

MAKING SENSE OF *KSR* AND OTHER RECENT PATENT CASES

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INTRODUCTION

The recent Supreme Court review of *KSR International Inc. v. Teleflex Inc.*, *eBay Inc. v. MercExchange LLC*, and *Microsoft Corp. v. AT&T Corp.* manifests the Court's current interest in the patent jurisprudence of the Federal Circuit. Now it is evident that the Court has a level of concern sufficient to guarantee the *possibility* of grant of certiorari—whereas formerly a case could rarely generate sufficient interest for review. For long-range importance in patent law, *KSR* stands alone as the single most important Supreme Court patent decision on the bread and butter standard of “obviousness” in the more than forty years since the 1966 *Graham v. John Deere*. *KSR* will remain the leading interpretation of the *Graham* standard for quite some time.

I. THE *MICROSOFT* PARADIGM: A COLLECTIVE MESSAGE TO THE FEDERAL CIRCUIT

It is particularly evident to anyone who has listened to oral arguments in *KSR*, *eBay*, and *Microsoft* that the Supreme Court has taken a special interest in the Federal Circuit—a court that marches to a different drummer than its sister circuits. The *Microsoft* case perhaps best exemplifies one such difference: the penchant by some on the Federal Circuit for “judicial legislation.” In this case of otherwise only limited importance, the Federal Circuit is seen as a highly balkanized court, unable to resolve intra-circuit differences even sitting en banc.

Microsoft, which deals with the export of a “golden master” to load Windows onto computers, is one in a series of panel opinions adopting contradictory interpretations of an arcane and rarely-used statute originally enacted to deal with offshore infringement of a shrimp deveiner and other similar mechanical combination inventions. Yet, in the past few years, courts have used wildly differing interpretations when deciding whether to apply the statute outside its mechanical combination patent origins.

Demonstrating the Supreme Court's newly found special interest in the Federal Circuit, Justice Ginsburg rebuked the Federal Circuit for its “dynamic judicial interpretation” which led to hundreds of millions of dollars damages being assessed against Microsoft for exporting its software technology. Justice Ginsburg noted that the exporting clearly fell entirely outside

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the statute and that the Federal Circuit's contrary interpretation undercut clear congressional intent. Without citation of any economic study or scholarly work or anything else, the Federal Circuit majority had held that allowing Microsoft to escape the shrimp deveiner statute would

permit[] a technical avoidance of the statute by ignoring the advances in a field of technology . . . that developed after the enactment of [a remedial statute] [I]f [the remedial statute] is to remain effective, [it] must therefore be interpreted in a manner that is appropriate to the nature of the technology at issue.

Additionally, Judge Alan Lourie, writing for the Federal Circuit's majority, ignored the public policy arguments of the dissent. Circuit Judge Rader, in his dissent, argued that the majority "provide[d] extraterritorial expansion to U.S. law by punishing under U.S. law 'copying' that occurs abroad. While copying in Düsseldorf or Tokyo may indeed constitute infringement, that infringement must find its remedy under German or Japanese law."

Responding to the Federal Circuit majority's judicial activism, Justice Ginsburg stated, "While the majority's concern is understandable, we are not persuaded that dynamic judicial interpretation of [the statute] is in order. The 'loophole,' in our judgment, is properly left for Congress to consider, and to close if it finds such action warranted."

II. KSR: A PATENTABILITY STANDARD FOR THE AGES

Despite the balkanized nature of today's Federal Circuit, the 1966 *Graham v. John Deere* case remains the leading precedent on "obviousness," the statutory standard of patentability that is now codified at 35 U.S.C. § 103(a). Nonetheless, *KSR* significantly tightened the *Graham* standard of obviousness in ways that will continue to have a lasting impact. *KSR* could remain the leading case on patent law obviousness for decades. Unlike the arcane issue of *Microsoft* that is present in perhaps one in a thousand cases (at most), the obviousness standard of *KSR* is implicated in nearly all patent validity challenges.

Yet if past is prologue, there will not be another Supreme Court review of the standard of obviousness for quite some time. In the forty-one years between *Graham* and *KSR*, the Court made no major refinement of the obviousness standard.

Indeed, in that interval, the Court reached the merits of obviousness in just three arcane cases: *Anderson's-Black Rock v. Pavement Co.* in 1969, which involved an asphalt paving machine said to be inventive because of its combination of a known radiant-heat burner with a standard bituminous paver; *Dann v. Johnston* in 1976, which involved a general purpose computer programmed to provide bank customers with an individualized and, categorized breakdown of transactions; and, only three weeks later, the notorious *Sakraida v. Ag Pro, Inc.*, which involved using a wall of water to flush barn manure—a method ridiculed by the Court for making no advance beyond Hercules' mythical cleansing of the Aegean stables by flushing them with a diverted river.

III. RAISING THE BAR TO SUSTAIN PATENT VALIDITY

KSR raises the bar for sustaining the validity of patents in virtually every invention outside chemistry and biotechnology. The *res* of *KSR* is a combination of old elements—an old “gas pedal” and an old electronically-controlled car engine. Beyond the new molecules of chemistry and biotechnology, almost all inventions in other technologies combine old elements; patentability is determined by whether the combination was obvious. Until *KSR*, a combination was nonobvious and could be patentable unless there were signposts teaching how to assemble the various pieces, much like an instruction manual does for an unassembled toy. If existing teaching manuals or patents showed how to complete the puzzle, *then* the invention was “obvious” to a “worker skilled in the art”—the patent statute’s “reasonable man.” While this hypothetical soul may have had an advanced education, he was a boring fellow, bereft of the ingenuity to figure out how to put puzzle pieces together without prompting; per *KSR*, this hypothetical man was an “automaton.”

Now, under *KSR*, if the puzzle pieces exist, the combination of elements may be obvious to this worker in the art merely because a *problem* is known. Unlike the pre-*KSR* automaton, the post-*KSR* worker in the art has “ordinary creativity.” As a result, inventions that were nonobvious the day before *KSR* suddenly became obvious to this modern man of ordinary skill in the art.

The tightening of the patentability standard is further manifested by *KSR*’s endorsement of the “obvious to try” standard that had been in disfavor throughout the history of the Federal Circuit. This disfavor dates back to pronouncements by the late Giles Sutherland Rich in the 1960s while sitting on the Court of Customs and Patent Appeals, the Federal Circuit’s predecessor. Under *KSR*, if a problem can be solved by only a finite number of solutions, it may be “obvious to try” the various solutions, and, if so, the invention may be *prima facie* obvious.

KSR impacts the validity determination of virtually *every* invention other than new entities of chemistry and biotechnology. These fields are the main areas of innovation that do not principally involve combination claims. Disputes over the patentability of most other technologies, however, involve combination claim challenges, where the key battle concerns whether it would have been obvious to assemble the components in the patentee’s combination.

IV. MAKING SENSE OF A BALKANIZED FEDERAL CIRCUIT

While the Federal Circuit panel opinion in *KSR* is completely out of whack with what the Supreme Court subsequently decided, there is little difference between the Supreme Court’s *KSR* holding and earlier decisions of some other Federal Circuit panels. This apparent contradiction reflects the balkanized nature of the Federal Circuit that *Microsoft* previously demonstrated.

In the context of obviousness, even prior to the recent prominence of patent law within the Supreme Court’s docket, most Federal Circuit judges understood that court’s subordinate relationship to the Supreme Court. This

recognition was perhaps best seen in Circuit Judge Linn's well-reasoned 2006 opinion in *In re Kahn*—written *prior* to the grant of certiorari in *KSR*. Whereas the lower court in *KSR* had denied obviousness because there was no express teaching or motivation shown in the prior art to put together the puzzle pieces—the different teachings of the references—Judge Linn pieced together a long string of precedents from his court that convincingly demonstrated that no express teaching or motivation need be shown in the prior art to establish obviousness; the motivation could be implicit. Judge Linn's prescient analysis was rewarded when the Supreme Court cited his *Kahn* opinion with approval.

CONCLUSION

In less than four years, the Federal Circuit will be led by new Chief Judge Randall Rader, who will shortly celebrate his twentieth anniversary as a member of the judiciary and more than fifteen years as a key member of the intellectual property law faculty of the George Washington University Law School. Within four years, all but Circuit Judges Sharon Prost and Kimberly Moore will be senior-eligible, leaving the possibility of up to nine new judges on the twelve member Federal Circuit. Given the scope of this imminent judicial turnover on the Federal Circuit, the *KSR* case surely will be the new Rader Court's Bible for learning the law of obviousness.