



TO: CLIENT
FROM: Steve MacKenzie - WCSR IP Group
DATE: May 1, 2007
RE: Supreme Court's *KSR v. Teleflex* decision – Obviousness under §103

I. SUMMARY

In *KSR v. Teleflex*, the Supreme Court reversed the Federal Circuit because the Federal Circuit's approach in determining obviousness was too rigid and inflexible. The Federal Circuit applied its traditional "teaching, suggestion, motivation" (TSR) test in reversing the district court's grant of summary judgment of obviousness. In reversing the Federal Circuit and re-affirming the district court, the Supreme Court stated "[t]hroughout this Court's engagement with the question of obviousness, our cases have set forth an expansive and flexible approach inconsistent with the way the Court of Appeals applied its TSM test here." The Supreme Court then reverted back to half-century old obviousness doctrine stemming from *Graham v. John Deere Co.*, 383 U.S. 1 (1966) in formulating the current obviousness test.

Under the Supreme Court's current obviousness test, a patent claiming the combination of prior art elements is obvious if the claimed improvement is no more than the predictable use of prior art elements according to their established functions. The reason to combine known elements in the claimed fashion may stem from the interrelated teachings of multiple patents, the effects of market or community demands, and background knowledge possessed by a person of skill in the art.

In rejecting the TSR test as too rigid, the Court stated that:

[t]he diversity of inventive pursuits and of modern technology counsels against limiting the analysis in this way. In many fields it may be that there is little discussion of obvious techniques or combinations, and it often may be the case that market demand, rather than scientific literature, will derive design trends. Granting patent protection to advances that would occur in the ordinary course without real innovation retards progress and may, in the case of patents combining previously known elements, deprive prior inventions of their value or utility.

The Court continued its analysis by undercutting the "obvious to try" doctrine.

When 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. 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.

II. POTENTIAL OUTCOME ON FUTURE LITIGATION AND PROSECUTION

The Supreme Court made it explicitly clear that the TSR test was too rigid and not in accord with *Graham* and its progeny. By adopting a more flexible approach, the Supreme Court opened the doors to more findings of obviousness, especially when the patent claims combinations of known prior art elements.

The effect on litigation will vary depending on the technology at issue. In mechanical cases, there may be more obvious findings on summary judgment because the claimed technology is easier to understand and usually involves combinations of known prior art elements. In chemical, electrical, and biotechnology cases, a more in depth obviousness analysis may be needed since predictability of results may not be easily apparent, the function of known prior art elements usually changes when chemically combined, and the background knowledge of a person of ordinary skill in the art may span several disciplines. Overall, no matter what technology is at issue, the Supreme Court made it easier for a defendant to prove obviousness under the clear and convincing burden of proof.

As above, the effect on prosecution will vary depending on the technology at issue. Unlike prior obvious rejections, however, the examiner no longer has to show a “teaching, suggestion, or motivation” to combine. Now, the examiner can show a prima facie case of obviousness by finding all the claimed elements in several prior art references and state that the claimed technology would have been “predicted” by combining these references because the established function of the elements remains unchanged. To overcome these rejections, the applicant will have to show either a “teaching away” or rely on declarations from the inventor or a person of ordinary skill in the art. The declarations will have to articulate why there was no reason to combine the references or that the function of the known prior art elements changes when combined.

A litigant or applicant, however, may still rebut a showing of obviousness by pointing to a “teaching away” in one of the references since this undercuts the “predictability” analysis the Court articulated.

In sum, issued patents that were initially rejected on obviousness grounds may now be found obvious under the same combination of prior art references. Furthermore, pending applications will now get closer scrutiny, and examiners may revisit reference combinations already asserted.

TO: Clients

FROM: Steve MacKenzie – WCSR IP Group

DATE: May 2, 2007

RE: *Microsoft Corp. v. AT&T Corp.* – The reach of 35 U.S.C. § 271(f) on software and other abstract media.

In *Microsoft Corp. v. AT&T Corp.*, the Supreme Court reversed the Federal Circuit's holding that software contained on a master disk is a "component" under 35 U.S.C. § 271(f). In reversing, the Supreme Court interpreted § 271(f) to apply only to "components" that are combined to form the "patented invention" at issue. Because software contained on a master disk or electronic transmission is not a component, Microsoft was not liable for infringement under § 271(f) for supplying Windows master disks to foreign companies for copying onto CD-ROMS and later installation.

The Supreme Court classified software into two types: (1) abstract instructions detached from any medium; and (2) tangible copy where the instructions are encoded on a medium. The Supreme Court reasoned that abstract software is not a component because software detached from an activating medium (such as a CD-ROM) remains uncombinable with other components. "Abstract software code is an idea without physical embodiment, and as such, it does not match § 271(f)'s categorization." The Supreme Court then analogized software to blueprints. "A blueprint may contain precise instructions for the construction and combination of the components of a patented device, but it is not itself a combinable component of that device."

The Supreme Court continued by rejecting AT&T's arguments that "components" should not be limited to just a tangible copy. Here, the Court reasoned that the extra step of encoding the software's instructions onto a medium is the essential step that renders the software a usable combinable part of a computer.

Next, the Supreme Court addressed AT&T's issue that Microsoft "supplied from the United States" components of the computers here involved. In rejecting AT&T's argument, the Court stated that "[t]he absence of anything addressing copying in the statutory text weighs against a judicial determination that replication abroad of a master dispatched from the United States 'supplies' the foreign-made copies from the United States within the intendment of § 271(f). The Court continued by rejecting AT&T's argument that copying software is "easy and inexpensive", thus, § 271(f) should be expanded to cover master disks sent abroad. Here, the Court reasoned that the "loophole" articulated by AT&T is best left to Congress to close.

In sum, master software disks, electronic transmissions, blueprints, and other abstract media detached from a tangible form will not infringe under § 271(f).