TO OUR FRIENDS AND CLIENTS

Memorandum

August 30, 2006

Solicitor General Urges Supreme Court to Reinstate “Non-Obvious Subject Matter” Condition for Patentability

On June 26, 2006, the Supreme Court of the United States granted certiorari in *KSR International Co. v. Teleflex Inc.*, No. 04-1350. The Petitioner in the case, which is represented by Fried Frank, has urged the Supreme Court to disapprove and overrule 23-year-old Federal Circuit precedent that severely limits courts’ authority to deem subject matter “obvious” and thus unpatentable under 35 U.S.C. § 103(a).

On August 22, 2006, the Solicitor General of the United States filed a Brief for the United States Supporting the Petitioner, which was co-signed by the United States Patent and Trademark Office (the “PTO”). The Solicitor General’s brief characterizes existing Federal Circuit precedent interpreting § 103(a) as “flawed,” “problematic,” “misguided,” and “counter-productive.” The Brief filed by the Solicitor General increases the already substantial likelihood that the *KSR* case will limit the patenting of trivial adaptations of existing technology, and will in many cases reduce significantly the risks faced by businesses confronted with claims for alleged patent infringement.

The concept of limiting patents to “non-obvious subject matter” traces to the Supreme Court’s decision in *Hotchkiss v. Greenwood*, 52 U.S. (11 How.) 248 (1851). In that case, the Court held invalid a patent that claimed a method of manufacturing knobs (e.g., doorknobs) made of clay or porcelain. The method included steps for fastening a knob to a threaded “shank.” The exact same method had previously been used to make knobs of wood and metal; the alleged innovation was applying the pre-existing method to knobs made of clay or porcelain. In rendering its judgment of patent invalidity, the Court formulated and applied the following legal standard (52 U.S. (11 How.) at 267):

> [U]nless more ingenuity and skill in applying the old method of fastening the shank and the knob were required in the application of it to the clay or porcelain knob than were possessed by an ordinary mechanic acquainted with the business, there was an absence of that degree of skill and ingenuity which constitute essential elements of every invention. In other words, the improvement is the work of the skilful mechanic, not that of the inventor.

Between 1851 and 1952, the Supreme Court frequently considered and determined the merits of invalidity defenses to claims for alleged patent infringement, and in so doing, frequently considered and
determined whether particular subject matter claimed in an issued patent was sufficiently innovative as to satisfy the general condition for patentability set forth in *Hotchkiss*. This sizable body of “judicial precedents embracing the *Hotchkiss* condition,” *Graham v. John Deere Co.* 383 U.S. 1, 17 (1966), encompassed diverse types of alleged inventions in diverse technological fields.

In 1952, Congress codified the “non-obvious subject matter” condition in § 103 of the Patent Act (since redesignated § 103(a)). The Supreme Court first interpreted the new § 103 in its 1966 *Graham* decision. *Graham* expressly rejected arguments that § 103 was purportedly “intended to sweep away judicial precedents and lower the level of patentability.” 383 U.S. at 16. *Graham* held, to the contrary, that “the section was intended merely as a codification of judicial precedents embracing the *Hotchkiss* condition, with congressional directions that inquiries into the obviousness of the subject matter sought to be patented are a prerequisite to patentability.” *Id.* at 17.

Continuing up through September 30, 1982, the Supreme Court and the regional circuits continued to construe § 103 as providing a “condition for patentability” that had to be satisfied before the Government could properly issue a patent for particular claimed subject matter. As exemplified by the *Hotchkiss* case, the traditional understanding of “non-obvious subject matter” assessed patentability by reference to whether a person having ordinary skill in an art would have been capable of adapting existing technology to achieve a desired result (e.g., making a clay doorknob having a threaded shank), taking into account the state of the art at the time an alleged invention was made.

Commencing on October 1, 1982, appeals from district court judgments in civil actions “arising under” federal patent law were diverted from the regional circuits to a newly-created, specialized intermediate appellate court, the Court of Appeals for the Federal Circuit. And within a year of its creation, the Federal Circuit re-interpreted § 103 as providing, not a “condition for patentability” (i.e., a condition that a patent applicant had to satisfy as a prerequisite to a patent being granted), but instead a condition for challenges to patentability (i.e., a condition that the PTO or an accused infringer had to satisfy before patent protection for claimed subject matter could be denied).

As re-interpreted by the Federal Circuit, § 103(a) was said to force the issuance and upholding of patent claims drawn to any claimed permutation of existing technology that was not “identically disclosed or described as set forth in section 102,” 35 U.S.C. § 103(a), unless the PTO or an accused infringer could prove some “teaching, suggestion, or motivation that would have led a person of ordinary skill in the art to combine the relevant prior art teachings in the manner claimed.” *Teleflex Inc. v. KSR Int’l Co.*, No. 04-1152, slip op. at 5 (Fed. Cir. Jan. 5, 2005). The Federal Circuit’s re-interpretation of § 103(a) coincided with an enormous increase in the percentage of patents held valid in infringement cases, and gave rise to equally enormous incentives to load up patent applications with large numbers of slightly different claims.
The recent “BlackBerry” litigation is illustrative. Just one of the asserted patents in the “BlackBerry” litigation had 665 different claims whose length easily exceeded the entirety of the technical disclosure. Under Federal Circuit precedent, the PTO had no choice but to allow those 665 claims, no matter how small or trivial might have been the differences between the claimed subject matter and pre-existing technology, in the absence of some proven “teaching, suggestion, or motivation” to combine or modify pre-existing technology to make the particular claimed subject matter. The “BlackBerry” litigation was settled for a reported $612.5 million after a jury had rejected a defense of invalidity under § 103(a) and the Federal Circuit had affirmed the judgment in relevant respects.

As noted above, on August 22, 2006, the Solicitor General of the United States filed a Brief for the United States Supporting the Petitioner, which was co-signed by the PTO. The “key question” that § 103(a) addresses, the Solicitor General’s Brief states, is whether subject matter claimed in a patent “manifests the extraordinary level of innovation, beyond the capabilities of a person having ordinary skill in the art, that warrants the award of a patent.” (Emphasis added.) The Solicitor General urges the Court to restore the traditional understanding of § 103(a) as stating a condition for patentability that a patent applicant must satisfy before the PTO can properly issue a patent. Where the PTO concludes that subject matter claimed in a patent application fails to satisfy the § 103(a) condition, “[t]he patent applicant should bear the burden of proving PTO’s Board and examiners wrong,” the Solicitor General’s brief states.

The views of the Solicitor General parallel those urged by the Petitioner. KSR’s Brief to the Supreme Court criticizes Federal Circuit precedent as having failed to enforce § 103 as providing a “condition for patentability” (i.e., a condition that a patent applicant must satisfy as a prerequisite to claimed subject matter being deemed eligible for patent protection), but having instead re-interpreted § 103(a) erroneously as providing a condition for challenges to patentability (i.e., a condition that the PTO or an accused infringer must satisfy before claimed subject matter can be deemed ineligible for patent protection). KSR further urges the Court to reaffirm the traditional understanding of “non-obvious subject matter” as determined by reference to whether a person having ordinary skill in an art would have been capable of adapting extant technology to achieve a desired result (e.g., making a clay door knob having a threaded shank), not whether such a person would have had motivation to adapt extant technology to achieve a desired result.

A decision in KSR’s favor is likely to mean fewer, but stronger, patents in all fields of technology. Limiting patent protection to “non-obvious subject matter” tends to increase the value of patents for meritorious inventions by limiting opportunities for potential rivals to appropriate and patent trivial adaptations of a first comer’s patented technology.

A decision in KSR’s favor is also likely to improve the quality, predictability, and reviewability of patent validity determinations in infringement litigation. The position urged by KSR and the Solicitor General would restore courts’ traditional authority to determine ultimate questions of patent validity and,
correspondingly, would reduce the role of lay juries in making such legal determinations. The Solicitor General’s Brief urges the Supreme Court to reinstate a summary judgment of invalidity that was granted to KSR by a District Court. Firms involved in pending patent infringement litigation may benefit from the KSR case by raising the proper interpretation of § 103(a), and the proper roles of courts and juries in determining patent validity, as issues at the trial court level.

Copies of the Brief for Petitioner and the Brief of the United States as Amicus Curiae Supporting the Petitioner accompany this memorandum. Clients having questions concerning the KSR case and its practical implications are welcome to e-mail or call James W. Dabney, a partner resident in our New York office (dabnejam@ffhsj.com; (212) 859-8966); Stephen S. Rabinowitz, a partner resident in our New York office (rabinst@ffhsj.com; (212) 859-8973); or Professor John F. Duffy, of counsel resident in our D.C. office (duffyjo@ffhsj.com; (202) 639-7388).

**Brief for Petitioner**

**Brief for the United States as Amicus Curiae Supporting Petitioner**

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