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KSR V. Teleflex Creates Uncertainty

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Tuesday, May 01, 2007 --- Monday's landmark Supreme Court decision in KSR International Co. v. Teleflex Inc. will affect almost every unexpired patent and patent application. As the patent community struggles to understand and interpret this new precedent, ripples of change will be felt from the Federal Circuit down.

The Supreme Court's ruling, and the myriad ways in which it will affect patent law, has left many, including patent examiners, patent attorneys and district court judges, asking questions. Who is going to be most affected by the Court's new position on the obviousness test? Where will the first effects of the ruling be felt? What's next?

One thing that experts agree upon is that it will take a few years—three to four is the general consensus—before the district courts, the Court of Appeals for the Federal Circuit and the U.S. Patent and Trademark Office sort through the questions raised by the ruling, set guidelines, and get back to normal.

"Every time the Supreme Court rules, it takes a few years to shake out until a routine develops in the Federal Circuit," said Cynthia E. Kernick, a patent litigator at Reed Smith LLP. "There won't be a sense of settled law for at least three years."

Even before the Supreme Court's ruling became official, the Federal Circuit had already started to rule on patent cases using a less stringent obviousness test. This shift came after the Supreme Court granted certiorari to KSR, said Ben M. Davidson, a patent litigator at Howrey LLP.

"The Supreme Court said in its ruling that the Federal Circuit reversed itself because we accepted certiorari in this case," Davidson said. "This suggests that the Supreme Court is not happy with the Federal Circuit. Also, the defendant did a great job of citing Supreme Court cases that were inconsistent with the Federal Circuit's TSM test."

Not only did the Supreme Court recognize that the Federal Circuit's view on obviousness had changed in recent months, it also approved of recent rulings.

"Many viewed recent decisions from the Federal Circuit as amicus briefs," said Robert Sterne, director of Sterne Kessler Goldstein Fox PLLC and Teleflex co-counsel. "The Supreme Court noticed the recent rulings and gave

them the green light."

Since the Federal Circuit is already on the right track, the greatest effects of the decision may be felt at the beginning of the patent process, by patent holders and patent examiners.

"I think we'll see more obviousness rejections from examiners during the patent application phase," said John Isacson, a patent litigator at Proskauer Rose LLP. "The scope at the patent inquiry phase will be broader. Examiners will look at more factors in trying to decide what is obvious."

Davidson, a former patent examiner, agrees. "Before this ruling, examiners did make rejections based on common sense and efficiency even if they weren't explicitly told to do it," he said. "But there is no uniformity. Some examiners are more lax and some are stricter."

Ultimately, greater scrutiny from patent examiners will lead to more time and money for patent holders, said Sterne.

"There are going to be more attempts to get a patent approved," Sterne said. "There are going to be more patent rejections on appeal. This ultimately leads to more work and cost for the inventor and slower patent process."

Not all patents will be subject to such intense scrutiny. Business method and mechanical patents, or patents that fall under the "predictable art" category, are most vulnerable to the new less-stringent obviousness test. But pioneer patents, patents that create an unexpected result and biological patents that are still considered novel should be spared for the most part from the KSR fallout at the examiner level.

"The combination of previously known electronics would be more obvious than a combination of organisms," said Rachel Krevans, a litigator at Morrison & Foerster LLP who has worked with health sciences and electronics patents. "Still, an unsurprising result from a drug would be unlikely to be found novel."

In dealing with patents that have already been approved, infringing companies are now going to have an easier time proving that a patent shouldn't have been approved at all.

"If I was an attorney representing accused infringers, this ruling gives me more arrows in my quiver," said Kernick. "But if I'm the plaintiff, I will be a little afraid."

Other parties who should be afraid: companies with licensing deals. The experts predict that licensees will start looking at patents that they are paying royalties for and question their validity. This could lead to litigation or renegotiating of licensing deals but either way, royalties will probably decrease in such cases.

"There's going to be a lot of activity in the intellectual property analysis area over all kinds of relationships that before this decision companies assumed to be rock solid," Sterne said. "Where there are big dollars you can assume there will be big scrutiny under the new standard."

Sterne also advises companies with patent portfolios to examine their risks as soon as possible and take action.

"Boards of directors and senior management should be asking their patent experts immediately to provide them with an assessment about how this decision will affect their portfolio," Sterne said. "The parties to business arrangements such as licensing deals and joint ventures have a fiduciary duty to their shareholders to question whether the patents that support the relationships are still non-obvious."

Outside of the boardroom and in the courtroom, the effects of the ruling will undoubtedly be felt most in district courts and the Federal Circuit. Perhaps the biggest change is the loss of the Federal Circuit's uniform safeguard against evaluation of a patent using hindsight.

"The Federal Circuit saw its teaching-suggestion-motivation test as a way to uniformly guide against hindsight," Davidson said. "They wanted to safeguard against using the invention as a blueprint. But the Supreme Court told the Federal Circuit that it had actually grafted on a new requirement that is not part of the patent statute. The Federal Circuit will now have to come up with some other uniform test to guard against hindsight."

Perhaps the test will come in the form of legislation, said Isacson. The litigator does not count out the possibility that an obviousness test might be added to a future law.

"Since 2005 there has been a move to reform parts of the patent laws," Isacson said. "Obviousness has not been part of the reform bills yet. But if one industry sees itself as more vulnerable following this ruling, obviousness might get examined."

Although its assumed that the Supreme Court won't take on another obviousness case in the near future, Frank Porcelli, a patent trial lawyer and appellant advocate at Fish & Richardson LLP, sees this ruling as part of a trend.

"Like other recent rulings, this decision shows that the Supreme Court is not going to rubber-stamp everything the Federal Circuit does, especially when it involves rulemaking," Porcelli said. "They are going to look at these cases more closely in the future."

Whether the decision will ultimately prove to advance patent law or hamper it, or just cause judges and patent examiners and attorneys more headaches, the only certainty is that uncertainty will prevail in the coming months and years.

“Anytime there is a change there is confusion and uncertainty,” Isacson said. “This will certainly be an interesting time for the patent community.”