



# The Umbrella™

An Intellectual Property Law Update

## The Battle Continues: Supreme Court v. Federal Circuit

By Vincent J. Allen

The U.S. Supreme Court has reversed all nine patent cases decided on appeal from the Federal Circuit since 2002. In two cases handed down in April, the Court continues its trend of reversing the Federal Circuit. In a much anticipated decision, the Court in *KSR v. Teleflex* unanimously rejected the Federal Circuit's rigid approach to determining whether a patent is non-obvious in view of the prior art. Although not as far reaching as *KSR*, a second case, *Microsoft v. AT&T*, may hamper owners of software patents in their ability to prevent copying of software outside the United States.

### *KSR v. Teleflex*

A patent applicant is entitled to a patent only for inventions that are useful, novel, and non-obvious. Because almost all inventions are combinations of elements that are already known, the non-obvious requirement is usually the highest hurdle.

The Supreme Court established the framework for determining obviousness in the 1966 *Graham v. John Deere* decision. In that

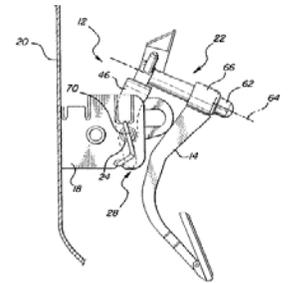
*Patent applicants and litigants alike can minimize the effects of KSR by taking a proactive approach during prosecution and litigation.*

case, the Court held that the obviousness of an invention must be decided by determining the scope and content of the prior art, ascertaining the differences between the prior art and the claimed invention, and resolving the level of ordinary skill in the pertinent art.

To provide uniformity and to prevent the use of hindsight in deciding the obviousness question, the Court of Customs and Patent

Appeals established the requirement of a "teaching, suggestion, or motivation" (TSM) to combine known elements to show that a combination is obvious. Over the years, the TSM test has been refined by the Federal Circuit to require that "some motivation or suggestion to combine the prior art teachings" exist in the prior art, the nature of the problem, or the knowledge of a person having ordinary skill in the art.

In *KSR*, Teleflex argued that there was no teaching, suggestion, or motivation in the prior art to make the combination of an adjustable accelerator pedal and an electronic sensor claimed by the patent at issue. The Supreme Court reversed the Federal Circuit's decision that upheld the validity of the patent. The Court reasoned that *Graham* provides an expansive and flexible view to the obviousness question that is inconsistent with the narrow, rigid manner in which the Federal Circuit applied the TSM test. The Court found convincing *KSR*'s evidence that combining the inventions of two prior patents was a design step that was well within the grasp of a person of ordinary skill in the relevant art. Thus, the claimed combination of two previously known components was obvious. The Court found that although the TSM test provides a helpful insight, "[t]he obviousness analysis cannot be confined by a formalistic conception of the words teaching, suggestion, and motivation, or by overemphasis on the importance of published articles and the explicit content of issued patents."



The *KSR* decision does not result in a radical change to patent law, but simply reinforces prior Supreme Court precedent. However, the effects of the rejection of the TSM test as a bright line rule could prove significant, affecting both prosecution of patent applications (continued on page 2)

## The PTO's New Accelerated Examination Program—Heaven Sent or Pandora's Box?

By Zachary W. Hilton

### Inside this issue:

The Battle Continues: Supreme Court v. Federal Circuit	1
The PTO's New Accelerated Examination Program—Heaven Sent or Pandora's Box	1
Dallas Leads the Charge With New Patent Rules	3
Attorney Profile	4

In March, the United States Patent and Trademark Office ("PTO") celebrated the issuance of the first patent under its new accelerated examination program. This patent issued from an application filed on September 29, 2006. Implemented in August 2006, the accelerated examination program allows an applicant to dramatically shorten the time an application spends in the examination process.

With backlog prevalent throughout the PTO, patent practitioners and applicants have come to expect two to five years to elapse from the time of filing an application to allowance or final rejection.

Under the accelerated examination program, PTO policy dictates that a final decision concerning the application will be made in twelve months or less. The potential benefits of obtaining an issued patent one to four years earlier could be significant in certain cases. One benefit is that the time to exploit the patent is increased because the time for exploitation is twenty years from the date of filing. Additionally, in many technological areas, the state of the art may change so rapidly that in the intervening years an application is pending, the claimed invention may lose its commercial viability. The ability to expedite a patent application will allow those involved (continued on page 3)

## The Battle Continues...from page 1

and litigation of patent infringement disputes. Patent applicants and litigants alike can minimize the effects of *KSR* by taking a proactive approach during prosecution and litigation.

The difference between the Federal Circuit's application of the TSM test and the approach outlined by the Court in *KSR* is that the TSM test is now only a factor in the obviousness analysis rather than an absolute requirement. The *KSR* Court favored a less rigid approach to determining the scope and content of the prior art. This approach recognizes a long established corollary that "the combination of familiar elements according to known methods is likely to be obvious when it does no more than yield predictable results."

A court must now consider whether inventions available both inside and outside the field of endeavor might be predictably modified in response to "design incentives and other market forces." In rejecting the Federal Circuit's holding that courts and patent examiners should look only to the problem the patentee was trying to solve, the Court stated, "Common sense teaches, however, that familiar items may have obvious uses beyond their primary purposes, and in many cases a person of ordinary skill will be able to fit teachings of multiple patents together like pieces of a puzzle."

For similar reasons, *KSR* rejected the Federal Circuit's holding that a patent claim cannot be proved obvious by a showing that the combination of elements was "obvious to try." The Court reasoned that "[w]hen there is a design need or market pressure to solve a problem and there are a finite number of identified, predictable solutions, a person of ordinary skill has good reason to pursue the known options within his or her technical grasp."

Only time will tell the full extent of the *KSR* decision. The U.S. Patent & Trademark Office could reject more patent applications citing *KSR*. The flexibility allowed by the Supreme Court could make it easier for examiners to establish a *prima facie* case of obviousness based on "common sense" while placing the burden on applicants to present evi-

---

*Applicants should identify any improvements, unexpected results, and other evidence that the invention is non-obvious.*

---

dence of non-obviousness. The Director of the Patent Office has acknowledged that "[t]he decision gives our examiners more flexibility to use their considerable technical skills to reject obvious changes to existing technology." Nevertheless, examiners must still provide an explicit non-conclusory analysis for the basis of any obviousness rejection.

To help avoid obviousness rejections based on "common sense," applicants should identify any improvements, unexpected results, and other evidence that the invention is not obvious. Applicants should also avoid identifying problems in the prior art in a way that would lead the examiner to believe that the solution proposed by applicant is predictable.

The *KSR* decision casts doubt on the validity of many existing patents, possibly affecting the licensing value and litigation value of certain combination patents. For example, the Federal Circuit quickly followed the

*KSR* decision with the *Leapfrog v. Fisher-Price* decision, deciding on facts similar to the *KSR* case that the conversion of a known mechanical toy into an electronic version of the same toy was obvious. The court relied on the fact that the plaintiff failed to present any evidence that the claimed combination was outside the technical grasp of a person of ordinary skill in the art.

While it is clear that the Supreme Court is attempting to curtail patent protection, this does not mean that patent holders should dismiss all their suits or forego filing suits. Rather, the patentee should focus greater efforts on proving how a patented invention is non-obvious. This can be done, for example, by providing expert evidence that the claimed combination resulted in something more than a predictable use of prior art elements. When appropriately handled, litigation of patents will likely result in a patent being found invalid only in the most unmistakable cases. As for defendants, *KSR* is an added bonus in some cases, but will not always be a silver bullet. Defendants must likewise present expert evidence of the obviousness of a claimed combination in the absence of explicit teachings in the prior art.

### *Microsoft v. AT&T*

A U.S. patent allows its owner to exclude others from making the invention in the United States. But what if the components of the invention are built in the U.S. and assembled overseas? In *Microsoft v. AT&T*, the Court was faced with interpreting a patent statute providing that where components of a patented invention are shipped out of the United States prior to assembly, whoever causes those components to be supplied for the purpose of assembly is liable for patent infringement.

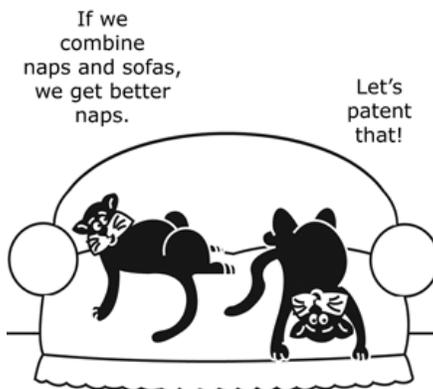
The application of the statute is relatively easy when faced with a patent that claims a machine or an apparatus. However, because of the difficulty of defining "components," the application of the statute is complicated where the components at issue include intangibles such as software.

Microsoft argued that software in the abstract is not a component, and therefore, Windows software sent on a master disk or through electronic transmission from the United States did not constitute infringement of the AT&T patent. The Supreme Court agreed, reversing the Federal Circuit and holding that only software in a tangible medium could qualify as a component. Because the Windows software was copied onto a tangible medium outside the United States, the Court held that Microsoft was not liable for patent infringement for computers assembled outside the United States. The Court found it inconsequential that the copying of the master disk was easy, opining that "the extra step is what renders the software a usable, combinable part of the computer."

In conclusion, the *KSR* and *Microsoft* decisions evidence the Court's efforts to curtail the perceived proliferation of patent protection, a trend which will likely continue in the years to come.

Stu's Views

© Stu All Rights Reserved www.STUS.com



# DALLAS LEADS THE CHARGE WITH NEW PATENT RULES

By Vincent J. Allen

In an order issued April 2, Chief U.S. District Judge of the Northern District of Texas, A. Joe Fish, established case management rules on a trial basis for patent cases filed in the Dallas Division. The patent rules apply to all civil actions containing an allegation of utility patent infringement and to any action seeking a declaration that a utility patent is not infringed, is invalid, or is unenforceable. The patent rules take effect on May 1, 2007 and apply to any Dallas Division patent case filed on or after that date and to certain cases filed prior to the effective date. Although other districts such as the Eastern District of Texas and the Northern District of California have had patent rules for some time, many other districts are now considering creating patent rules as well. Dallas is the first in a new wave of districts likely to enact patent rules.

In addition to the conference requirements of Federal Rule 26(f), parties in a patent case filed in Dallas must now confer on a number of additional matters common to patent cases. The patent rules also require certain disclosures designed to bring the parties to an early position on

---

*Adoption of the patent rules along with potential changes to the venue statute governing federal actions could significantly increase the number of patent cases filed in Dallas.*

---

pivotal issues such as infringement and invalidity. This will decrease the average time to bring a case to trial by both avoiding common pre-trial disputes that arise in patent cases and focusing the parties on the important issues.

The patent rules are based on rules proposed after debate by the Northern District of Texas Patent Rules Task Force, which is comprised primarily of local attorneys from law firms and companies interested in patent litigation. Although modeled after rules established in the Eastern District of Texas, there are some differences. The differences include

provisions requiring more detailed preliminary infringement and validity contentions (with potential sanctions for failing to comply), more liberal provisions regarding amendment of initial infringement and invalidity contentions, and a provision that the scope of discovery is not limited to the preliminary infringement or invalidity contentions.



Photo by Justin Trevean

Adoption of the patent rules along with potential changes to the venue statute governing federal actions could significantly increase the number of patent cases filed in Dallas. Currently, the federal venue provisions allow a plaintiff to sue a corporate defendant in any judicial district in which that defendant is subject to personal jurisdiction. Thus, the Eastern District is able to attract a large volume of patent filings, despite its sparse population and lack of a business presence there for many of the defendants sued.

Venue rules will be tightened should Congress enact the Patent Reform Act of 2007. Identical bills with bipartisan support were introduced in both the Senate and the House on April 18. If passed, the bills will amend the federal venue provisions to require patent cases to be brought in the district (1) where either party resides or (2) where the defendant has committed acts of infringements **and** has a regular place of business. This would eliminate the Eastern District as a proper venue in many cases, causing some of the cases that would have been filed in the Eastern District under the old venue rules to be filed in Dallas instead.

Upon enactment of the Patent Reform Act, the Dallas patent rules could provide additional incentive for patent holders to choose Dallas over other venues lacking patent rules. Even without the change in the venue rules, the patent rules are expected to attract litigants who would not have otherwise considered filing in Dallas.

## The PTO's New Accelerated Exam Program...from page 1

in developing cutting-edge technology to quickly leverage their IP assets. Moreover, an issued patent may be of greater value than a pending application when negotiating the terms of a licensing agreement or when seeking investment capital.

However, applicants should weigh the benefits of the accelerated examination program against the potential drawbacks that arise from the requirements of the accelerated examination program. For example, the PTO requires any applicant filing an application under the accelerated examination program to conduct a pre-examination prior art search of U.S. patents and published applications, foreign patent documents, and non-patent literature. The applicant must disclose the search logic and databases utilized during the searches and must identify any closely related references. Furthermore, the PTO requires the applicant to identify where any claim limitations in the application appear in the references disclosed, as well as a statement as to why the claims are patentable over such references.

There is no question that the foregoing requirements will add to the expense of filing an application. Moreover, complying with the require-

ments may also open up a Pandora's box of potential problems in any later litigation concerning a patent filed under the accelerated examination program. In fact, a litigant seeking to invalidate such a patent will likely first turn to the pre-examination search document and IDS filed by the applicant in an attempt to find evidence of inequitable conduct that would render the patent unenforceable.

Likewise, statements appearing in accelerated examination petition documents in support of patentability may also provide fodder for future assertions of prosecution history estoppel. As such, wary patent practitioners will walk a fine line between fulfilling the requirements of accelerated examination and unnecessarily opening the door to future attacks.

While the PTO's new accelerated examination program is replete with the potential for future problems, the advantages of quickly obtaining a patent may outweigh such risks. Applicants considering the use of the program should consult with experienced patent counsel for assistance in weighing these risks prior to determining whether participation in the program is appropriate under the circumstances.

# CARSTENS & CAHOON, LLP

ATTORNEYS AND COUNSELORS

Dedicated to Protecting Ideas®

P. O. Box 802334  
Dallas, TX 75380  
Phone: 972.367.2001  
Fax: 972.367.2002  
E-mail: allen@cclaw.com

Visit us online at

[www.cclaw.com](http://www.cclaw.com)

## The Umbrella™

The Umbrella™ is published periodically by the law firm of Carstens & Cahoon, LLP to inform readers of recent developments in intellectual property law. It is not intended to be used as a substitute for legal advice or opinions. This publication is not intended to create an attorney-client relationship or to indicate that such a relationship exists between Carstens & Cahoon, LLP and the recipient of this publication, but is provided merely as a courtesy to inform the recipient about recent developments in the law.

For more information, please contact the editor, Vincent Allen, at (972) 367-2001 or email him at [allen@cclaw.com](mailto:allen@cclaw.com).

© 2007 Carstens & Cahoon, LLP  
All Rights Reserved



**Editor's Note:** Welcome to the first issue of *The Umbrella*™! We hope you enjoy this issue and other issues to be published periodically. If you have any comments or questions about any of the articles, we would be happy to listen.

## Attorney Profile—Vincent J. Allen

Vincent Allen may as well have been one of the founding fathers of the firm. Vincent was the firm's first summer clerk shortly after the firm opened its doors in 1998.

Vincent began his technical career unusually early. It all started when he took apart the toaster when he was twenty months old. Unfortunately for his mother, he could not re-assemble the toaster. Before he was two, he had also taken apart his dad's watch and retrieved the bird out of the cuckoo clock.

As he grew up on the farm, Vincent continued to take machines apart, eventually learning how to get them back together. As for electronic equipment, he was always called upon to hook up the VCR, and would never look at the manual for anything, choosing instead to "figure it out." Fortunately, he learned as he grew older that using manuals is not considered cheating.



After graduating from high school, Vincent went on to study aircraft maintenance and obtained his A&P license from the FAA. He bought and restored a basket case Cessna 140 during maintenance school, and then learned to fly it while getting his electrical engineering degree.

He flew the Cessna 140 from Starkville, MS to Hattiesburg, MS every weekend while attending Mississippi State so he could work on airplanes at Southeast Aviation. Yet, he still managed to graduate *magna cum laude*.

While at Mississippi State, one of Vincent's professors asked him to consider going to graduate school. Vincent began to surf the web in search of the opportunities available to him. He stumbled across patent law and read of the demand for lawyers with technical backgrounds. Although he had never considered becoming a lawyer prior to that time, and in fact had shunned the idea, he decided to move out West to go to law school at Baylor. There he was president of his class and was a member of the Baylor Law Review.

As a partner in the firm, Vincent concentrates his practice in all aspects of intellectual property law, including both dispute resolution and patent and trademark prosecution. He, his wife, Elizabeth, and two year old daughter, Ruby Quave, reside in McKinney, Texas. They are proud to announce that sometime around the New Year, they are expecting to add another member to the Allen household.