



# JONES DAY COMMENTARY

## ***KSR V. TELEFLEX:* THE SUPREME COURT RULES THAT A BROADER, MORE FLEXIBLE STANDARD FOR OBVIOUSNESS IS CONSISTENT WITH SECTION 103 AND SUPREME COURT PRECEDENT**

In a decision certain to have wide-ranging effects on the patent system in the United States, the Supreme Court ruled in a 9-0 decision on Monday, April 30, 2007, that the Court of Appeals for the Federal Circuit had wrongly addressed the obviousness question in a too-narrow, too-rigid manner, inconsistent with Section 103 of the Patent Act and Supreme Court precedent.

### **BACKGROUND**

KSR is a Canadian auto parts manufacturer that manufactures and supplies auto parts including pedal systems for Ford Motor Company and General Motors Corporation. Teleflex also designs and manufactures adjustable pedals and is KSR's competitor. Teleflex is the exclusive licensee of U.S. Patent No. 6,237,565 (the "Engelgau patent") and sued KSR for infringing claim 4, among other claims of that patent.

The Engelgau patent is directed to a mechanism for combining an electronic sensor with an adjustable automobile pedal so the pedal's position can be transmitted to a computer that controls the throttle in a vehicle's engine. In particular, claim 4 included a requirement that the sensor be placed on a fixed pivot point.

In discussing the technical background of adjustable automobile pedals, the Supreme Court noted that "inventors, beginning in the 1970's, designed pedals that could be adjusted to change their location in the footwell" and cited U.S. Patent No. 5,010,782 ("Asano") as support for this assertion, noting that Asano "reveals a support structure that houses the pedal so that even when the pedal location is adjusted relative to the driver, one of the pedal's pivot points stays fixed." In regard to electronic sensors, the Supreme

Court noted that well before the parent application for the Engelgau patent was filed in 1999, U.S. Patent No. 5,241,936 (filed in 1991) disclosed a pedal that included an electronic sensor on a pivot point in the pedal assembly, and U.S. Patent No. 5,063,811 (filed in 1990) disclosed an electronic sensor disposed on a fixed part of the pedal assembly rather than one in or on the pedal's footpad. The Supreme Court also noted that self-contained modular sensors that could be taken off shelves and attached to various types of pedals and patents for sensors disposed on adjustable pedals were disclosed in prior art patents. Most importantly, the Supreme Court noted that the "prior art was replete with patents indicating that a fixed pivot point was an ideal mount for a sensor."

## THE TRIAL COURT AND FEDERAL CIRCUIT DECISIONS

The trial court granted summary judgment in KSR's favor, holding that claim 4 of the Engelgau patent was obvious. Following the Supreme Court's guidance in *Graham*, the trial court compared the teachings of the prior art to the claims of Engelgau and found "little difference" between them. In particular, the trial court noted that Asano, which was not cited by the Examiner or Engelgau during prosecution of the Engelgau patent, and other prior art, taught all of the features recited in claim 4. The trial court also applied the Federal Circuit's teaching, suggestion, and motivation ("TSM") test for determining obviousness and held that claim 4 was obvious in light of the prior art.

On appeal, however, the Federal Circuit reversed the trial court's grant of summary judgment and ruled that the lower court had not been strict enough in applying the TSM test since the trial court failed to make "findings as to the *specific* understanding or principle within the knowledge of a skilled artisan that would have motivated one with no knowledge of the invention" to attach an electronic control to the support bracket of the Asano assembly. More specifically, the Federal Circuit held that "unless the prior art references addressed the precise problem that the patentee was trying to solve, the problem would not motivate an inventor to look at those references."

## THE SUPREME COURT'S DECISION

The Supreme Court began its discussion of the legal standard "by rejecting the rigid approach of the [Federal Circuit]," noting that "[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 that the Court of Appeals applied its TSM test here." The cases that the Supreme Court was referring to as comprising its "engagement with the question of obviousness" included *Hotchkiss v. Greenwood* (1850); *Graham v. John Deere* (1966), which set out the framework for applying the statutory language of Section 103, and three cases decided with or after *Graham*, including *United States v. Adams* (1966) (a companion case decided with *Graham*); *Anderson's-Black Rock, Inc. v. Pavement Salvage Co.* (1969); and *Sakraida v. AG Pro, Inc.* (1976). The Supreme Court noted that "[t]he principles underlying these cases are instructive when the question is whether a patent claiming the combination of elements of prior art is obvious." According to the Supreme Court, "[w]hen 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" and "[i]f a person of ordinary skill can implement a predictable variation, Section 103 likely bars its patentability." Moreover, the Supreme Court stated that, based on *Sakraida* and *Anderson's-Black Rock*, "a court must ask whether the improvement is more than the predictable use of prior art elements according to their established functions."

Following these principles, according to the Supreme Court, "may be more difficult in other cases than it is here 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." The Supreme Court stated 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." To facilitate this review, the Supreme Court stated that any obviousness analysis should be "made explicit" but such analysis need not

seek out “precise teachings directed to the specific subject matter of the challenged claim, for a court can take account of the inferences and creative steps that a person of ordinary skill in the art would employ.”

The Supreme Court also reviewed the history of the TSM test and noted that it “captured a helpful insight” and that “[t]here is no necessary inconsistency between the idea underlying the TSM test and the *Graham* analysis.” According to the Supreme Court, however, helpful insights need not become rigid formulas, and when the TSM test is so applied, it is inconsistent with Supreme Court precedent. Further, to the extent a rigid application of the TSM test limits the obviousness inquiry, as the Federal Circuit’s approach did in this case, the court errs.

The Supreme Court focused particular attention on the flaws in the Federal Circuit’s underlying analysis. For example, the Supreme Court noted that the Federal Circuit erred in holding that courts and patent examiners should look only to the problem the patentee was trying to solve. The correct approach, according to the Supreme Court, was to ask whether the combination was obvious to a person with ordinary skill in the art. In addition, the Supreme Court noted that the Federal Circuit erred in assuming that a person of ordinary skill in the art attempting to solve a problem will be led only to those elements of prior art designed to solve the same problem. In this instance, the Supreme Court noted that common sense teaches that familiar items “may have obvious uses beyond their primary purpose.”

Moreover, according to the Supreme Court, the Federal Circuit’s constricted analysis led them to conclude, in error, that “a patent claim cannot be proved obvious merely by showing that the combination of elements was ‘obvious to try.’” The Supreme Court stated 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. 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.”

Lastly, according to the Supreme Court, the Federal Circuit drew the wrong conclusion from the risks related to hindsight bias and noted that “[r]igid preventative rules that deny fact finders recourse to common sense, however, are neither necessary under our case law nor consistent with it.”

After focusing on the Federal Circuit’s flaws in analysis, the Supreme Court concluded its opinion by taking the unusual step of applying the standards it had just announced to the facts of the case based on the summary-judgment record, holding that “claim 4 *must* be found obvious” based on the “arguments, and the record.”

## WHAT *KSR* MEANS FOR THE FUTURE

Perhaps the only thing that might confidently be said about the Supreme Court’s decision in *KSR* is that it makes obviousness under Section 103 easier to prove, by replacing the singular, rigid TSM requirement with more flexible standards that are in accordance with Supreme Court precedent and Section 103. But it is not at all clear how much easier the new standards will make obviousness challenges, or whether a single, articulable standard for obviousness will emerge from the Federal Circuit as it applies the *KSR* decision in future cases. Without in any way trying to predict what the answers will be, the *KSR* decision plainly leaves many questions for the Federal Circuit and trial courts to address in its wake:

- What is left for the TSM test, in view of the “helpful insight” it provides? Or has it been abolished entirely?
- Will the Federal Circuit’s “broader conception of the TSM test,” which was articulated in several cases over the past year (a fact noted by the Supreme Court’s opinion and at the oral argument), continue to have effect in view of its greater flexibility?
- How will the United States Patent and Trademark Office (PTO) implement the *KSR* decision in its examination of patent applications? Will *KSR* diminish the number of U.S. patents granted by the PTO?
- What will jury instructions in obviousness cases look like?
- What role will expert testimony play in future obviousness cases? And will trial-court debates over the level of ordinary skill in the relevant art take on increased importance now?
- Does the Supreme Court’s opinion pave the way for more trial-court summary judgments of obviousness?

- Will the Federal Circuit be more aggressive in reversing jury verdicts of nonobviousness? Will that court apply its own “common sense” in conducting this review? And if so, how predictable a rule will emerge?

In sum, the long-awaited *KSR* decision is the latest in a series of Supreme Court reversals of Federal Circuit law (*Festo*, *Holmes Group v. Vornado*, *eBay*, *MedImmune*, and *Microsoft v. AT&T*). It will have a significant effect on the U.S. patent system because it changes one of the basic tenets in patent law—the standard of obviousness under Section 103. The Supreme Court’s ruling reverses the rigid teaching, suggestion, and motivation test that the Federal Circuit and its predecessor court, the Court of Customs and Patent Appeals, has been applying for more than 45 years and replaces it with broader, more flexible standards that are, according to the Court, more consistent with Section 103 and Supreme Court precedent. Only future decisions by the Federal Circuit and trial courts, however, will clarify what the actual standards will be.

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