

**Webcast:** The "Obvious" and "Non-Obvious" Impacts of KSR v. Teleflex

**Date and Time:** Thursday, May 17, 2007 at 12:00 PM ET

**Presented by:** ACC's Intellectual Property Law Committee, sponsored by Kilpatrick Stockton LLP

**Panelists:** Dawn-Marie Bey, Partner, Kilpatrick Stockton, Christopher Cotropia, Professor of Intellectual Property at University of Richmond School of Law, Michael Lachuk, Deputy General Counsel and Director of Intellectual Property, Science Applications International Corp and Taraneh Maghame, Vice President, Emerging Technologies Counsel, Tessera, Inc.

ASSOCIATION OF CORPORATE COUNSEL

Moderator: Taraneh Maghame

May 17, 2007

11:00 a.m. CT; 12:00pm ET

Operator: Just a reminder, today's conference is being recorded. Please go ahead, Taraneh.

Taraneh Maghame: Good morning or good afternoon, depending on where you are. My name is Taraneh Maghame, and I am a Vice President and Emerging Technologies Counsel at Tessera in San Jose.

I have with me on the panel today Dawn-Marie Bey, who's a partner with Kilpatrick Stockton; Michael Lachuk, who is a Deputy General Counsel and Director of Intellectual Property at the Science Applications International Corp., SAIC; and Professor Christopher Cotropia, who's a Professor of Law at the University of Richmond School of Law.

And today we will be speaking about the KSR decision that recently came out of the Supreme Court and discussing the effect of the Supreme Court's decision.

I would like to mention a couple of things before we start. At the end of the session, if you would like to submit questions, there is a box in the lower left corner of your screen where you can type in a question and send – and a percent, and we will see that question, and we will try to address it.

Also if you would take the time submit a WebPass evaluation, which is in the middle box on the left-hand side of the screen, the number one item there, we would appreciate that. With that, we will start our program.

The decisions topics today will be the substantive impact of the KSR and its procedural impact, also any impact that it may have on patent (profusion) and also on patent litigation going forward.

I'm sure that for those of you who have called in today, you are familiar with the facts of the KSR vs. Teleflex case, so we do not want to take the time to go through the facts in light of the short time that we do have for this program. So basically, I'm going to – I have on the screen right now the question presented in that case, which is basically whether the Federal Circuit erred in holding that a claimed invention cannot be held obvious and thus unpatentable under Section 103A in the absence of teaching suggestion or motivation showing that would have led a person of ordinary skill in the art to combine the relevant prior art teachings in the manner claimed. And the Court's holding was that in this particular case, the Court of Appeals analyzed the issue of non-obviousness in a narrow, rigid manner inconsistent with Section 103 and our precedence.

So the question now is "How does the Court's holding, which was initially specific to this case affect ongoing practice?" So the first topic, substantive impact – basically as I mentioned, the Supreme Court did say that under the facts of this case the TSM test was applied in a narrow, rigid manner. So obviously in connection with this particular case, they did not believe that it was applied correctly. They went on to say that the flaws of the analysis of the Court of Appeals relates for the most part to the Court's narrow conception of the obviousness inquiry reflected from its application of the TSM test.

So where does that leave the TSM test? They did say that TSM could help capture a helpful insight, so they did not, as some believed they might do, reject the TSM test completely, but they did set other parameters for application of the test. They did not believe that the test itself was necessarily inconsistent with other Supreme Court holdings, but they believed that the rigid application of the test was not the right way to go.

So one of the things that they mentioned is that when applying the test the Court does need to determine whether there was an apparent reason to combine, so not necessarily that the teaching suggestion or motivation needs to be found in a piece of prior art, which is what the rigid application of TSM would entail, but there could be other ways to show the teaching suggestion or motivation that – and to show that there was a reason to combine.

So with that, I will ask one of our other panelists to discuss whether the Supreme Court acknowledged the Federal Circuit precedent applying the TSM test and how that affects the application of that test going forward. Dawn-Marie, could you address that, please?

Dawn-Marie Bey: Certainly. Good morning, good afternoon. The Supreme Court specifically mentioned three Federal Circuit cases, most importantly they cited to the (Conn.) case. And they cited (Conn.) for the proposition, as you can see here, that you still need explicit analysis even after KSR for your combination. This is not – KSR does not say find everything in the prior art and state a conclusion that it's obvious. And they cited, as you can see on the screen, that articulated reasoning with some rational underpinning to support the legal conclusion is going to be necessary.

That is the only citation to (Conn.). They don't go into detail about what is in (Conn.), but I think going forward that we should look to (Conn.) for its teaching, and really after reviewing (Conn.) carefully, what they've done is they've – is they've taken the – they've put in place of motivation is now reasoning. So you can almost just say your – what you need – the evidence you need to prove motivation, you need to prove – use to prove you reasoning, which is really just semantics in a language in my opinion.

So the Supreme Court has said you still need reasoning. And I think what we can do is look to where previously motivation was found or you were supposed to look for motivation, or the courts and the examiners were looking for motivation. And those places were not limited pre-(Conn.) to just the prior art, and as (Conn.) states, motivation can be found either explicitly in the – in the prior art or implicitly in the prior art. It could be found in the knowledge of a person having ordinary skill in the art, or it could be found in, you know, common knowledge et cetera.

So I think that's – those still work going forward until somebody tells us, the Fed Circuit or the Supreme Court, that no, those don't – those are acceptable to prove the reasoning. In the both the – In the (Azra) and the (Distar) case, they found the evidence in the knowledge of one skilled in the arts, from the expert witness testimony. And now I'm not sure where an examiner would find that evidence. They could obviously put an affidavit in their own – for the own knowledge of a skill in the art to support their reasoning for their combination.

So as I said, my opinion is that the places to look for reasoning are still the same places that you would look for motivation per-KSR, and that is not limited to explicit citations from the pieces of prior art. And really if you think about it I'm not quite sure where else reasoning would come from if it didn't come from the common knowledge – or excuse me, I forgot to mention importantly, the nature of the problem or the prior art either explicitly or implicitly. I think – at least I can't think of where else you would find such reasoning.

Some of the just interesting points quickly about these three cases, they were in three different technology areas of electro-optical device, I would call it, in (Conn.), drug application and the chemical process. So there was no limitation here on the mechanical devices, which I think many initially thought the case was the mechanical devices were going to be held obvious more so than some of the more technical areas, if you will. So that's an interesting point.

Also all of these cases, obviously they were held to be obvious. So – and then another interesting point about (Distar) quickly is that the correct level of the state of the – of the art affording to the person having ordinary skill in the art was at issue. So that's just an interesting statement there.

Taraneh Maghame: Thank you, Dawn-Marie. Mike, could you discuss what newer revised standards are set forth in the opinion?

Michael Lachuk: I would be happy to. I think that actually there's quite a bit that's in this opinion that didn't exist before. And as a matter of fact – I apologize. I always have so much trouble pronouncing your name, Taraneh ...

Taraneh Maghame: Yes.

Michael Lachuk: ... but I thought that you said it most succinctly. I believe that the landscape for patents has undergone a fundamental (tectonic) shift, and the way I recall you describing it was that in the past in defending against a claim of patent infringement or in attempting to invalidate a patent, an – one of the three (obvious in this heightened defense) was probably of speculative value at best. But now it has been substantially revived and represents a good

– I think a very good means of potentially invalidating patents, particularly in litigation. I think we're also going to see a much tougher time in getting patents through Patent Office.

Turning to slide eight, the rejection of this rigid – or rigid approach and requirement of flexibility has, I think, introduced several new tests. The most obvious one is commonsense. In a little bit, Chris is going to be talking about the recent decision of the Fed Circuit entitled, "Leapfrog," and I think what we'll see is that the Fed Circuit has adopted this concept that commonsense is now an avenue of inquiry. In addition to that, there is the standard of design incentives and other market forces as providing a reasoning for combining known or prior elements.

I think the most important and real test that actually came out of the KSR decision is the known problem irrespective of field of endeavor. The language from the Fed Circuit – or excuse me – from the Supreme Court is very important there in that looking at whether or not the subject matter can be proved obvious by noting that there existed at the time of the invention known problem for which there was an obvious solution.

Lastly, there's this notion of the creativity of the inventor, which I think will cause one to look at whether or not the inventor named in a particular patent in dispute is also named on a series of other patents to suggest that creativity is a new component of the bag of tricks or tools of one of ordinary skill in the art.

Turning to slide nine, additionally, I think that we see there's been a revival of some old standards that I, at least, have thought had gone by the wayside. Among those, for example, is the "obvious to try" requirement, which is addressed a number of times in the KSR decision, which I think would be a means of obviating unexpected results. In addition to that, there's the notion of predictable results. I think that this decision represents a revival of the synergy concept in a slightly different form in which – where known elements are combined in the allegedly known ways to obtain so called predictable results that obviousness is sound.

Finally, the idea of requiring analogous art, I think that that requirement frankly has gone by the wayside at this point in time, so as long as you can find some problem solved by the combination elements that the Court continually refers to a "requirement of reasoning." And while it pays lip service, I think, to the notion of avoiding 20/20 hindsight, in terms of coming up with that reasoning, I tend to expect that that's what everybody is going to do.

So where we're left is you can put together a Frankenstein of prior art elements in a jigsaw puzzle, and as a matter of fact, the Supreme Court even refers combining prior art elements in a – in a puzzle. The one thing you have to do, however, is then connect the dots by coming up with some reasoning.

Chris, maybe this would be a good point for you to address the Leapfrog case?

Christopher Cotropia: Sure, Mike. Thank you very much and good morning, good afternoon to all. I apologize for my voice. I always feel like I'm talking about the right case. I sound like I've got a frog in my throat. Hopefully, I guess it'll leap out. That's a horrible pun. As you know, professors love to do stuff like that.

I think the Leapfrog case is interesting, because it's the first precedential opinion we have from the Federal Circuit after the KSR decision. And I think one thing that you probably have gotten a flavor for so far is how in some ways KSR is a mixed bag, and you can kind of see what you want to see in the opinion. And really the Federal Circuit's activity kind of post-KSR I think is where the rubber will truly hit the road, and in some ways they have a palette to kind of do whatever they want to with it.

So kind of as we're picking KSR apart, I decided to take a look at the Leapfrog versus Fisher Price case and pick it apart and see what we can see from it. And interesting initial from a procedural perspective, Leapfrog involved an appeal from a bench trial that ended up in a factual – legal and factual finding of obviousness. So as you look at the analysis of Leapfrog, understand that the Federal Circuit's reviewing this determination of obviousness to see whether there's clear error for any of the underlying factual issues and whether there's legal error on the overarching issue of obviousness.

So in some ways, the patentee is already kind of fighting this uphill battle, so in a way we can't necessarily get a good taste as to which way this thing's going to swing in the end, but we can look to see what tools they use. And there on your slide is a quote from the – from the Leapfrog opinion, one of the two places where it cites KSR. He we have the citation, as Mike had mentioned, to the idea of using commonsense.

The technology at issue in Leapfrog was basically a children's learning device where when you pushed a letter on a pad on this reader, it would say the letter back to you, so the child could see the letter and then associate it with its phonetics. It also had this idea where it as a reader, so I could put different types of books in front of it. I guess so the child wouldn't get bored. And there was a question as to whether you could combine the prior art.

There was an old mechanical device that did this where you mechanically put a shape with a letter on it, and then it would play back actually a photo record, in combination with a more modern super speak and spell by Texas Instrument, which was electronic but didn't necessarily do the exact same there. So there was a question whether you could kind of modify this old mechanical device to become electrical.

And here when they started out their decision to eventually affirm the District Court's finding of obviousness, they say, "Look, we can look to commonsense to determine whether skill in the art would find a combination to be obvious." So here we definitely see a citation to commonsense. It's probably not that surprising after KSR.

The other thing that's interesting here is that then the parenthetical they choose doesn't necessarily go directly to commonsense. It talks about the idea of yielding predictable results, and I think this is where – and this point – and I'll talk about it just a couple minutes later – as to whether this is a taste of synergy in a sense that if you just use old elements that will do the same thing they had done before, then it is obvious, in some ways not even worrying about there are some motivation or reason to combine them. But at least here we see the citation to commonsense. I think this is the first interesting thing to see from the opinion.

The second interesting to see from the opinion is that there are some kind of broad brushes that the Federal Circuit weighs in this case that might have some implications in the future.

There's at the end of the initial part of the analysis, they talk about how it's commonplace for us to basically update old mechanical devices to become electrical. Now, I know that they're probably is previous case law that suggests that, you know, that's kind of just a general kind of category of things that are obvious. But I think this is a taste of what is this commonsense to come, the idea that if you're merely updating it from mechanical to electrical, then that might be commonsense.

The second thing that's interesting from the opinion is that you have the (resertation) or the idea that commonsense might include the idea of decreasing size, increasingly reliability, simplifying operation or reducing costs. These are things that maybe we don't even need actual prior art to suggest the combination, that if we're combining to merely decrease size or increase the reliability that maybe that's a commonsense reason to combine, and we don't need to necessarily look at the prior or something else. Again, there could be debate as to whether this existed prior to KSR, but we see that (resertation) in the Leapfrog decision.

This third thing that's interesting at Leapfrog, and this kind of almost pushes the other direction, is that they also talk about how the actual piece of prior art provides a roadmap for combining the pieces of prior art. So this is kind of harking back to almost in some ways a rigid TSM test, and they certainly seem to, you know, rely on it in this case as well.

The fourth thing, and I think to me this is, depends on how you're looking at it, the most scary or the most interesting, is that there's also this inquiry into determining how difficult it would have been for someone skilled in the art to combine the pieces together. And they really focus on this idea that the inventor here was someone of very low skill, in some ways below the skill of the art, and since it was kind of so simple for him to have kind of come up with it, that that would push toward thinking that it is obvious.

This in some ways is a real push away from the reason to combine, or if we call it now, or the old teaching fish and motivation test, and in some ways, this hearkens the debate between could versus would, would being the debate as to whether there is actually a motivation to combine. Would someone skilled in the art have done it? Here we would care less as to how skilled the people are. It's a question of whether they have a reason to combine or not.

The fact that the Federal Circuit's looking into whether it would be difficult or not seems to go this question of the standard being could. Could someone have done it? And here the Federal Circuit seems to say that if there's evidence that they could have done it, that maybe that would be evidence to show that it's obvious. This, to me, seems to be the biggest potential change if this really kind of gets a foothold in Federal Circuit case law. In some ways, this seemed to be the standard that the petitioner, KSR, really wanted, and maybe this is where kind of synergy and predictable results that they're just operating the same way as they can might really change the standard or not. In some ways they're with Leapfrog. It's tough for us to tell because of the procedural posture and the fact that you did have reasons to combine from the prior art, et cetera.

So that's at least what I can take so far from the Leapfrog decision. Again, as they say, stay tuned, and we'll see what happens.

Go ahead, Taraneh.

Taraneh Maghame: Chris, couple of questions have come up, and I think it's probably good to ask you while you're still on track with this regarding ...

Christopher Cotropia: OK.

Taraneh Maghame: ... the commonsense, I think people get confused about. What does it really mean...

Christopher Cotropia: Right.

Taraneh Maghame: ... when they say, "commonsense?" So can you focus on how someone would show commonsense? They can't just basically say, "Well, it's commonsense" and have that succeed, right?

Christopher Cotropia: I'd – well, first off, they want to hire me as an expert. You know, I – you can pay me. I'll tell you what commonsense is. That's a joke.

I think that – this is the real question. I think this is where we really don't know, and the only kind of indication we get from Leapfrog as to what maybe is commonsense is some of these generalizations of updating an old, mechanical device to be electrical. That might be a commonsense type of thing to do. Or – and they kind of list these things in Leapfrog – decreasing size, increasing reliability, simplifying operation, reducing costs.

Now, did that really provide any extra certainty? Uh, I don't know, but to me, that seems to be what maybe we're getting a taste of as to what is commonsense. Does that provide any initial certainty of us? I think it's tough to say. I think the other that comes up is how do you prove it? Is it a factual question? Do we need to bring someone in to say what is commonsense, or is this kind of a avenue for people not to make kind of argument. You know, well, it would have been commonsense. I think that's the big question down the road.

So the long and short of it, I don't have an answer. I don't know what commonsense is, but that's the best we can get from – at least with the Federal Circuit looks at it.

Taraneh Maghame: All right, one other question relating to the same issue. Does ((inaudible)) this commonsense requirement now reduce the impact of secondary consideration arguments, or is it unrelated?

Christopher Cotropia: You know it depends on how courts kind of go in this order-wise. The traditional look was that secondary considerations are taken into account kind of after the prime (effacia) case of obviousness is made. So in some way commonsense is going toward the initial question as to whether there's a reason to combine or change the prior art, and then I can rebut that with secondary considerations kind of art the fact. There is Federal Circuit case law saying we don't have to do it in that order, but you can kind of consider them to be all as a – as a big lump.

In Leapfrog versus Fisher Price there were some secondary consideration evidence that was presented to District Court. It turned out the District Court said that it wasn't enough to

rebut, and then when you get to the Federal Circuit level that's considered to be a factual issue, and the Federal Circuit says, "Well, look, we don't see any reason there's an error below." So in some ways we don't know whether there'll be an interplay or not. I don't think there should be, you know, but if they're all in front of the same factual finder, I'm sure the more it seems like commonsense maybe the more that fact finder will discount secondary considerations.

Michael Lachuk: Taraneh, this is Mike Lachuk. I'd like to weigh in on those two questions as well.

Taraneh Maghame: Sure.

Michael Lachuk: I think the most damage that the Supreme Court did in the KSR decision is by introducing this notion of commonsense. At best it can be described like the Supreme Court's age old articulation of pornography, "I know it when I see it." I believe that commonsense is going to be used as a crutch and an excuse, particularly by members of the judiciary who are antipathetic towards patents and intellectual property law or are being forced to adjudicate such cases, as a means of avoiding having to articulate the reasoning why prior art elements might be combined. Or for that matter, making a leapfrog from – dare I say that – from the configuration of a prior art element and modification of a existing prior art element into a form that's actually found in a – in a patent claim.

I think that this term "commonsense" will created great uncertainty and great food or fodder for a substantial amount of litigation and attacks on patents as we move forward in the future. Everybody will be trying to argue as to what commonsense is, and I don't think it's a phrase that really is (susceptible) to definition but simply a crutch to rely on prejudice.

And then with respect to how that'll impact secondary considerations, I think what we've seen in Leapfrog is that commonsense trumps – commonsense is going to trump secondary consideration.

Taraneh Maghame: Thanks, Mike. I think your comments are appropriate for us to move on to the next topic, which I'm going to ask Chris to initially address and other to comment on.

Chris, what do you see as being the procedural impact of the decision on existing patents?

Christopher Cotropia: I think this is the – in some ways the most kind of feared issue for those who have kind of giant patent portfolios or maybe are in a certain litigation that's a pending right now or currently from the Federal Circuit. You know what does this mean? Does it mean that all patents that have been issued, now we don't really know if any of them are valid or not, and we can – have to take a look at this anew. And actually in oral argument before the Supreme Court this was one of the issues, and we've seen the Supreme Court be worried about this before, these kind of settled expectations of already issued patents, already litigated patents.

There's a very interesting almost kind of on the fence statement by the Supreme Court in this opinion, and actually you've already mentioned this quote, the one where they say, "Well, the TSM test was not necessarily inconsistent with the ideas that we address here, and the decisions that this Federal Circuit has made, most of them were probably correct." I think that this is the – if you want to kind of hang your hat on any kind of hope that, you

know, the old decision should be the same as those that go forward, that maybe this gives us the hook in. That is that really most of the obviousness decisions that have been made before are going to be the same going forward.

Now that being said, it doesn't mean that people aren't trying to already use this. On the slide there's a Verizon vs. Vonage case that I think some maybe are aware of where Verizon has basically got an injunction that is currently stayed against Vonage for Voice over IP. Vonage now is basically asking for a full retrial on the – of the case even before the Federal Circuit does its kind of substantive review and says, "Look, I need a retrial under the new KSR standard."

We've actually also seen this in the – in the Microsoft vs. Alcatel case where there's a request now by Microsoft. They've got even more than one, right? They've also got the actually Microsoft Supreme Court case to ask for a retrial on the issue.

This is the intermediate period of uncertainty that we're looking at here, and it might turn out that the standard's the same; the result will be the same in all these cases. But it certainly is going to increase costs currently to kind of enforce patents, particularly those who are further along in litigation or currently before the Federal Circuit where there's this idea, "Do I need to now go back down and try the whole thing over again as long as the case has not been completed?"

The other thing that's interesting on this procedural issue is there's a statement near the very end of the opinion on this question and presumption of validity. And everyone kind of probably knows that there's been this issue as to whether we should maybe tone down the presumption of validity in these types of cases in general. Well, here there's this statement by this – the Supreme Court, purely indicative of saying, "Well, you know what? If the art that's being considered in a District Court was not art before the examiner, then I don't know if the presumption of validity should exist or not."

I think this is a very interesting statement, because it might give us a real insight as to how the Court, if it ever gets this issue squarely in front of it, which it might, this idea of whether the presumption of validity particularly creates a clear and convincing evidence standard, that is might really knock it down. And it might knock it down tremendously for situations where art's not before the PTO but actually is before the District Court. OK?

The next – I think there's another procedural issue on the next slide.

Taraneh Maghame: I just moved on to the next slide.

Christopher Cotropia: Oh, thank you so much!

Taraneh Maghame: Yes.

Christopher Cotropia: The other question I find interesting is this question as to whether the Supreme Court maybe has changed the TSM-like test or the reason to combine inquiry of the analysis and shifted it from the factual part of the analysis to the legal part of the analysis. There's always this mystery, I think, in some ways when people say to you, "Well, what is not obviousness."

The answer is it's a legal question. It's a question of law, but it has underlying factual inquiries, and we know for sure that three factual inquiries that the Supreme Court actually confirms in KSR is the idea that you have to determine, you know, what is the scope and content of the prior art. That's a factual issue. It's a factual issue to determine, you know, what is the actual level of skill in the art. But then there's always been the question as to whether the actual combination, whether you can combine or not is a factual issue or not.

The Federal Circuit has always said that finding a teaching ((inaudible)) motivation is a factual question. You get some indications from KSR that maybe they've moved that factual inquiry, that whether is a reason to combine, and moved it to the legal analysis, which could have some very interesting impact.

At least from Leapfrog we don't see that the Federal Circuit's taken that queue, which is odd in some ways, because we always think the Federal Circuit's more than happy to get anything it can review de novo under its (amospasis). But here it seems to still be handling the reason to combine part of the analysis as a factual issue. I think this is where we kind of link to kind of Mike's comments and this idea of commonsense. Is commonsense going to be a factual part of the inquiry, or is commonsense then where the legal part of the inquiry kind of introduces itself. I think this is a question that is open that could have some pretty interesting impact.

The other procedural impact – and Dawn-Marie did a great job of kind of presenting this one – is that examiners still need to provide – now here we can always put “evidence” in quotation and rejecting for not – for addressing for obviousness. At least they have to provide detail analysis. Now, there's this question as to what is evidence before the Patent Office, but I think that most practitioners probably like the idea that the Supreme Court cites (Conn.) and says, “Look, you've got to give us a real reason. You can't just simply say, ‘Oh, it's common sense,’ and kind of stop there. You're going to have to say something else.” So I think those are the procedural impacts of the KSR opinion.

Taraneh Maghame: One question that has popped up a couple of times while you were speaking is questions relating to “a presumption of obviousness,” how do you feel about that?

Christopher Cotropia: You know, and I see the question – one of the questions here. I think that there's an interesting idea of whether there's a presumption of obviousness now in certain types of cases. The one is this idea of a – of a combination patent, a patent that simply combines previous parts that are available, so in some ways, everyone could say, look, every patent is a combine – everything's been done before, and everything's a combination of old parts.

I would think those are the cases where maybe we – you're going to have a little bit harder of a road, because you have a lot of language in the KSR opinion talking about if it's just merely predictable results. Those are the cases that might be real targets, particularly like a synergy type of standard.

Leapfrog might give you another kind of presumption of obviousness, not type case, that is the old mechanical converted to electrical type cases. And the other are I could see being an area where you almost kind of have this presumption of obviousness, and this would not be

explicit – it'd be kind of implicit – would be the ones of, you know, doing it non-Internet, now doing it on the Internet.

I think those will be those cases where you have a presumption of obviousness, and this is one thing I think more practitioners probably could weigh in to me. This might have been going on before. It might have been hard to get these patents where merely all you were doing was changing it from real space to virtual space, but if anything, KSR kind of really embeds that in there.

Taraneh Maghame: Thank you, Chris. I think this is a good time to move on to the next slide, which is the impact of all of this on patent prosecution. And Dawn-Marie, I'd like to have you address that.

Dawn-Marie Bey: Sure, happy to. I think it's – it makes sense to start out with, you know, does this decision lend itself to considering prior art searching before filing. Some companies do that automatically, but often companies don't go through – go through all that for cost reasons, for the reasons that if it's the patent actually is in litigation, you're going to pay five, 10 times more to try and invalidate a patent for that type of searching. So the cost benefit, you know, pre-KSR didn't seem to always rise to the level of having it be a necessity.

So I guess at this point we could revisit that and say, well, if there's a perceived higher standard for patentability and a perceived expanded range of available prior art, now that the not – the non-analogous art kind of test or rebuttal has maybe been thrown out and the fact that the problem can be in any art that the person of ordinary skill in the art might have looked at, you know, it may be worth the search cost to go ahead and get a better understanding of the state of the art before filing.

This'll obviously help you with your claim drafting, and as Professor Cotropia was saying with respect to this reduced presumption of validity, if you will, on art that wasn't before the Office but is not being used in litigation, obviously the more art you get in front of the Office, the better. And then as kind of a side issue, there are the new rules that might be coming out. You're going to have limited bites at the apple and limitation with your number of claims, so it might make sense now to go ahead and do, you know, searching before you file.

This'll obviously be weighed against expenses, the fact that you're going to – your management's going to think, "Well, we did a prior art search. Why aren't we getting a patent?" And then the new rules will also include – probably – I don't know for sure – but new IDS rules, or information disclosure rules, that are going to require an explanation of all those references. So that's going to be an additional cost if you do that searching beforehand. So I think that's kind of pre-prosecution issue that comes out of the KSR case.

Of course going forward, everybody wants to know what is the PTO going to do, what are the examiners going to do. As you can see, I mean essentially the interim guidelines – I don't know – I don't even know if they're called interim guidelines right now. There's just an internal memo that's no longer internal, because we've all seen it. The quote there – I mean essentially the only difference there from what examiners were doing before is instead of identifying teaching suggestion motivation for why a person who has ordinary skill in the art would have combined, you need a reason.

So really I think again, it's just word smithing a little bit here. That's in my opinion, but of course the examiners who I – whom I deal with all – every day, they're going to take this and run with it.

So what do I think we're actually going to see from the examiners? I think we're going to see the kitchen sink. It's kind of like anybody who's dealt with the 101 guidelines. They pick and choose certain paragraphs and certain parts of tests for the Office action, and then you respond, and you feel that you've rebutted it, and they go back and pick another section. So I fully expect that, you know, we're going to get multiple tests or inquiries from the KSR opinion used to keep rejecting under 103.

As I said earlier when we were talking about the three-sided Fed Circuit cases, I don't – I don't believe that too much has changed here as far as the evidence or the reasoning that examiners are going to apply or the District Courts are going to apply and that there was a little bit of false idea that what they – that where they had to find their motivation before, which I'm now calling reasoning – before was explicitly in the prior art. That really is not the case, and if you go to Section 2144 just in general of the MPEP you'll see that there – they lay in the MP before the examiners, a myriad of different places that motivation can be found, including implicit disclosure. In fact, an old CCPA case says, "In considering the disclosure of a reference, it's proper to take into account not only specific teachings of the reference but also the inferences which one skilled in the art would reasonably be expected to draw there from."

I'm fairly certain there's a portion of the KSR opinion where they specifically talk about a non-rigid application would be allowing inferences to be drawn from the person who's working – the knowledge of the person of ordinary skill in the arts. So that's a 1968 case that's already said that.

You've also got the section on common knowledge where – it's a – quite a long section actually that talks about shifting the burden back and forth and really the fact that – I'll just quote a little bit: "In appropriate circumstances, it might not be unreasonable to take official notice of the fact that this is desirable to make something faster, cheaper, better or stronger without the specific supportive documentary evidence. Furthermore, it might not be unreasonable for the examiner in a first Office action to take official notice of facts by asserting that certain limitations and a defendant claimer old and well-known expedience in the art without the supportive documentary evidence provided the facts so noticed are of a notorious character and serve only to fill in the gaps which might exist in the evidentiary showing made the examiner to support a particular ground of rejection."

To me that sounds a lot like commonsense, so this was already in the MPEP. This was already what we were dealing with under the TSM test. And then, you know, finally, there's just a case law in general under 2144.04. There's – you know, the motivation can be proved just by citing case law that addressed, you know, things that were obvious where changes in size and shape, making some integral, separable, adjustable, continuous, rearranging parts. So again, I think if we take a step back, we see that there was a lot available to examiners and to the Court to show motivation, and think those are still available to show this reasoning.

Now, the rebuttals are – obviously they don't – if they don't provide any of this reasoning or case law or anything like that, and they just give a (conclusory) statement, you're going to just cite to the KSR opinion and say, "Well, you've got to have – you've got to articulate some reasoning here."

Taraneh Maghame: ((inaudible)).

Dawn-Marie Bey: And I – yes, go ahead.

Taraneh Maghame: I was just going to ask one of the topics that was brought up in the question – whether you think we'll see fewer combination patents now or combination claims in patents I should say.

Dawn-Marie Bey: Combination claims?

Taraneh Maghame: Basically patents that proclaim a combination of existing prior art.

Dawn-Marie Bey: Well, I think that's – most patents are a combination of existing prior art to a certain extent. So do I think – I think in the short-term, we're going to – we're going to – we may see fewer, but I – if – I think that's just going to be cost-based. Companies are just not going to want to battle with the Patent Office on some of these issues. So I think some of them that would – that should be patentable are just going to be abandoned or never filed. But I think eventually, you know, this is all going to even itself out here, so – and we'll have the same combination patents that we had before.

Taraneh Maghame: OK.

Dawn-Marie Bey: We can move on or I actually have a couple more points quickly.

Taraneh Maghame: Sure, go right ahead, yes.

Dawn-Marie Bey: Yes, I think two of the rebuttals that have – that were really supported by the Supreme Court cases or reinforced I should say are unexpected results and the teaching away from the combination ((inaudible)) explicitly mentioned in the opinion. So those, I think, are strong rebuttals.

Secondary considerations are still available, although in the KSR District Court opinion, (Conn.), (Azra), ((inaudible)) and in the latest, Leapfrog, those were all presented – secondary considerations were presented and didn't get the patentee anywhere. So again, I don't know how strong those are, or they have to be very strong.

Finally, in Leapfrog, potentially a rebuttal is evidence that the combination was uniquely challenging or difficult to come up with. I'm not sure how you show that, but I'm sure the prosecutors can be very creative in finding proof of that.

And then finally, post – after your patent issue – your patents have already issued, there may be an avenue or you may want to have your patents reexamined. I'm not suggesting anybody do this, but again, you know, if you – if you think there's going to be some kind of lower

presumption, there is a mechanism for, you know, reinforcing your patent in from of the Office.

Taraneh Maghame: Thank you, Dawn-Marie. I'd like to move onto the next slide and have Mike address the impact that he sees this may have on patent litigation going forward.

Michael Lachuk: Thank you, Taraneh. I would love to. First, I'd like to touch on that question of prior art searching.

I think that for most practitioners in the prosecution field, it would be advisable to recommend with respect to the filing of new patent applications that one do conduct a prior art search for the purposes of understanding the landscape so as to pre-form arguments that will appear in the specification that when – and subsequently be cited to the examiner. So in the context of improving the probability of obtaining the patent I think prior art searches will still be useful; however, prior art searching by its very nature is cost limited. Few people can justify a prior art search that equals or exceeds the cost of preparing the patent application. And if litigation ensues, you can darn sure that the accused infringer is going to spend anywhere from 10 to 15 times more money on their prior art searches than were ever spent in prosecution to obtain the patent in the first place.

So in the case of prior art searches or patentability searches for the purpose of trying to ensure that the resulting patent is more defensible in litigation I think that it's impractical and can never occur because of the cost curves. But I think that we're going to hear from a lot of clients, "Well, shouldn't we do a patent – or a patentability search?" And I think the answer's probably yes to increase the likelihood of success of obtaining the patent in the first place.

Turning to the topic of slide 14, what kind of impacts have we have in litigation, I'd like to start out by talking about where we've been or where we're at. It seems that there are at least three, maybe four new standards that come out of the KSR case by my count at least. The first one is this notion of an implicit teaching or suggestion. Put another way, it appears to be that reasoning to combine prior art elements, if you will, can now be based on virtually any kind of reasoning that is connected to problems in the field – problems in the field of endeavor that is addressed by the patent. It also has to be known at the time of invention, but really I think what we're talking about here is post-hoc reasoning as to why it would make sense to combine two elements. And patent litigators are very good and creative at coming up with such ways.

Additionally, we have the – what I think is the new standard of design incentives, what Dawn-Marie referenced as "better, faster, cheaper, simpler, stronger." And then lastly, we have this peculiar notion of commonsense. I think, you know, in the old days it was pound the facts or pound the law, or if you didn't have either, pound the table. And in patent circles I think what accused infringers will be doing in the future is pounding the notion of commonsense as a – as sort of an overcoat on all arguments.

Additionally, the KSR case revised standards that I think had been rejected by the Federal Circuit in the past. Those include the notion of obvious to try, the notion of synergy and then a close cousin to synergy is the combination of known elements in a predictable way to achieve no more than predictable results.

So what this means for litigation, I think now more than ever venue selection is going to be absolutely crucial. For those who have been involved in litigation before, I'm sure it's no surprise, though I never hear it discussed in public, that there are jurisdictions and jurists that are quite (inimicable) to the patent system as a whole. They view it as no more than an aberration in our monopoly laws, anti-trust laws, and they welcome any opportunity to invalidate a patent.

As a result, I think it will be very important to look to venues or jurisdictions where at least there's some degree of reliability that the judges involved are going to take this case seriously and not simply look for a means of resolving the case. Once you get into that court, I think that you now have to do the following.

The first is to market the patent if you're the patent owner. You have to do a selling job to the judge. Conversely, if you're the accused infringer, you need to market the field of endeavor and show that the patent is no more than simply one way of dare I say "skinning the cat" and that there are a number of ways, all of which are equally obvious, and therefore this patent represents nothing important.

I think that the actual process of litigation here will constitute what I refer to as to find the dots, connect the dots and attack the claim. Finding the dots is the notion of sparing no expense in prior art search and analysis and litigation. There was a question earlier about whether or not we're going to see a decrease in so-called combination patents, and I think Dawn-Marie stuttered for a moment in trying to respond to that question. The reason, I think, that caused a hesitation is that it's natural almost invariably for an accused infringer to claim any patent is a combination patent, and that's a fairly facile argument to make.

That takes us into the realm of connect the dots. So first what you have to do is conduct a very extensive, probably expensive, prior art search to identify all of the elements recited in the claim or all of the steps recited in the claim with a method claim. Then you have to connect the dots. As everybody's saying, you have to come up with some reason to combine these hysteric prior art elements.

Here is where you rely on both the new tests and the old to see whether or not you can identify a problem that is solved by this particular combination. You look to the notion of design incentives. Was there any design incentive to combine these particular elements? And then when all else fails say that commonsense would tell you to combine those elements.

And then lastly, there's the separate point that I think is now raised of attacking the claim. Even if you're successful in identifying all of the prior art elements, if your reasoning for combination of those elements is weak, you can still rely on failings of the patent claim in itself. This would involve, for example, a synergy requirement, which I believe the Supreme Court cited with approval. What we've been talking about before, the combination of known elements to achieve no more than merely predictable results even if secondary considerations of unexpected results are cited, it is possible to argue that the combination for the – yes, the claims combination would have been obvious to try. And then even here, you can once again, I think, rely on the notion of commonsense to suggest that the claim would have been obvious even in the absence of particularly robust reasoning.

This does raise the question of whether or not going forward juries are going to be asked to consider these questions or whether or not judges will leap at the opportunity to get rid of the case and decide this on a motion for summary judgment. That raises our question of whether or not we're going to be seeing KSR hearings like marketing hearings in the future. I think that certainly patents – accused infringers would be well advised to always attempt such summary judgment motion.

I think there are a lot of factors there that are very helpful for the accused infringer in as much as it can be argued that the fact – the facts are simply the prior art, and all the rest, coming up with the reasoning for combination and the validity or applicability of that reasoning are actually questions of law that can be decided on by the judge.

I think that Chris might have a different opinion, however, and I'd like to solicit his input on that question.

Christopher Cotropia: I mean I think Mike, I really actually agree. I think this'll be very interesting going forward whether we're just going to have these KSR hearings. And like you said, instead of pounding the table, we'll just see talking about, "Hey, this is commonsense, Judge." You know, and you'll have these experts of pine, but they'll be a pining kind of like at (Markman) hearings where, yes, it's kind of factual but really they're talking about what is or what is not commonsense.

Taraneh Maghame: One question that was raised and I think we can get a quick answer, since we only have about four minutes left and only slide actually, we can finish this. But I thought I'd throw this in there. Would you try for a summary judgment before or after expert depositions?

Christopher Cotropia: If that were directed to me, I would say it would always be after expert depositions, and I think a new component – that raises a really good issue, which is a new component in expert depositions is going to be existence prior art, reasonings for combining the prior art element, and these what I consider to be direct attacks on the claims by saying that there's a failure to find a non-predictable result from the combination of elements, questions of whether or not the combination was obvious to try, these sort of things. So those are topics upon which experts are certainly going to be opining, and it will be important to understand what the opposing experts' opinion is.

Taraneh Maghame: And I presume we'll see more expert testimony regarding who is actually a person of ordinary skill in the art.

Christopher Cotropia: Yes, I would certainly agree with that, and one other thing that I think bears mentioning is let's not forget that word "creative" ...

Taraneh Maghame: Yes.

Christopher Cotropia: ... about a – one of ordinary skill in the art is not an automaton, and so we're going to – in addition to commonsense, I think we're going to be seeing and hearing a lot about creativity.

Taraneh Maghame: I'd like to wrap it up with the last slide and then ask one more question. Hopefully we will have time.

What I'd like to kind of just throw out there and not get into a lot of discussion about, because it's not directly relevant to the topics of today's discussion, is that KSR should not be taken in a vacuum. The KSR decision is part and partial of a very active patent environment right now.

I have on the screen a slide that basically sets out four different subjects. I think we've all heard about the proposed patent reform legislation that is being discussed on the Hill. The House version went to a mark up yesterday, so there's a lot of activity going on with respect to that legislation.

Dawn-Marie discussed the PTO rule changes that are pending as we speak. We have several other Supreme Court cases that for the most part I think all would agree have come out more on the defendant's side than on a plaintiff side, so less pro-patentee I should say or anti-patent if you want to call it that.

We've got of course the eBay decision that lessens the chances of being able to get a permanent injunction, at least for certain kinds of plaintiffs. We've got the Medimmune case which makes it easier for accused infringers who are no longer going to be accused infringers but potential licensees to challenge the validity of a patent even if they are currently (your) licensees. And of course we have the Microsoft AT&T case which deals with the extra-territorial application of U.S. patents and the definition of components, particularly as they relate to software.

So – and then of course we have as kind of an overlay on all this, ITC cases and the question of whether we're going to see more on – more ITC cases being filed because of – where it's appropriate of course – because of maybe a higher likelihood of being able to get some kind of injunctive relief out of the ITC whereas you may no longer be able to get it in District Court because of the eBay case. So I think we need to, when decided what the effect of KSR is going to be, consider it in light of all these other factors and the whole environment.

So with that, our presentation comes to end, but I do want to throw one other question out there for a very quick answer if we could. And that's – relates to a couple of people have asked about whether the inventive step concept as used in the European patent practice has now become more relevant to our patent practice in the U.S.

Dawn-Marie, can you address that?

Dawn-Marie Bey: Yes, that's a great question, and Professor Cotropia and I were actually speaking about that just recently. I haven't looked into exactly the clear definition of inventive step, so I actually don't have it – have an answer, but I do think that's an interesting question to see how close they are now, whether the reasoning is closer to an inventive step, you know, the new reasoning required versus the TCM as compared to the inventive step.

I don't know if, Chris, do you have any comments?

Christopher Cotropia: I tell you, this is all secondhand. I've heard that this is getting us closer to not even just the inventive step, but it's getting us closer to what Japan currently uses before its Office. And it's funny, because in some ways, our TSM test was start to influence the Japanese Office, et cetera, to move direction, and now I'm wondering if everybody will kind of stop and will move back.

But that's all kind of hearsay I guess, so I don't have a specific answer to the question.

Taraneh Maghame: So with that, I think we all can say stay tuned. A lot remains to be worked out, a lot of muddy water to tread through right now. And please remember to fill out your evaluations. Thank you very much.

END