On April 30, 2007, the United States Supreme Court issued a unanimous ruling that changes the standards used in deciding whether a patent is obvious. In *KSR International Co. v. Teleflex, Inc.*, the Supreme Court rejected the “rigid approach” of the Court of Appeals for the Federal Circuit (CAFC) in its application of its teaching, suggestion, or motivation test (the TSM test). The TSM test has been perceived as a requirement that a patent is not obvious over prior-art references unless there is an explicit teaching, suggestion, or motivation to combine those references. Instead, the Court advocated an “expansive and flexible approach” to determine obviousness that focuses on the statute (35 U.S.C. § 103), as well as Supreme Court precedent interpreting that statute, including *Graham v. John Deere Co.* Moreover, the Supreme Court declared that the “obvious to try” standard—long rejected by the CAFC as a means to show obviousness—indeed may render a patent obvious. The Court thereby made it easier for Patent and Trademark Office (PTO) examiners to support obviousness rejections and for alleged infringers to invalidate patents based on obviousness.

Since virtually every litigated patent case includes an assertion of obviousness, and since the Patent Office examines every patent application for obviousness, *KSR v. Teleflex* is arguably the most important patent case of the last 20 years, and perhaps since the passage of the 1952 Patent Act.

**Background**

There are two ways to reject a patent application or invalidate a patent based on prior art: (1) anticipation under 35 U.S.C. § 102, which requires a showing that the identical thing was invented earlier in a single piece of prior art; or (2) obviousness under 35 U.S.C. § 103:

A patent may not be obtained though the invention is not [anticipated], 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 to a person having ordinary skill in the art to which said subject matter pertains.

Before the creation of the Federal Circuit in 1982, Supreme Court cases interpreted Section 103 without adopting the TSM test. For example, *Graham* stated:

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 unsolved needs, failure of others, etc., might be utilized. . . .

As indicia of obviousness or nonobviousness, these inquiries may have relevancy.

In the case at hand, Teleflex had a patent on a gas pedal that had: (1) a pre-existing type of “adjustable pedal,” and (2) a pre-existing type of “electronic control” found in newer cars. At the district court level, the *KSR* court had granted KSR’s motion for summary judgment of invalidity. The district court cited the nature of the problem to be solved and references related to solutions to that problem, the relationship of the references to the same art, and express teachings in the prior art as providing the teaching, suggestion, or motivation to combine the references at issue and render Teleflex’s alleged invention obvious. In an unpublished opinion, the CAFC vacated and remanded. The CAFC held that the district court had applied an “incomplete” TSM test, because the district court failed to make “specific findings” that would have motivated one skilled in the art to combine the references “in the particular manner claimed,” such that a genuine issue of material fact precluded summary judgment.

**The Supreme Court’s Decision**

In turn, the Supreme Court reversed the CAFC’s opinion. In an opinion authored by Justice Anthony Kennedy, the Court repudiated the “rigid approach” of the CAFC in “the way the Court of Appeals applied its TSM test [in *KSR*, because] when it is so applied, the TSM test is...
incompatible with our precedents.” Furthermore, the Court noted, “The obviousness analysis cannot be confined by a formalistic conception of the words ‘teaching,’ ‘suggestion,’ and ‘motivation,’ or by the overemphasis on the importance of published articles and the explicit content of issued patents.” While the obviousness “analysis should be made explicit,” the Court found, “the analysis need not seek out precise teachings” in the prior art.

Instead, the Court propounded an “expansive and flexible approach” consistent with its own precedent and grounded in Section 103 and the Graham factors in the obviousness analysis: (1) the scope and content of the prior art, (2) the level of ordinary skill in the art, (3) the differences between the prior art and the claimed invention, and (4) the extent of any objective indicia of nonobviousness. “While the sequence of these questions might be reordered in any particular case, the Graham factors continue to define the inquiry that controls.”

Consistent with its expansive and flexible approach, the Supreme Court discussed factors other than explicit teaching, suggestion, and motivation in the prior art that may be considered in an obviousness analysis. The Court noted one primary factor: the inherent knowledge of persons having skill in an art, citing the “background knowledge” of one skilled in the art, “recognition” of a skilled artisan that a technique used “to improve one device” could “improve similar devices in the same way,” and “inferences and creative steps that a person of ordinary skill can implement.”

“Market demand” or “market forces” constituted another possible factor. According to the Court, an invention may be obvious where “a work is available in one field of endeavor” and “market forces can prompt variations of it.” It further found that “effects of demands . . . present in the marketplace” may be considered to determine obviousness. The Court reasoned that sometimes “there is little discussion of obvious techniques or combinations,” and instead that “market demand, rather than scientific literature,” will drive innovation.

Another possible consideration is predictability: “[A] court must ask whether the improvement is more than the predictable use of prior-art elements according to their established functions,” adding that “[i]f a person of ordinary skill can implement a predictable variation, § 103 likely bars its patentability.” The Court declined to elaborate on this “predictability” factor.

Moreover, the Court stated that inventions that are “obvious to try” still may be obvious, thereby weakening a primary means for avoiding “hindsight bias” in obviousness determinations. “Where there is . . . 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 . . . if this leads to the anticipated success, it is likely the product not of innovation but of ordinary skill and common sense. In that instance the fact that a combination was obvious to try might show that it was obvious under § 103.” While the Court agreed that “a factfinder should be aware . . . of the distortion caused by hindsight bias,” it reasoned that “[r]igid preventative rules that deny factfinders recourse to common sense . . . are neither necessary under our case law nor consistent with it.”

In reversing the CAFC’s decision, the Supreme Court applied its “expansive and flexible approach,” concluded that the invention was obvious as a matter of law, and ordered reinstatement of the district court’s summary judgment of obviousness. It reasoned that there “existed a marketplace that created a strong incentive to convert mechanical pedals to electronic pedals, and the prior art taught a number of methods for achieving this advance.” It further noted that the “conclusory” affidavits of Teleflex’s experts did not bar summary judgment.

Implications of the KSR Decision

By rejecting the CAFC’s rigid application of the TSM test, the Supreme Court likely has made it easier for a patent to be invalidated as obvious, both in litigation and during the patent application process. It now may be more difficult for patent applicants, including startup companies, to obtain patents because PTO examiners will have greater flexibility in making obviousness rejections without satisfying a rigid TSM test. It also may be easier to invalidate a patent during litigation, as courts and juries now have the same increased latitude in invalidating a patent based on obviousness.

For established technology companies, the KSR decision conceivably could lessen the perceived threat to innovation posed by patents of dubious quality, where innovative companies have been forced to redesign products, pay license fees, or engage in costly and time-consuming litigation in order to avoid alleged infringement of patents obtained under a more rigid standard of obviousness. On the other hand, the KSR decision may make it more difficult for start-up companies—especially biotechnology and other life science companies—to obtain needed patents, because patent examiners likely will find that more applications are obvious without the constraints of the traditional TSM test.

The decision also creates greater uncertainty in practice, because without a perceived “uniform[ ] and definite[ ]” TSM test, examiners and courts alike must revert to the “broad[er],” more subjective question of whether one skilled in the art would have found the alleged invention obvious. Moreover, additional obviousness considerations such as “market demand” and “predictability” are novel, uncertain, and untested in this context. Until the CAFC provides further clarification as to what constitutes a “market force” or “predictable use” sufficient to render an invention obvious, PTO examiners and district courts may interpret the “market demands” and

Continued on page 3...
It’s Obvious: Supreme Court Rejects Rigid Application . . .

Continued from page 2...

“predictability” factors in an inconsistent fashion, potentially leading to further uncertainty regarding patent rights. Furthermore, the “predictability” standard itself begs the question as to: (1) what constitutes predictability; and (2) how predictability and obviousness differ.

Finally, the future of the TSM test itself seems unclear. On the one hand, the Supreme Court appears not to have abolished the test itself, but rather rejected its rigid application, in this case in particular. “We begin by rejecting the rigid approach of the Court of Appeals. . . . Our cases have set forth an expansive and flexible approach inconsistent with the way the Court of Appeals applied its TSM test here.” It added, “There is no necessary inconsistency between the idea underlying the TSM test and the Graham analysis. But when a court transforms the general principle into a rigid rule that limits the obviousness inquiry, as the Court of Appeals did here, it errs.” On the other hand, the Court appears ultimately to leave the fate of the TSM test, in light of its KSR decision, up to the CAFC. “The extent to which [CAFC obviousness decisions published after certiorari was granted in KSR] may describe an analysis more consistent with our earlier precedents and our decision here is a matter for the Court of Appeals to consider in its future cases. What we hold is that the fundamental misunderstandings identified above led the Court of Appeals in this case to apply a test inconsistent with our patent law decisions.”

For more information on the KSR decision and its implications, please contact Julie Holloway, Michael Ladra, James Otteson, or another member of the firm’s IP Litigation practice, or Vern Norviel or another member of the Patents & Innovation Counseling practice.