



ideas on intellectual property law

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Patented pedals hit the brakes

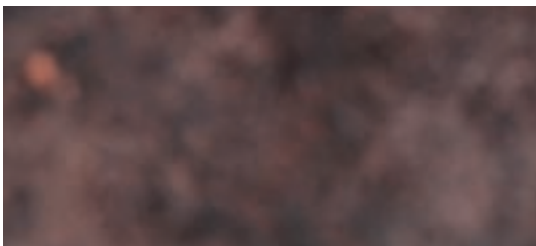
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Supreme Court lowers the “obviousness” bar

When is an invention obvious and thus disqualified from receiving a patent? In a decision welcomed by many in the technology arena, the U.S. Supreme Court, in a unanimous decision, recently loosened the standard for obviousness. The ruling in *KSR Int’l Co. v. Teleflex Inc.* might well make it more difficult to obtain and retain patent protection.

PATENTLY OBVIOUS

Teleflex, an automobile parts manufacturer, sued KSR, alleging that KSR’s gas pedals infringed Teleflex’s patent for an adjustable gas pedal that controls the auto engine through an electronic sensor. KSR filed a motion for summary judgment, arguing that several companies had made and sold adjustable gas pedals and pedals with electronic sensors. KSR claimed the Teleflex invention represented an obvious combination of these two types of designs and, thus, was not patentable.

Under Section 103 of the Patent Act, the Patent and Trademark Office can’t grant a patent for an invention if at the time the invention was made “the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious to a person having ordinary skill” in the subject matter.

FEDERAL CIRCUIT: OBVIOUSLY, NOT

The trial court found that every element of Teleflex’s invention existed in prior art, and the state of the industry would lead inevitably to combinations of electronic sensors and adjustable pedals. It therefore granted summary judgment for KSR.

But the Federal Circuit Court of Appeals reversed, ruling that the trial court hadn’t applied the proper test strictly enough. To resolve the obviousness question, the Federal Circuit has

used the “teaching, suggestion, or motivation” (TSM) test. Under the test, a patent claim is proved obvious only if the prior art, the problem’s nature, or the knowledge of a person having ordinary skill in the art reveals some motivation or suggestion to combine the prior art teachings.



OBVIOUSNESS REDEFINED

The Supreme Court criticized the Federal Circuit for addressing the obviousness question in a narrow and rigid manner that is inconsistent with Sec. 103 and Supreme Court precedent.

The Supreme Court specifically cited *Graham v. John Deere Co. (1)*, which outlined the framework for applying Sec. 103:

[T]he scope and content of the prior art are ... determined; differences between the prior art and the claims at issue are ... ascertained; and the level of ordinary skill in the pertinent art resolved. Such secondary considerations as commercial success, long felt but unsolved needs, failure of others, etc., might be utilized to give light to the circumstances surrounding the origin of the subject matter sought to be patented.

The Court recognized the need for caution when dealing with a patent based on the combination of elements found in prior art. When a work is available in one field, design incentives and other market forces can prompt variations of it. This can happen either in the same field or a different one.

In the Court's view, if a person of ordinary skill can implement a predictable variation, that variation is likely obvious. Courts must decide whether the variation is more than just the predictable use of prior art elements keeping with their established functions. But, contrary to the Federal Circuit's position, the proper analysis doesn't require precise teachings on the specific subject matter of the challenged claim. Rather, courts can consider the inferences and creative steps that a person of ordinary skill in the relevant art would use.

Further, the Supreme Court found that a patent comprising several elements isn't obvious just because each of its elements was known in prior art. Courts should identify a reason that would prompt a person of ordinary skill in the field to combine the elements in the way accomplished by the claimed new invention.

The Court found that this analysis isn't confined by the formulistic use of the words *teaching*, *suggestion* and *motivation*, or by an overemphasis on the importance of published articles and the content of issued patents. Many fields lack broad discussion of obvious techniques or combinations. In those fields, often it's market demand, rather than scientific literature, that drives design trends and provides a reason to combine. To grant protection to advances that occur in ordinary course — in the absence of real innovation — will slow progress and may deprive prior inventions of their value.

OBVIOUS ERRORS

Within these parameters, the Supreme Court found multiple errors in the Federal Circuit's analysis of whether the Teleflex invention was obvious. From the Supreme Court's perspective, most of the flaws related to the appellate court's narrow conception of the obviousness test. The Supreme Court declared that "in determining whether the subject matter of a patent claim is obvious, neither the particular motivation nor the avowed purpose of the patentee controls. What matters is the objective reach of the claim."

More specifically, the Court found the Federal Circuit had erred in holding that courts and

patent examiners should look only to the problem the patentee was trying to solve. This approach ignores the fact that the problem that motivated the patentee may be only one of many addressed by the patent's subject matter. The question isn't whether the combination was obvious to the patentee but to a person with ordinary skill in the art. Any problem known in the field at the time of invention and addressed by the patent could provide a reason for combining the elements in the manner claimed.

The Federal Circuit's second error stemmed from its assumption that a person of ordinary skill attempting to solve a problem will be led only to elements of prior art intended to solve the same problem. The Supreme Court observed that familiar items can have obvious uses beyond their main purposes. A person of ordinary skill could fit "the teachings of multiple patents together like pieces of a puzzle." After all, "a person of ordinary skill is also a person of ordinary creativity, not an automaton."

Finally, the Federal Circuit drew the wrong conclusion from the risk that courts and patent examiners can fall prey to: hindsight. The Supreme Court acknowledged the risk but explained that courts should be aware of the distortion caused by hindsight bias and must be cautious of arguments reliant on *ex post* reasoning.

STATING THE OBVIOUS

Ultimately, the Supreme Court deemed the relevant claim in Teleflex's patent obvious and reversed the Federal Circuit's decision. It saw little difference between the teachings of prior art and the adjustable electronic pedal disclosed in the claim. A person having ordinary skill in the art could have combined the elements in a fashion encompassed by the claim and would have grasped the benefits of doing so.

KSR Int'l represents yet another indication that the Supreme Court believes the Federal Circuit has been too kind to patent owners, at the expense of innovation by others. Given the chance, the Court may continue to roll back patent protections currently taken for granted. 💡

Made in America?

Foreign-copied software escapes U.S. patent law

Microsoft dodged an expensive bullet in a U.S. Supreme Court decision, which reversed two lower court decisions. In a case brought by AT&T, the Court held 7-1 in *Microsoft Corp. v. AT&T Corp.* that the act of supplying a master copy of infringing software to foreign manufacturers didn't constitute infringement under U.S. patent law, when the copies were made abroad and such copies were installed in computers manufactured overseas.



A TWIST ON FREE SPEECH

AT&T holds a patent on an apparatus for digitally encoding and compressing recorded speech. Microsoft conceded that its Windows operating system has the potential to infringe that patent because it incorporates software code that, when installed, enables a computer to process speech in the manner claimed by the patent. Windows software doesn't, however, infringe the claim unless it's installed on a computer, rendering the computer capable of performing as a patented speech processor.

In the case considered by the Supreme Court, Microsoft sends a master version of Windows to foreign manufacturers, either on a disk or via encrypted electronic transmission. The manufacturers use the master version to make copies of the software. Only the copies are installed on the foreign-made computers, *not* the master version itself.

LONG ARM OF THE LAW

Generally, U.S. patent infringement doesn't occur when a patented product is made and sold in another country. Section 271(f) of the Patent Act created an exception when a company supplies from the United States a patented invention's "components" for "combination" abroad. The question before the Supreme Court was whether Microsoft was supplying "components" to be integrated into a patented invention outside the United States in violation of law.

The provision was enacted in response to the Supreme Court's decision in *Deepsouth Packing Co. v. Laitram Corp.* In that case, the Court found that, absent a clear, congressional intent, courts couldn't stop the manufacture and sale of parts of patented inventions for assembly and use abroad. With Sec. 271(f), Congress expanded the definition of infringement to include supplying a patented invention's components *from* the United States.

In *Microsoft*, Microsoft stipulated that it had infringed AT&T's patent by installing Windows on its own computers during the development process. It also stipulated to inducing infringement by licensing copies of Windows to U.S. computer manufacturers. But it argued that unincorporated software cannot constitute a "component" of an invention under Sec. 271(f) because software is intangible information. Regardless, Microsoft asserted, foreign-generated copies of its Windows

operating system installed abroad weren't components supplied from the United States.

The district court rejected these arguments and held Microsoft liable for infringement under Sec. 271(f). The Federal Circuit Court of Appeals affirmed the ruling. Microsoft then took its case to the Supreme Court.

THE COURT GOES ABSTRACT

The Supreme Court began by recognizing that software can be conceptualized in at least two ways:

1. In the abstract, as instructions detached from any medium, and
2. As a tangible copy, the instructions encoded on a medium like a CD-ROM.

The Court analogized the former to the notes of a Beethoven symphony and the latter to sheet music for that symphony.

Microsoft contended that only a tangible copy qualifies as a component. And, as the Court acknowledged, if the relevant components were actually the installed copies, AT&T couldn't argue that those components were supplied from the United States. So the Court was left to determine when — or in what form — software qualifies as a "component" under Sec. 271(f).

IT'S IN THE COMPONENTS

The Court began by noting that Sec. 271(f) applies only to components as combined to form the patented invention. The Windows software wasn't combinable when it was detached from an activating medium because it couldn't be installed while detached. Abstract software code lacks a physical embodiment and doesn't qualify as "components" amenable to "combination." To illustrate its point, the Court compared software with a blueprint, or anything containing design information, which isn't itself a combinable component.

AT&T countered that software, unlike design information, is "modular," a standalone product developed and marketed for use with many different types of hardware and software. The Court disagreed, noting that blueprints also could be independently developed, bought and sold. What retailers sell, and consumers buy, are *copies* of software. The extra step of producing a copy of the software's instruction is what renders the software a combinable part of a computer.

THE SUPPLY LINE

The Court next addressed whether "components" of the foreign-made computers at issue were supplied by Microsoft from the United States. The Federal Circuit had reasoned that a master version sent abroad didn't differ from the exact copies generated from the master. Sending a master abroad for

In Congress's court

The Supreme Court also addressed AT&T's assertion that its reading of Section 271(f) creates a loophole for software manufacturers. To avoid patent infringement liability, manufacturers can have installation copies of software made quickly and cheaply overseas, from a master version supplied from the United States.

The Federal Circuit envisioned the same problem. It reasoned that courts would be subverting Sec. 271(f)'s remedial nature, permitting a technical avoidance of the statute by ignoring technological advances — and associated industry practices — that developed after Sec. 271(f)'s enactment.

The Supreme Court deferred to Congress to consider any loopholes and close them if warranted. Sec. 271(f) was a direct response to the gap revealed by *Deepsouth*, but Congress didn't address other arguable gaps. Given that Congress didn't close the loophole presented by AT&T, precedent required the Court to leave it up to Congress to address the patent-protective determination sought by AT&T.

replication, therefore, invoked Sec. 271(f) liability for the foreign-made copies. The appellate court concluded that, with software components, the act of copying is subsumed in the act of supplying.

The Supreme Court aligned itself with the dissent at the appellate level. Under Sec. 271(f), the components supplied from the United States, not their copies, trigger liability when combined abroad to form the patented invention. Here, it held, the copies installed on foreign computers weren't supplied from the United States. The copies didn't even exist until they were generated by third parties outside the country. The Supreme Court concluded that Microsoft didn't supply from the United States the installed copies at issue.

The Court added that the ease of copying is irrelevant. In its view, Sec. 271(f) includes no

instruction to gauge when copying is easy and inexpensive enough “to deem a copy in fact made abroad nonetheless ‘supplie[d] ... from the United States.’”

PROTECTING YOURSELF OVER THERE

The Court also found that the presumption against extraterritoriality applies “with particular force in patent law.” The Patent Act expressly provides that a patent confers exclusive rights in an invention within the United States. Although Sec. 271(f) was intended to cover certain activity abroad, the mere fact that a law specifically addresses extraterritorial application doesn't defeat the presumption. According to the Court, if an inventor wishes to prevent copy infringement in foreign countries, its remedy lies in obtaining and enforcing foreign patents. 💡

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Court finds lawyers too generic

Lawyers.com, that is

If at first you don't succeed, try, try again. That's what one company did. But one company's protracted attempt to obtain federal trademark registration for LAWYERS.COM seems to have come to an end. In the case of *In re Reed Elsevier Properties, Inc.*, the Federal Circuit Court of Appeals has found that the mark is too generic to warrant protection.

THE COMPLAINT

Reed Elsevier Properties, Inc. runs the www.lawyers.com Web site. The home page includes links to “find a lawyer,” “ask a lawyer,” “contact a lawyer” and “research legal information.” The site also provides “legal news headlines,” information about legal practice areas and community message boards.

Reed first used its mark in commerce in 1998, and soon thereafter filed a trademark application to

register LAWYERS.COM for services identified as “providing access to an online interactive database featuring information exchange in the fields of law, lawyers, legal news and legal services.” The trademark examiner refused registration because the mark was generic.



Reed amended its application to seek registration on the Supplemental Register, deleting the term “lawyers” from its recitation of services on its application. The supplemental register (the Patent and Trademark Office’s secondary trademark register) allows for registration of certain marks that aren’t eligible for registration on the principal register, but are capable of distinguishing an applicant’s goods or services. The examiner issued a final refusal on the basis of genericness. Reed then took its claim to the Trademark Trial and Appeal Board (TTAB).

The TTAB found the genus of the services provided under LAWYERS.COM to be a Web site with a database of information covering the identified topics of law, legal news and legal services. A central intertwined element of the genus is information about lawyers and information from lawyers.

It concluded that the relevant public would understand LAWYERS.COM to denote a commercial Web site giving access to and information about lawyers. So the TTAB upheld the refusal. Reed appealed the denial to the Federal Circuit.

THE PLEADING

The Federal Circuit explained that the genericness inquiry involves a two-part test:

1. What is the genus of goods or services at issue?
2. Is the term sought to be registered understood by the relevant public primarily to refer to that genus of goods or services?

Reed had two principal arguments before the court:

1. Services considered. Reed claimed the TTAB shouldn’t have considered all of the services offered on the Web site, but only those on the amended recitation of services. Reed asserted that the services recited in its application (information concerning the law, legal news and legal services) were discrete from those excluded during prosecution (information concerning lawyers). But the court observed that Reed had argued before the TTAB that it sought to register

the mark for an information exchange concerning legal services, not for selling lawyers or offering lawyers’ services.

Information exchange about lawyers isn’t discrete from information exchange about the law, legal news and legal services.

2. Inextricably intertwined. Reed also disputed the TTAB’s conclusion that information from and about attorneys was “inextricably intertwined” with the site’s services. But — for better or worse — lawyers are necessarily an integral part of the information exchange about legal services. Review of the site made clear that an integral, if not the paramount, aspect of information about legal services concerned identifying and helping people to select lawyers. The court cited the “search for lawyers” and “find a lawyer” functions on the pages providing information about legal services and practice areas. Further, the services related to legal news focused on lawyers, with stories about lawyers and their work, and articles such as “Do I really need a lawyer?” and “Selecting a lawyer.”

Thus, contrary to Reed’s argument, the information exchange about lawyers isn’t discrete from the information exchange about the law, legal news and legal services. The court affirmed that they are indeed inextricably intertwined. So in the end, the court found both contentions without merit.

THE VERDICT IS IN

Businesses that seek to obtain trademark registration for potentially generic domain names like LAWYERS.COM should consult an attorney to maximize their chances of success. In the end, having a catchy mark does no good if it doesn’t qualify for trademark protection. 💡

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