is no specific teaching, suggestion, or motivation to combine. Examiners will likely therefore feel more free to use their own sense of the obviousness of a particular patent claim, in light of the broad *Graham* factors.

For those who believe that the PTO erroneously issued a patent to a competitor, the *KSR* decision increases the likelihood of convincing the PTO that it made a mistake. Under the PTO procedure for reexamination (see 35 U.S.C. §§ 301-319), anyone can ask the PTO to reconsider whether a patent is invalid based on prior art publications and patents. To be successful, a reexamination request must demonstrate that there is a “substantial new question of patentability.” Thus, reexamination has generally been limited to arguments based on publications or patents that were not considered in the original prosecution. After *KSR*, we can expect to see requests for reexamination based on art that was in fact considered, but contending that the PTO issued the patent based on the wrong standard for patentability. Such arguments will have particular force where during prosecution the patentee overcame an obviousness rejection by arguing that there was no teaching, suggestion, or motivation.

The *KSR* decision may have a greater impact on mechanical and electrical inventions than in life science inventions. For example, the Court held that “[w]hen there is a design need or market pressure to solve a problem and 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.” (Slip. Op. at 17 (emphasis added).) The courts have long recognized that life sciences inventions are less predictable than in other areas, which may make it more difficult to meet this standard. The Court also noted, in its discussion of its one of its prior decisions, the potential for unpredictable results to demonstrate non-obviousness: “The fact that the elements worked together in an unexpected and fruitful manner supported the conclusion that [the patent] was not obvious to those of skill in the art.” (Slip op. at 12.)

The *KSR* decision continues the recent trend of Supreme Court patent cases. The Court has taken patent cases with increasing frequency, often reversing the Federal Circuit and limiting patent rights. For example, in the *MedImmune v. Genentech* case (2007), the Court rejected a line of Federal Circuit cases requiring a patent licensee to breach the license agreement before it could invoke declaratory judgment jurisdiction to challenge the validity of the patent. As a result, the Supreme Court made it easier for patent licensees to challenge the validity of the patent without risking the possibility of an injunction or damages. In *eBay v. MercExchange* (2007), the Court overruled a long line of Federal Circuit cases holding that a permanent injunction should ordinarily issue after a finding of patent infringement. Instead, the Court held that traditional equitable factors should determine whether an injunction should issue. The Supreme Court’s *Festo* opinions similarly reversed Federal Circuit case law on the doctrine of equivalents, limiting the ability of patent holders to use the doctrine to assert infringement over products not covered by the literal scope of patent claims.

In each of these cases, the Supreme Court took a more limited view of patent rights than the Federal Circuit. The decision in *KSR* continues this trend, as the Court was willing to find against the patent holder even though it meant altering doctrine that had become firmly rooted in the patent law community over more than 25 years. *KSR* is likely to make it harder for inventors to obtain patent coverage, and easier for those accused of infringing patents to mount a successful challenge.

Note: Morrison & Foerster represented *amicus curiae* Biotechnology Industry Organization in the *KSR* case, who filed a brief in support of respondents Teleflex, Inc., *et al.*