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Is Your Application Ready Under KSR?

Law360, New York (March 11, 2009) -- The Supreme Court's *KSR v. Teleflex*, 550 U.S. 398 (2007) decision dramatically impacted examination of patent applications by the U.S. Patent and Trademark Office. In this article, we outline the best way to structure an appeal to the Board of Patent Appeals and Interferences.

Appeal to the board is well worth the effort since, after a successful appeal, about 80 percent of the applications issue as patents within six months.

In the other 20 percent, asserted new grounds for rejection are based on (a) a reference already known to the patent examiner that supports non-patentability or (b) the board's decision.

This article provides an overview of (a) the reviewed cases and KSR, (b) the board's reasons for reversals: prevalent claim interpretation, reference interpretation and legal errors, (c) common *sua sponte* rejections entered by the board and (d) other issues applicants must consider before appealing their applications.

Cases Reviewed

Over 120 post-KSR board decisions that reversed the patent examiner were reviewed. Of these, emphasis was placed on the 50 decisions in which the board reversed the patent examiners' finding of obviousness in the Internet, software, circuits and mechanical technologies (i.e., Technology Centers 2100, 2500, 2600, 2800, 3600, and 3700).

In these 50 post-KSR cases, the board's decisions are based on the appellate record (i.e., appellant briefs and patent examiner answers). It was observed that a small group of 7-10 administrative patent judges appeared on many of the board decisions reversing obvious rejections in the predictable arts.

KSR's Impact

In response to the KSR decision, patent examiners are increasingly denying patents asserting the protection sought is "obvious." The increase in the number of rejections has led applicants to increasingly appeal the patent examiner's decisions to the board.

As an example, the PTO reported the board received about 6,385 ex parte appeals in the fiscal year 2008, almost double the 3,349 filed in fiscal year 2006, and concluding two consecutive years of 35 percent increases in appeals.

The PTO reported that almost 950 ex parte appeals were filed per month at the board since Sept. 1, 2008. With this increasing workload, success at the board requires careful groundwork in prosecuting the application and thoughtfully building the record for the appeal brief.

In this post-KSR world, applicants have obtained reversals of the patent examiners rejections in only 25 percent of appeals in the predictable arts.

The board has provided glimpses into what the appellant needs to present to successfully challenge the patent examiner. Successful appellants have proven factual errors including claim and reference interpretation errors.

Similarly, successful appellants have proven legal errors including (a) non-analogous art cited by the patent examiner, (b) impermissible hindsight by the patent examiner, (c) inoperable combination of references and (d) references cited by the patent examiner that taught way from the patent application.

Finally, successful appellants included (a) thoughtful definitions of a person having ordinary skill in the art (PHOSITA) and (b) records having evidence of secondary indicia of non-obviousness.

However, even if successful in overcoming the patent examiner's rejection, appellants must consider the chance the board will assert sua sponte rejections for claims that (i) do not recite patentable subject matter, (ii) lack enablement and (iii) lack written description even for patentable claim features added in amendments during prosecution.

KSR V. Teleflex

In KSR, the Supreme Court called for loosening the approach set by the Federal Circuit for deciding when a combination of elements deserves patent protection. The justices eliminated the requirement to show an explicit teaching, suggestion or motivation to combine the applied references to prove obviousness.

After KSR, most practitioners believed KSR would make it harder, more costly, and more time-consuming for applicants to obtain U.S. patents in all areas of technology,

and particularly in the predictable arts (e.g., mechanical, software and methods of doing business).

KSR empowers patent examiners to make unjustified rejections, often requiring applicants to appeal to the board. Oftentimes, when the board reverses, the board finds that patent examiners assert nothing more than intuition when rejecting claims based on obviousness.

Through discussions with patent examiners, it was found that the Pre-Appeal Conference Panels typically use a “does the patent examiner have a justifiable argument” standard when assessing a patent examiner's grounds for obviousness rejection. Such a standard is difficult for applicants to overcome.

After analyzing over 50 post-KSR Board decisions, it appears the appeal process exposes the patent examiner's reasoning to a higher standard and provides a check against the power given to patent examiners.

The board also appears to be reigning in patent examiners whose obviousness rejections are based only on speculation and conjecture. Thus, an appeal to the board is often necessary.

Claim And Reference Misinterpretation Patent Examiner Errors

In many of the post-KSR decisions, the board reversed obviousness rejections based on the patent examiner's misinterpretation of the claimed features. The board interprets claims de novo using intrinsic and extrinsic evidence. Intrinsic evidence consists of the claim language and the specification.

The board emphasized that, while the specification should not be read into the claim, giving the claim its broadest reasonable interpretation must be balanced against the context of the claim terms in the specification.

Other than not properly interpreting the claim in the context of the specification, the board found that patent examiners improperly interpreted claims based on a reference's teaching rather than the teachings of the specification, claims and figures in the application being examined.

The board also used extrinsic evidence (e.g., industry articles, dictionaries, textbooks, etc.) to interpret claims in a small number of applications having technical claim terms.

In these 50 cases, the board's claim interpretation was overly narrow. Narrow interpretations can effect a patentee's enforcement of a patent issuing from the appealed application.

In addition to claim interpretation errors, the board also reversed obviousness rejections based on patent examiners' misinterpretation of a reference. The board stated that

patent examiners need to avoid using speculation or conjecture of what the reference could teach.

The board relied on explicit language in the reference and "trusted" outside resources shedding light on the terms in the reference rather than trusting the patent examiner's broad characterizations of the references. The board fairly applied references in the cases reversing obviousness rejections.

It was also observed that the board defined a PHOSITA on the evidentiary record when reversing obviousness rejections. The definition of the PHOSITA was particularly important to the board in new technologies or complex technologies. A properly-defined PHOSITA can affect both claim and reference interpretation.

After defining the PHOSITA, the board applied the definition to determine whether a missing feature was actually taught in the secondary reference and, if taught, whether the feature was truly obvious to combine with the primary reference.

Legal Basis for Patent Examiner Errors

Besides factual errors, the board also used standard legal reasons for non-obviousness to reverse obviousness rejections. The board reversed one application because the patent examiner applied non-analogous art.

In several of the decisions, the board reversed obviousness rejections because the patent examiner used impermissible hindsight.

The board also reversed obviousness rejections because the applied reference taught away from the claimed feature or because the combination of applied references would be inoperable.

Despite appellants' argument of secondary indicia of non-obviousness in many briefs, the board did not find that any of the records encompassed sufficient evidence to support appellants' argument.

For example, there was no real evidence to establish commercial success, long felt but unresolved needs, or failure of others. Rather, the board found that appellants' briefs were merely attorney argument.

Sua Sponte Rejections

Applicants need to monitor changes in the law and pay attention to specification support when making claim amendments since the Board can add new rejections sua sponte.

In several applications reversing obviousness rejections, the board sua sponte rejected claims as not reciting patentable subject matter based on recent Federal Circuit decisions.

For example, the board made sua sponte rejections using *In re Nuijten*, and it is assumed this will continue in light of *In re Bilski*.

The board also made sue sponte rejections stating that amended claim terms lacked written description support, while at the same time stating that the amended claim terms distinguished over the applied references.

Other Considerations Before Appealing

An applicant should appeal when properly interpreted claim language recites features that distinguish over properly applied references. In the heat of prosecution, applicants sometimes lose sight that the pending claims need to clearly recite what is argued.

If the pending claims can be amended to better support the arguments, a request for continued examination should be filed with claim amendments instead of an appeal.

However, if the applicant believes that the invention has been optimally claimed and that the claims are distinguishable over the applied references, continuing prosecution is usually an inefficient use of resources. Rather, appealing the application is necessary.

Oral arguments increase an appellant's chance of overcoming an obviousness rejection. Oral arguments allow the appellant to fully answer questions from administrative patent judges after the judges review of the brief(s) and answer(s).

In the reviewed cases where the board reversed obviousness rejections, oral arguments were not common. Nonetheless, oral arguments may still be effective.

Take Aways

Appeal to the board is worthwhile since after successful appeal to the board 80 percent of applications issue as patents.

Factual errors include claim and reference misinterpretations by the patent examiner.

Legal errors include (a) non-analogous art cited by the patent examiner, (b) impermissible hindsight by the patent examiner, (c) inoperable combination of references and (d) references cited by the patent examiner that taught way from the patent application.

Success on appeals can increase when appellants include (a) definitions of a person having ordinary skill in the art (PHOSITA) and (b) records having evidence of secondary indicia of non-obviousness.

Appellants must balance success on appeal with the risk of narrow claim interpretations and sue sponte rejections for claiming non-patentable subject matter or amended claims that, although allowable over art, fail written description requirements.

In the end, appealing final rejections from "hard-line" patent examiners may be an applicant's only chance for reversing improper obviousness rejections to obtain an allowance for their application.

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