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REPORT

Reflecting on the two-year anniversary of the Supreme Court decision in *KSR International v. Teleflex*, Emer Simic, an associate in Leydig's Chicago office, says that although many predicted the *KSR* ruling would substantially lighten the patent challenger's burden of proving obviousness, those predictions may be more perception than reality when the *KSR* holding and post-*KSR* case law are examined closely. In fact, an empirical study prepared by Simic shows there has been no dramatic increase in obviousness determinations in the district courts.

KSR involved a dispute over adjustable pedal systems for automotive companies. Teleflex, an adjustable pedal manufacturer, accused competitor KSR of infringing on its Engelgau patent by adding an electronic sensor to one of KSR's adjustable pedals. KSR counterclaimed that Teleflex's patented invention was invalid for obviousness.

KSR has not resulted in an increase in obviousness determinations in the Federal Circuit

Under the Patent Act, an invention is obvious if 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 at the time the invention was made to a person having ordinary skill in the art. In *Graham v. John Deere*, the Supreme Court expounded the "*Graham* factor" test to be applied in obviousness determinations.

In addition to statute and Supreme Court jurisprudence, however, the Court of Appeals for the Federal Circuit developed its own test to aid in obviousness determinations — the teaching, suggestion or motivation test (TSM test). The TSM test asks whether, at the time the invention was created, something would have taught, suggested or motivated a person of ordinary skill to combine prior art elements to create the claimed invention. That "something" includes prior art references, knowledge of a person of ordinary skill in the art or the nature of the problem to be solved.

KSR successfully argued for invalidity on grounds of obviousness in the district court; however, on appeal, the Federal Circuit reversed the lower court's decision. The Federal Circuit reasoned that the district court failed to make "finding[s] as to the specific understanding or principle within the knowledge of a skilled artisan that would have motivated one with no knowledge of [the] invention to make the combination in the manner claimed."

On April 30, 2007, the Supreme Court reversed the Federal Circuit's decision. More specifically, the high court stated that it "reject[ed] the rigid approach of the Court of Appeals" to obviousness determinations and instead recommended "an expansive and flexible approach" consistent with the court's own precedent. Regarding the TSM test, the Supreme Court set out to rehabilitate it from the Federal Circuit's allegedly misguided application, calling the test a "helpful insight," but cautioning that "[h]elpful insights… need not become rigid and mandatory formulas…"

"In *KSR*, the Supreme Court arguably granted certiorari for two reasons," says Simic. "First, because it perceived a tendency in the Federal Circuit to create its own rigid rules that were not based on traditional Supreme Court jurisprudence. Second was the belief that the Federal Circuit is too pro-patent and that the bar for proving obviousness was so high that it was contributing to the issuance and affirmance of unworthy patents."

Whatever the Supreme Court's intentions in *KSR*, it failed to replace the TSM test with a new, clearly articulated test for obviousness, and as a result, the Federal Circuit has opted to construe the decision narrowly.

"In *KSR*, the Supreme Court affirmed a test that the Federal Circuit used for 20 years and merely held that the test's rigid application by the Federal Circuit in this case was an error," says Simic. "The court, similar to the Federal Circuit, urged the use of a wide range of prior art sources to determine obviousness, but broadened the inquiry to include the interrelated teachings of multiple patents, market demands and the common sense of a person of ordinary skill."

Two years after the Supreme Court's decision in *KSR*, an empirical study prepared by Simic examines the rate at which the Federal Circuit affirms U.S. district court obviousness determinations. The results suggest no dramatic change in the rate of obviousness determinations at the Federal Circuit since *KSR*. Simic did not review any change in patent application allowance rates in the United States Patent and

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Verify correct patent marking now to avoid a false marking claim later

Two recent false patent marking cases now on appeal, *Matthew A. Pequignot v. Solo Cup Co.* and *Forest Group v. Bon Tool*, serve as a reminder to patent holders to check patent markings on products.

False patent marking can occur under a variety of circumstances. One instance involves expired patent numbers that continue to be used after the failure to pay a maintenance fee or after expiration of the patent. Another instance involves multi-purpose packaging that may have the patent number for one product but the package is used for several different products that may not be covered by the patent.

"A company could have one package for 10 different products that are all slightly different," says John Augustyn, a member in Leydig's Chicago office. "If there is a question concerning patent marking, they should have a patent attorney review the products individually to determine whether certain products require different packaging."

Other times, the company that designs the packaging may simply neglect to inquire whether information needs to be updated in a reprint, such as patent numbers.

False marking accusations can be brought by private citizens, not just competitors. And since the issue contains a multitude of gray areas and uncertainty, patent holders may want to be proactive to avoid being saddled with a false marking claim.

"Whether or not a person is liable for false patent marking is factually dependent," says Augustyn. "The company should talk to its patent attorney to verify that the patent markings are appropriate."

Hotels.com case a reminder of best practices of trademark use

The Internet may be a new frontier, but the venerable tenants of intellectual property law still reign supreme. One venerable tenant — that a word cannot be a trademark if it is generic — was recently put to the test, when Hotels.com, L.P. battled the Trademark Trial and Appeal Board's (TTAB) refusal to register Hotels.com as a trademark on the grounds of genericness. Ultimately, the TTAB's refusal was upheld. The lesson comes too late for Hotels.com, L.P., but the rest of us can take heed: Avoid generic words when selecting trademarks and take steps to avoid an otherwise distinctive trademark from developing a generic meaning.

Hotels.com refused trademark registration

In a July 23 opinion concerning the case of *In Re Hotels.com, L.P.*, the U.S. Court of Appeals for the Federal Circuit affirmed the TTAB's ruling that "Hotels.com" is generic and, as a result, unregisterable. A generic word cannot be registered or protected as a trademark, because it is incapable of indicating source and merely names the goods or services themselves.

Hotels.com, L.P. argued the addition of ".com" negated the generic quality of "hotels," and that they had used the term not for hotels, but for a hotel information source and travel agency. On the other side, the TTAB had held that "hotel" was generic for hotel information and reservations, and that ".com" shows Internet commerce and does not convert the generic term "hotels" into a brand name.

The court reviewed commonly accepted definitions of "hotel" and other Web sites, such as web-hotels.com, that combine "hotels" and ".com" and provide hotel information and reservations. The court rejected Hotels.com, L.P.'s survey evidence, which Hotels.com, L.P. argued demonstrated that people associate "Hotels.com" with one source. The court concluded the TTAB's findings were supported by the evidence, and that "Hotels.com" is generic and not registerable.

"Instead of chipping away at the rule that a company cannot enforce rights in a generic word, this decision reinforces it, regardless of how invested a company may be in using a generic word as a mark," says Caroline Stevens, a member in Leydig's Chicago office. "A company may want to choose a mark that clearly communicates what it is the company sells, but the company should not go so far as to select the word that is generic for that product."

Use of trademarks as verbs

The word "hotels" is a noun and clearly generic for hotel and hotel services, but what about verbs? The debate over whether a mark — when used as a verb — may become generic heated up recently, after Microsoft CEO Steve Ballmer's revelation that he would like to see people use "Bing," the trademark for Microsoft's new search engine, as a verb, much like people now use "Google" as a verb. Use of a mark as a verb indicates widespread awareness of the mark, but it also indicates the loss of the distinctive source-identifying quality of the mark and threatens trademark rights.

"Some people think that a mark used as everyday language would support the fame of a brand," says Lynn Sullivan, a member in Leydig's Chicago office. "But under traditional trademark policy, use of a mark as a verb will genericize it, and a generic word cannot be protected. Until laws and policies change, your mark can still be attacked if it becomes an everyday word used by competitors and the public."

Additionally, the longer a trademark is allowed to be used as a verb, the more difficult it will be to protect the mark later on.

"The key is to demand that competitors not use your trademark as a common everyday word, whether as a verb or a noun in competitive advertising early on, and to work to ensure your mark is not used in a generic way by anyone," says Sullivan.

Proposed post-grant review process could lower costs down the road

The new post-grant review process proposed as part of the Patent Reform Act of 2009 — a bill currently before Congress — would allow a third party to submit a cancellation request to the U.S. Patent and Trademark Office for up to a year after a patent is issued. Despite those who oppose it, there is a likelihood the final bill will include post-grant review.

"The driving force behind this proposed process is the fact that litigation is so expensive and can take many years to conclude. Some entities desire a more cost-effective and time-compressed way to challenge patents," says John Kilyk, a member in Leydig's Chicago office. "An opposition process could also improve the quality of patents, as successfully challenged patents would be cancelled relatively early in time after issuance of the patents."

Opponents of this portion of the bill see it as a roadblock to successfully securing desired patents, adding further delays, uncertainties and cost to the process.

"It is important to look at this as a possible alternative to future litigation," says Jeremy Jay, a member in Leydig's Washington, D.C., office.

While an opposition proceeding cannot address many of the issues that are typically raised in litigation, it would address the issue of patent validity. As Jay observes, "An opposition proceeding costs a fraction of what litigation would cost, and it allows you to deal with possible challengers up front."

"If you are successful in upholding your patent during the opposition proceedings, there likely will be at least some limitations on using the evidence brought forward at that time against you again in litigation," adds Kilyk.

The additional power third-party challengers would receive within the proposed process would result in a post-grant review comparable to that of the European Patent Office , which gives parties who wish to challenge a patent nine months from the date the patent is granted to file an opposition.

Despite the proposed process revisions, neither Kilyk nor Jay sees the need for any immediate changes in behavior.

"Any changes would occur if and when this bill is passed," says Jay. "The impact of post-grant review could be significant."

Kilyk adds that, "Since patent applications have been subject to opposition proceedings in other countries for some time, we already have extensive experience with oppositions and have been factoring possible oppositions into the preparation and prosecution of patent applications."

KSR has not resulted in an increase in obviousness determinations in the Federal Circuit, *continued from page 1*

Trademark Office, focusing instead on how the Federal Circuit's determinations have been affected by *KSR*. The Federal Circuit found patents obvious about 51 percent of the time. In addition, the Federal Circuit affirmed district court obviousness determinations a clear majority of the time (about 67 percent). These results are in accord with Petherbridge and Wagner's pre-*KSR* empirical study, which concluded that the Federal Circuit finds patents invalid for obviousness about 58 percent of the time. Their study also found the TSM test did not dominate the law of obviousness; in fact, courts only applied the test 45 percent of the time.

"The combined result of these studies suggests that the Supreme Court was misguided in its attack on the TSM test," says Simic. "Both show that the Federal Circuit's application of the TSM test has not resulted in decreased obviousness outcomes, and that the number of obviousness determinations at the Federal Court has not increased since *KSR*. Results like these cast doubt on whether the Court should have granted certiorari in *KSR*."

Nevertheless, because the Supreme Court tweaked the law on obviousness instead of replacing the traditional test, it may in fact have created more problems than it solved.

"The new flexibility that the Supreme Court has attempted to inject into the TSM test inquiry fails to consider problems with hindsight bias, which was a major goal of the creators of the TSM test," says Simic. Hindsight bias occurs when decision-makers who have knowledge of the invention impermissibly piece together prior art to create the claimed invention. The TSM test has been a useful tool in combating hindsight bias because it directs decision-makers to focus on the teachings in the art at the time the invention was made.

"Unfortunately, the Supreme Court's invitation to judges to rely on the 'common sense' and 'ordinary creativity' of one of ordinary skill in the art is so flexible that it may induce judges to invoke hindsight bias unknowingly in their obviousness determinations," Simic points out. "And litigants will need to be particularly attentive to address this."

While the *KSR* decision may have muddied the waters of obviousness determinations, on balance, Simic says, "The decision has not and likely will not increase the number of obviousness determinations when the district court decisions are reviewed on appeal by the Federal Circuit."

Leydig Announces

Events

Phillip M. Pippenger, a member in Leydig, Voit & Mayer's Chicago office, will present on Oct. 15 at the Practising Law Institute's Patent Litigation Conference at the University of Chicago Gleacher Center. He will discuss the use of parallel re-examinations during litigation, focusing on the pitfalls and opportunities presented by the re-examination process, as well as the effect on litigation strategy and tactics.

Lynn A. Sullivan, a member in Leydig, Voit & Mayer's Chicago office, will participate as a speaker at the American Intellectual Property Law Association's (AIPLA) Annual Meeting on Oct.16. Her presentation, "Successful Use of the Madrid Protocol," will focus on strategies for international trademark filing and protection.

John Kilyk Jr. and **M. Daniel Hefner**, members in the firm's Chicago office, and **Jeremy M. Jay**, a member in the firm's Washington, D.C., office, will participate in a seminar in conjunction with Chuo Sogo Law Office, P.C., on Nov. 16 at the Rihga Royal Hotel in Osaka, Japan.

H. Michael Hartmann, a member in Leydig, Voit & Mayer's Chicago office, will participate as a speaker at the American Intellectual Property Law Association's (AIPLA) 2010 Mid-Winter Institute, Jan. 27-30, in La Quinta, Calif. Details for this event will be posted on the firm's Web site soon.

Recognitions

Paul J. Korniczky and **Wesley O. Mueller**, members in Leydig, Voit & Mayer's Chicago office, were admitted as members in the Richard Linn American Inn of Court. They join fellow Chicago member, **H. Michael Hartmann**, in this recognition. The Richard Linn American Inn of Court is an Inn of Court focused on intellectual property law. It is comprised of judges, lawyers, and law professors. The Inn meets approximately once a month to hold programs and discussions on matters of interest to the intellectual property community.

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