

KSR DECISION

The Supreme Court has once again reversed the United States Court of Appeals for the Federal Circuit on what seemed to be a 'bedrock' issue of patent law. The Supreme Court sharply criticized the Federal Circuit's application of the standard for obviousness under 35 U.S.C. § 103(a). In so doing, the Supreme Court has called into question the validity/patentability of a significant number of existing patents and patent applications. The ramifications to businesses that rely upon innovation are immediate and could be substantial.

The Supreme Court indicated that the standard for obviousness that has been followed for decades by the Federal Circuit is too rigid, resulting in patents on too many "obvious" inventions. The test that has been applied, known as the "teaching, suggestion, motivation" or "TSM" test under (Graham v. John Deer), was developed to quell the human temptation of resorting to hindsight when deciding issues of obviousness. The question is now whether the combination was obvious to a person with ordinary skill in the art. Under the new analysis, any need or problem known in the field of endeavor at the time of the invention and addressed by the patent can provide a reason for combining the elements in the manner claimed. Thus, a hurdle facing parties seeking to invalidate another's patent has been lowered. Equally important, it will be more difficult in the future for inventors to obtain patents in the first place.

Next, the Supreme Court held that "common sense" teaches, that familiar items may have obvious uses beyond their primary purposes, and 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 'anticipated success', it is likely the product is not of innovation but of ordinary skill and common sense. If a person of ordinary skill can implement a predictable variation, §103 now bars its patentability.

A few bits of guidance were provided. The US PTO will now ask whether one of ordinary skill in the perti-

nent art, facing the wide range of 'needs' created by developments in that field of endeavor, would have seen a benefit to altering the closest prior art by adding to it (or removing from it) those elements that define the differences between the prior art and the claims at issue. If the answer to that question is "yes", the claim would appear unpatentable or invalid under Section 103(a) as the case may be. Presumably (although not mentioned in the KSR case) 'secondary considerations' could affect the answer to that question.

Businesses that rely heavily on innovation may be affected the most by this decision. Not only will existing patents be subject to greater scrutiny, but so will pending patent applications. Many scenarios can be envisioned ranging from rebuffed licensing overtures, to license repudiation, to more frequent litigation with added costs due to contested disputes regarding obviousness.

Patent collateralized loans or patent-portfolio-justified investments may be harder to obtain – thus limiting the funds available for start-up companies. Further, existing loans could be in jeopardy of being called if the validity of an existing collateral patent is challenged successfully. The underpinning of many investments may have been weakened leaving some investors holding less value than what they had expected when the investment was made. The Supreme Court believes its decision will advance the useful arts, but the "correction" may leave some businesses on the wrong side of true, patentable innovation.

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