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## KSR v. Teleflex: The Non-Obviousness Requirement of Patentability

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## Panel I: *KSR v. Teleflex*: The Nonobviousness Requirement of Patentability

Moderator: John Richards\*

Panelists: Herbert F. Schwartz†  
Steven J. Lee‡  
John R. Thomas§

MR. PAYNE: Good morning, ladies and gentlemen. My name is Britton Payne. As the Editor-in-Chief of the Fordham Intellectual Property, Media & Entertainment Law Journal's Volume XVII, I have the honor of opening our 2006 Symposium. I thank you all for coming and encourage you to attend all three sessions.

I would like to take a moment to thank our panelists and the Fordham faculty, particularly Professors Hansen, Katyal, Richards, and Scafidi, who are participating today, as well as Professor Reidenberg, our Journal Faculty Moderator. I also thank Helen Herman, Darin Neely, and the other fine folks in the Office of Public Programming and Continuing Legal Education for helping our Journal put this together.

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I would like to thank the IPLJ Editorial Board and Staff, many of whom are here. We are a group of over a hundred Fordham Law students dedicated to bringing out four excellent books a year with cutting-edge intellectual property scholarship. You can find out more about us at <http://iplj.net>.

Each year our summer book presents the Symposium. We will start working on this year's in a few weeks, where many of the panelists you will see today begin to shape their transcripts into articles on the forefront of patent, trademark, and copyright law. We have last year's summer book outside in the Atrium, if you would like to see how we do it.

While you are out there, I encourage you to talk with anyone on the Journal and come downstairs to our office to take a look at what we are up to. Just take the elevator down to the garden level and turn right, where we have staffers with all kinds of interesting backgrounds, recent issues of our Journal, and of course free candy in the pumpkin.

We are very proud of our publication, and we hope that some of you in this room will consider us for the next piece that you decide to publish.

Of all the folks on the Journal, I would like to single out Steve Zhang, who is in the back there, the IPLJ's Symposium Editor, for really putting an outstanding program together with Professor Hansen. Our Journal is very proud to organize this important Symposium every year, and Steve is the reason we have such a great lineup and turnout today. So thank you very much, Steve.

To introduce our program and to welcome us, we are graced by Dean Moynihan. I want to thank her for her participation and support so that we can put on a great Symposium every year. Thank you.

Dean Moynihan.

DEAN MOYNIHAN: Good morning, ladies and gentlemen. Hello all and welcome. I welcome you on behalf of Dean William Treanor, who will be around a little bit later to say hello but simply could not make it this morning.

And also, were he here, I know he would want to point out that he is really proud of the fact that, with our wonderful faculty here at Fordham, that Fordham is really at the cutting edge of intellectual property law. He sees the program as a gem at the School, and it receives his full support.

If he were, again, here, he would—and I would too—like to thank Professor Hansen for his work on the conference. I know that Sonia Katyal will be participating a little bit later, as will Susan Scafidi, who is visiting with us this year. Thanks to our faculty for your participation and welcome to the members to the panel.

I just want to underline one little message, which is that the Intellectual Property Law Journal here is—and I am going to use the word “gem” for a second time—it is a gem of a journal. I would just ask you, if you are considering writing an article or submitting an article anywhere, please think of the Journal. It is widely read and widely recognized.

With no more ado, other than to thank Britton for the work that he has done as Editor-in-Chief; Gregory Maskel for his work, which has just been fabulous; and finally, again, I will add, Steven, you have just done incredible work. And the Dean sends his regards and thanks.

With that, I think it is going to be an amazing program. Let me turn it back to Britton so he can move you along. Welcome.

MR. PAYNE: Thank you, Dean Moynihan.

I would like to introduce the moderator for our first panel. Our panelists will discuss the nonobviousness requirement for obtaining a patent at issue in the Supreme Court case *KSR v. Teleflex*<sup>1</sup> set to be decided this term, and implications to the market and patent holders.

Our moderator today will be Mr. John Richards. Mr. Richards is a partner at Ladas & Parry and an Adjunct Professor here at Fordham, where he teaches U.S. and international patent law. Mr. Richards joined Ladas & Parry in 1973 and became partner in

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<sup>1</sup> *Teleflex, Inc. v. KSR Int'l Co.*, 119 Fed. Appx. 282 (Fed. Cir. 2005), cert. granted, 126 S. Ct. 2965 (June 26, 2006) (No. 04-1350). As this publication went to press, the Supreme Court handed down its decision. *Teleflex, Inc. v. KSR Int'l Co.*, 2007 WL 1237837 (U.S. Apr. 30, 2007).

1982. He is the General Editor of *The Legal Aspects of Introducing Products to the United States* and co-author of *Intellectual Property and the Internal Market of the European Community*.

Please join me in welcoming Professor Richards.

PROFESSOR RICHARDS: Thank you.

The topic which we have this morning is the third limb of what is required for patentability. Something has to be new, it has to be useful, and that has been in the statute here since 1790.<sup>2</sup> And now it also has not to be obvious.

The idea that something should require something beyond the original 1790 requirements evolved during the 19th century and was articulated very clearly by the Supreme Court in *Hotchkiss v. Greenwood*<sup>3</sup> in the 1850s, but it did not find its way into the patent statute until 1952.<sup>4</sup> We have some philosophical issues as to what the purpose of this requirement is.

I am going to give a paper in a second, which is an international comparative view.

We have over the course of history perhaps two different ways of approaching what the purpose of this additional requirement is. One is to say that a patent should not take from the public something which it would naturally want to do developed from what is already in the prior art. The other is a much more subjective approach, which is that you should not get a patent unless you've got something truly extraordinary; you've got to have some additional level of inventivity and creativity in order to justify the right to give somebody an exclusive right to use an invention for the period of term, which is now provided at twenty years from the filing day,<sup>5</sup> traditionally seventeen years from grant in the United States.<sup>6</sup> So we've got these two aspects of the reason for the requirement that, in addition to something being new and useful, it must also not be obvious.

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<sup>2</sup> Patent Act of 1790, ch. 7, 1 Stat. 109-112 (Apr. 10, 1790).

<sup>3</sup> 52 U.S. 248 (1851).

<sup>4</sup> Patent Act of 1952, Pub. L. No. 593, 66 Stat. 792, 798 (1952).

<sup>5</sup> 35 U.S.C. § 154(a)(2) (2000).

<sup>6</sup> *Id.* § 154(c)(1)

The Supreme Court in the 1940s said that you needed to have this inventive creativity genius, the “flash of creative genius” test.<sup>7</sup> This was modified in 1952 by the statute, which for the first time added the requirement for nonobviousness into the statute and said that it does not matter how the invention is made; you need an objective standard.<sup>8</sup>

The Supreme Court has addressed the issue on a number of occasions, and the gentleman to my left will deal with those Supreme Court decisions. Some Supreme Court decisions back in the 1970s set a fairly high standard for nonobviousness.

The Federal Circuit has adopted its own test. The Federal Circuit Court of Appeals takes all patent cases at the appellate level in the United States. The Federal Circuit Court of Appeals has adopted the so-called “motivation test,” which says that something is obvious if the prior art motivates you to do it.

There have been criticisms, particularly from what I call the new computer industries, the new patent industries, the IT area, which have come relatively recently into the patent system, that this standard is too low and that it is allowing patents to be granted in situations where it is not in the public interest for these patents to be granted.

This has led to the case now going up again to the Supreme Court in the *KSR* case. We have on the panel here Jay Thomas, who has written a brief on behalf of law professors on this issue,<sup>9</sup> we’ve got Herb Schwartz with Ropes & Gray, who has studied these briefs in some detail; and Steve Lee from Kenyon & Kenyon, who is very active in this area, to give us their presentations on these issues.

That is about all I want to say by way of opening.

My own paper this morning is to try to put this into an international context and see whether we can learn anything—and

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<sup>7</sup> *Cuno Eng’g Corp. v. Automatic Devices Corp.*, 314 U.S. 84, 91 (1941).

<sup>8</sup> Patent Act of 1952, Pub. L. No. 593, § 103, 66 Stat. 792, 798 (1952).

<sup>9</sup> Brief of Intellectual Property Law Professors as Amici Curiae in Support of Petitioner, *KSR Int’l Co. v. Teleflex Inc.*, No. 04-1350 (U.S. Aug. 22, 2006), available at [http://www.scotusblog.com/movabletype/archives/14\\_IP\\_profs.pdf](http://www.scotusblog.com/movabletype/archives/14_IP_profs.pdf) [hereinafter Law Professors’ Brief].

I am not sure we can learn anything—from what other countries have done on this topic.

As I said in opening, the U.S. Supreme Court in *Hotchkiss v. Greenwood* said, “unless more ingenuity and skill [is applied to the new invention] . . . than were possessed by an ordinary mechanic acquainted with the business, there was an absence of that degree of skill and ingenuity which constitute essential elements of every invention.”<sup>10</sup> That Supreme Court case referred back to an English case,<sup>11</sup> *Losh v. Hague* in the 1830s, where it was said that “you cannot have a patent for applying a well known thing which might be applied to 50,000 different purposes, for applying it to an operation which is exactly analogous to what was done before.”<sup>12</sup> So acknowledging back even in the 1830s that the practice had been to impose something extra beyond novelty and usefulness both in England and in the United States.

The word “obvious” comes from the Latin *ob via*, meaning “in the road.” This was pointed out comparatively recently in an English case, a Philips application, where the court basically said that one of the tests which it was going to apply for obviousness in England was whether what was now being claimed in the patent was something which “lay in the road” of those who were developing the art.<sup>13</sup>

The word “obviousness,” though, appearing in the first English decisions to deal with this were not until the 1880s and 1890s. Up to that point, the courts had basically said that “we are not going to grant a patent if it lacks inventive subject matter.” So in the very odd cases you see this reference to subject matter or lack of subject matter as being the test.

But in *Thomson v. American Braided Wire*, the House of Lords said: “[T]he mode in which the tube of braided wire is made available as a bustle”—this was basically taking wire and screwing it up and making a bustle for ladies’ skirts—“by the use of clamps

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<sup>10</sup> 52 U.S. 248, 267 (1851).

<sup>11</sup> *Id.* at 261.

<sup>12</sup> 1 Webster’s Pat. Cas. 202, 208 (1838), available at [http://books.google.com/books?vid=0VUqoE\\_IYtwIZzw&id=M3QDAAAQAAJ](http://books.google.com/books?vid=0VUqoE_IYtwIZzw&id=M3QDAAAQAAJ).

<sup>13</sup> Philips (Bogsra’s) Application, [1974] R.P.C. 241, 251 (Pat. Appeal Trib. 1970) (U.K.).

applied and fixed in the manner described, appears . . . to be simple and efficient, and not so obvious as to occur to everyone contemplating the use of braided wire for the purpose of a bustle.”<sup>14</sup> So here, for the first time in English case law, we have the word “obvious” appearing.

The question is whether it is something which is obvious to everyone contemplating the use of braided wire for the purposes of a bustle. That was a fairly narrow exception they are making there. They are saying that making use of wire for a bustle, obvious maybe; but you’ve got to look to see who it is that is doing it and what standard you are going to apply to move from what everyone might want to do to something special, which is subject matter of patentability.

That sort of developed through until, in 1932, the English statute put in a specific requirement that something should not be obvious and should have “an inventive step having regard to what was known or used prior to the date of the patent” in order to be patentable.<sup>15</sup>

In Germany, the Imperial Patent Act of 1877,<sup>16</sup> which was the first German patent statute, again basically used a new and useful definition of what was patentable. But the Germans added in two additional requirements in their case law. In Germany, even though they are a civil law country, case law is still important. They added in a requirement for “inventivity,” and they also required that there be “a technical advance in the art” in order for something to be patentable.<sup>17</sup> So we had a double requirement there.

In France, we did not get the situation of having a requirement for something not to be obvious put into the statute until 1968,<sup>18</sup> very recently. But the test there was if it was “a trivial

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<sup>14</sup> Thomson v. American Braided Wire, [1889] 6 R.P.C. 518, 528 (H.L.) (U.K.).

<sup>15</sup> Patents and Designs Act, 1932, 22 & 23 Geo. 5, c. 32 (Eng.).

<sup>16</sup> Patentgesetz [Patent Act], May 25, 1877, RGBI. I at 501 (F.R.G.).

<sup>17</sup> See F.K. Beier, *The Inventive Step in its Historical Development*, 17 INT’L REV. INDUS. PROP. & COPYRIGHT L. 301, 317 (1986).

<sup>18</sup> Law No. 68-1 of Jan. 2, 1968, Journal Officiel de la République Française [J.O.] [Official Gazette of France], Jan. 3, 1968, p. 13, translated in 67 PAT. & TRADE MARK REV. 100, 100-09, 128-36 (1969).



modification of the prior art”—whatever “trivial” means—the French courts would typically say that this was not new. They basically expanded the definition of something being new to cover trivial modifications of the prior art.

The Japanese statute provides that something should not be patentable if it is easily made by those skilled in the art.<sup>19</sup>

So that is the sort of general background.

Now, what sort of tests are being applied around the world in order to determine whether something is or is not obvious?

The European Patent Office is a good place to start. I think a lot of people know that in all the literature we talk about a “problem and solution” approach to obviousness in the European Patent Office. This comes to some extent out of German thinking. I have spoken to various people over the years, and, reading the case law, I think that is probably a misnomer as to what really is being required. I think what we have is a “task and accomplishment” test rather than a “problem and solution” test.

What the case law of the European Patent Office says is that you have to be objective in determining the obviousness or inventive step required,<sup>20</sup> and that in order to do this, to quote from the COMVIK case<sup>21</sup>—I did put it in a paper, but I do not think it made it into yours—“For the purpose of the problem-and-solution approach, the problem must be a technical problem, it must actually be solved by the solution claimed, all the features of the claim should contribute to the solution, and the problem must be one that the skilled person in the particular technical field might be asked to solve at the priority date. . . . If no technical problem can be derived from the application, then an invention within the meaning of Article 52 EPC does not exist.”<sup>22</sup>

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<sup>19</sup> See Patent Act, Act No. 121 of 1959, art. 29(2), translated in <http://www.cas.go.jp/jp/seisaku/hourei/data/PA.pdf>.

<sup>20</sup> See Case T 0024/81, BASF, 1983 O.J. E.P.O. 133 (Technical Bd. of Appeal 1982), available at <http://legal.european-patent-office.org/dg3/biblio/t810024ep1.htm>.

<sup>21</sup> Case T 0641/00, COMVIK GSM AB v. DeTeMobile Deutsche Telekom MobileNet GmbH (Technical Bd. of Appeal Sep. 26, 2002), available at <http://legal.european-patent-office.org/dg3/pdf/t000641ep1.pdf>.

<sup>22</sup> *Id.* para. 5.

Then, in assessing whether this invention exists, you look first to see what is the closest piece of prior art; then you look to see what is the gap between that closest piece of prior art and the claimed invention; and then you look to see whether there is a technical problem there; and, if there is a technical problem, whether other prior art, the closest piece of prior art, will enable you to bridge that gap easily.<sup>23</sup>

It is an artificial test, because you have to determine what is the closest piece of prior art, which is not the ideal way of dealing with the situation. The closest piece of prior art is defined by the case law as being something which is the closest thing to try to solve the same problem.<sup>24</sup>

So you can find situations in the European Patent Office where what is regarded as being the closest piece of prior art for purposes of determining novelty is not regarded as being the closest piece of prior art for determining inventive step or nonobviousness, which in itself can be somewhat confusing at times.

The case law does deal, as is required here, with who is the person skilled in the art. Now, it is a common theme, I think, now throughout pretty well all jurisdictions that this person skilled in the art is a totally hypothetical person and could in the appropriate circumstances be a melding of more than one person. It can be regarded as being a team of people putting stuff together to achieve the desired degree of knowledge. Again, the test is that this person should be skilled in the art but not inventive.<sup>25</sup> So basically it is the ordinary, run-of-the-mill worker or team or workers in the particular field.

The case law in the European Patent Office addresses one of the tests which is commonly looked at throughout the world as to

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<sup>23</sup> See Case T 0159/95, Sumitomo Chem. Co., Ltd. v. Bayer AG (Technical Bd. of Appeal Apr. 19, 2000), available at <http://legal.european-patent-office.org/dg3/pdf/t950159eu1.pdf>.

<sup>24</sup> See Case T 1203/97, Recup Svenska AB v. Recotech Heatex AB (Technical Bd. of Appeal May 9, 2000), available at <http://legal.european-patent-office.org/dg3/pdf/t971203eu1.pdf>.

<sup>25</sup> See Case T 0039/93, SNF Floerger v. Allied Colloids Ltd., [1993] O.J. E.P.O. 134 (Technical Bd. of Appeal 1996), available at <http://legal.european-patent-office.org/dg3/pdf/t930039ex1.pdf>.

whether it is appropriate to say something is obvious just because somebody could have produced the required invention. The case law says: No, that is not the test; there has got to be something which would show that the skilled person would based on the prior art have produced the claimed invention—the “could, would, and sometimes should” inquiry.<sup>26</sup>

The European Patent Office accepts that if you have unexpected results from carrying out your invention, then these unexpected results are themselves indicative of it not being obvious, that there is an inventive step involved.<sup>27</sup> The European Patent Office has specifically taken the same view as the Federal Circuit has taken here on the question of whether something can be regarded as being obvious, and therefore not patentable, simply because it was obvious to try it. The case law in the European Patent Office says that something is not patentable simply because it is obvious to try, unless the person who is doing that trying has a reasonable expectation of success in carrying out that testing.<sup>28</sup>

Helpful factors which the case law added are there is a prejudice against doing what was claimed, there has been a long-felt need for the invention, that there has been commercial success, evidence that the invention was regarded as being a technical breakthrough, and that as a practical matter the invention leads to simplification—and so-called “objective factors” developed in this country following one of the Supreme Court cases which I mentioned earlier, the case of *Graham v. Deere*, where the Supreme Court said: first of all, you do an analysis to see whether the thing is prima facie obvious; and then you can look at what

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<sup>26</sup> Case T 0253/85, AKZO/Dry jet-wet spinning, [1987] 4 E.P.O.R. 198 (Technical Bd. of Appeal 1987), available at <http://legal.european-patent-office.org/dg3/biblio/t850253eu1.htm>.

<sup>27</sup> See Case T 0223/84, Extraction of Uranium/Albright & Wilson, [1986] E.P.O.R. 66, 73 (Technical Bd. of Appeal 1985); Case T 0002/83, Simethicone Tablet/Rider, [1984] O.J. E.P.O. 265 (Technical Bd. of Appeal 1984), available at <http://legal.european-patent-office.org/dg3/biblio/t830002ep1.htm>; cf. Case T 0021/81, Electromagnetically Operated Switch/Allen-Bradley, [1983] O.J. E.P.O. 265 (Technical Bd. of Appeal 1982), available at <http://legal.european-patent-office.org/dg3/biblio/t810021ex1.htm>.

<sup>28</sup> Case T 0253/85, AKZO/Dry jet-wet spinning, [1987] 4 E.P.O.R. 198 (Technical Bd. of Appeal 1987), available at <http://legal.european-patent-office.org/dg3/biblio/t850253eu1.htm>.

they called the “secondary considerations”—the Federal Circuit now calls them “objective factors”—to see what the real world thought of the invention.<sup>29</sup> A similar approach in the European Patent Office.<sup>30</sup>

So the big difference in the European Patent Office is this problem or task and solution or achievement or accomplishment test.

In England, the patent law has been harmonized with the European Patent Convention. The statutory language dealing with obviousness in England<sup>31</sup> is the same as the European Patent Convention.<sup>32</sup> That has not deterred the English courts from taking a rather different approach.

The leading case is a case called *Windsurfing International v. Tabur Marine*, where the Court of Appeal—and this has been followed generally—said there are four steps to be taken: first, to identify the inventive concept; secondly, “to assume the mantle of the normally skilled but unimaginative addressee” and to impute to him “the common general knowledge of the art”; then, to identify the differences between that and the invention; and finally, to ask whether it is obvious or not.<sup>33</sup>

So here, rather than looking to see what is the closest piece of prior art, as is required by the European Patent Office, in its assessment of inventiveness the British courts look to see whether something is part of the common general knowledge. So you’ve got one particular piece of prior art, which you cite as your primary reference, and then you look to see whether the common general knowledge covers the gap between that and what is being claimed; and, if it does not, then probably the case will be held not to be obvious.

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<sup>29</sup> 383 U.S. 1, 17–18 (1966).

<sup>30</sup> See Case T 0106/84, *Packing Maching/Michaelsen*, [1985] O.J. E.P.O. 132 (Technical Bd. of Appeal 1985), available at <http://legal.european-patent-office.org/dg3/biblio/t840106ep1.htm>.

<sup>31</sup> Patents Act, 1977, c. 37, § 3 (Eng.).

<sup>32</sup> Convention on the Grant of European Patents (European Patent Convention—EPC), art. 56, Oct. 5, 1973, 1065 U.N.T.S. 199.

<sup>33</sup> *Windsurfing Int’l Inc. v. Tabur Marine (Great Britain) Ltd.*, [1985] R.P.C. 59, 73–74 (C.A. (Civ.) 1984).

However, the English courts have also adopted a somewhat different view on whether something is obvious to try makes it unpatentable. So there is case law in England which says that if, having looked at the common general knowledge, one skilled in the art would think that the expedient in question was worth a try, then that makes it obvious.<sup>34</sup>

The German approach focuses very heavily on the technical content of what is being claimed, and still in reality harks back to something which has been taken out of the German statute—since the German statute, like the English statute, now reads exactly the same as the European Patent Convention requires—to that old German requirement of “a step forward in the art.”<sup>35</sup> So in Germany the evidence of unexpected results or superiority is still regarded as being a significant feature in terms of whether something is regarded as being obvious or not.

When Japan adopted its patent statute, it was modeled on the German statute. They never put into the Japanese statute a specific requirement for technical advance, but nevertheless there is the concept of *koko* [phonetic] in the Japanese assessment. Even today, it is much easier to persuade a Japanese examiner that something is patentable if you can show an advantage. Don't get too much into this question of motivation, which is the test in the United States; don't get too much into a “problem and solution” approach. The test is: could one skilled in the art easily have made it; and then, in applying that test, look to the experimental results that you can produce, the advantages that you can set out; and, if you've got good advantages over the prior art, then that goes an enormous way in practice to establishing patentability.<sup>36</sup>

So we have a number of different tests which are being applied around the world, in some cases different tests being applied based on exactly the same statutory language. I am not sure what this

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<sup>34</sup> *Hallen v. Brabantia*, [1991] R.P.C. 195, 213 (C.A. (Civ.) 1990).

<sup>35</sup> West German Patent Act (Patentgesetz), Dec. 16, 1980, BGBl. I, at 1, §§ 1(1), 4, available at [http://www.wipo.int/clea/docs\\_new/en/de/de081en.html#](http://www.wipo.int/clea/docs_new/en/de/de081en.html#) (with 1998 amendments).

<sup>36</sup> Examination Guidelines for Patent & Utility Model, Japanese Patent Office, Part II, Ch. 2, § 2.4, available at [http://www.jpo.go.jp/tetuzuki\\_e/t\\_tokkyo\\_e/Guidelines/PartII-2.pdf](http://www.jpo.go.jp/tetuzuki_e/t_tokkyo_e/Guidelines/PartII-2.pdf).

really does to help us come to a conclusion as to what the law ought to be, because all of them have advantages under some circumstances and disadvantages under others. The only thing which is common to all of them is that they are essentially objective standards and that they focus much more on what the usefulness of the invention is to the public and whether the public would naturally have been led to those inventions than they do to the question of whether there has been some sort of extraordinary mental leap of ingenuity in coming up with the invention.

So that is my paper.

The next speaker is Herb Schwartz of Ropes & Gray, probably today the senior patent litigator in the City in terms of experience and wisdom. I am sure he is got some very interesting insights on what is going on in *KSR*, the case which is actually before the Supreme Court. Herb.

MR. SCHWARTZ: I guess I am senior because I am probably the oldest at the moment.

MR. RICHARDS: That is not what I meant.

MR. SCHWARTZ: Probably the last of a dying breed.

In any event, it was more than fifty years ago that the Congress—and really Judge Giles Rich essentially, who drafted it—came up with the language that people are struggling over in the 1952 Act.<sup>37</sup> It is worth having in mind exactly what those words are.

They say, in particular, that something cannot be patented 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 to which said subject matter pertains.”<sup>38</sup> Pretty simple paragraph really, pretty simple words. Although the claim has been made that it was really codifying prior law, certainly that construct, I think, was new in the exact way it was written.

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<sup>37</sup> Patent Act of 1952, Pub. L. No. 593, 66 Stat. 792 (1952).

<sup>38</sup> 35 U.S.C. § 103 (2000).

Various lower courts struggled with it. Then, in 1966, the Supreme Court explained in *Graham v. Deere*<sup>39</sup> how you go about applying that test. That really was fairly straightforward. Namely, in *Graham* the Supreme Court basically said that, under § 103, you have to look at the scope and content of the prior art, you have to determine the differences, you have to determine the level of ordinary skill in the art, and then against that background obviousness or nonobviousness of the subject matter is to be determined.<sup>40</sup> Then, the Court talks about what it called “secondary” considerations that could also be considered.<sup>41</sup>

So there we have basically, as far as I am concerned, the statutory groundwork and the Supreme Court interpretation of how it is supposed to be done.

After *Graham*, there were a couple of other Supreme Court cases, which different people say do different things, which are the *Sakraida*<sup>42</sup> and the *Anderson's-Black Rock*<sup>43</sup> cases. In my view, I do not think they changed the basic *Graham* construct. I think the *Graham* construct is what it is, and I do not think that those cases put a requirement of synergism in the law. There is a lot of argument in various amici briefs as to what they do, but my view is that it does not change very much.

Then you come along to 1982 and you have the Federal Circuit writing its own view. The Federal Circuit, after having looked at the statute, after having looked at *Graham*, then came up with its own gloss on that test. The Federal Circuit's gloss—it is probably worthwhile stating exactly what they said—is that you needed to look at whether or not there is “some teaching, suggestion or motivation to combine the references,”<sup>44</sup> and in looking at that you have to consider the “knowledge of those skilled in the art.”<sup>45</sup> To me that is really the key to it. The key to it is: What do you have to learn about from the knowledge of the person ordinarily skilled

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<sup>39</sup> *Graham v. John Deere Co.*, 383 U.S. 1 (1966).

<sup>40</sup> *Id.* at 13–15.

<sup>41</sup> *Id.* at 17.

<sup>42</sup> *Sakraida v. Ag Pro, Inc.*, 425 U.S. 273 (1976).

<sup>43</sup> *Anderson's-Black Rock, Inc. v. Pavement Salvage Co.*, 396 U.S. 57 (1969).

<sup>44</sup> *In re Rouffet*, 149 F.3d 1350, 1355 (Fed. Cir. 1998).

<sup>45</sup> *Pro-Mold v. Great Lakes Plastics*, 75 F.3d 1568, 1573 (Fed. Cir. 1996).

in the art in terms of determining whether something is nonobvious?

The reason that the Federal Circuit said it did what it did was to avoid hindsight; namely, to avoid the notion that after the fact if you have A and you have B and someone looks at the combination C, anybody can say that would have been easy to do. Therefore, to avoid hindsight, what you want to do is see if you can get a full exposition of what the person of ordinary skill in the art knew and as to whether or not that hypothetical person—I agree with John it is a hypothetical person—would have had either some motivation, some teaching, or suggestion, to combine the references in the way that the inventor combined. To me that is the basic Federal Circuit concept.

That rocked along for many years. What happened, interestingly enough, is now that the Supreme Court has decided to get involved in patent matters, as we have seen in the last three years, suddenly, after turning down maybe—I don't know; John would probably know more than I—probably a hundred cert. petitions directed to this, all of a sudden in 2005 and 2006 we now find this *KSR* case up to the Court. To discuss “why now?”—I am not going to do that because I do not know why now—but, interestingly enough, that is what happened.

This produced a flurry of paper. You have before the day is done something like thirty or forty amicus briefs on both sides of the question, piled high, arguing all sorts of things. The question to me is: What does it all mean and what are people really saying? I would like to just give a few thoughts on what I think people are saying.

If you go through the briefs, in my view, you find attempts to reformulate a test. I think they are all very lacking. To me, you first go to the petition in *KSR*.<sup>46</sup> When all is said and done, they say the law ought to be changed, that you have to have the capability “of adapting extant technology to achieve a desired result.”<sup>47</sup> In other words, what they are looking to do is to make a

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<sup>46</sup> Brief for Petitioner, *KSR Int'l Co. v. Teleflex, Inc.*, No. 04-1350 (U.S. Aug. 22, 2006), available at [http://www.patentlyo.com/patent/8\\_2D22\\_2D06KSRMeritsBrief.pdf](http://www.patentlyo.com/patent/8_2D22_2D06KSRMeritsBrief.pdf).

<sup>47</sup> *Id.* at 16.



much tougher and higher standard; namely, it is a test that you actually have to be capable of adapting it before you can get a patent. To me, that is fairly far out, and that is ultimately what the petitioner is saying. To me, it is not a very workable nor a sensible standard. And, more importantly, it does not come out of the statute; it just comes out of the imagination of the attorneys.

Then you get the Solicitor General weighing in, who thinks he will have an even tougher theory. He comes up with the notion of there needs to be an “extraordinary level of innovation” before you get a patent.<sup>48</sup> This is really an attempt to one-up Justice Douglas, who had “flash of creative genius.”<sup>49</sup> The Solicitor says, “Now we will go beyond that; we will look for extraordinary level of innovation.”<sup>50</sup> I think that is a little bit even further out than where the petitioner is.

The only tempering thought, ultimately, in the briefs—I discount most of the interested parties, like companies and patent bar associations—is there are two sets of law professors, one set on each side of it, which I think is very interesting. You have the law professors on the side of—

MR. THOMAS: On the side of good.

MR. SCHWARTZ: That is the Jay Thomas side.

The law professors on the side of KSR say, and I quote, that what they want is a test of the “difference between the new thing and what was known before not considered sufficiently great to warrant a patent.”<sup>51</sup> This to me is somewhat of an attempt to cut a middle ground between Justice Douglas and what the statute says, and I think it ought to get rejected for the same reason as the first two. It is not what the statute says and it is not what the test is. I am sorry, John, but that is where your group of law professors is.

Then you have IBM, who decides that they are going to put in a petition in support of neither side. They come up with what they

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<sup>48</sup> Brief for the United States as Amicus Curiae Supporting Petitioner at 10, *KSR Int'l Co. v. Teleflex, Inc.*, No. 04-1350 (U.S. Aug. 22, 2006), available at <http://www.patentlyo.com/patent/SG.pdf> [hereinafter Solicitor General's Brief].

<sup>49</sup> *Cuno Eng'g Corp. v. Automatic Devices Corp.*, 314 U.S. 84, 91 (1941).

<sup>50</sup> Solicitor General's Brief, *supra* note 48, at 10.

<sup>51</sup> Law Professors' Brief, *supra* note 9, at 27.

call a rebuttable presumption of “teaching, suggestion, or motivation.”<sup>52</sup> Again, this is sort of very imaginative. To me, there is absolutely no basis whatsoever for it in the statute and I do not think that the Court is going to pay much attention to it. Again, it is an attempt really to undercut patentability and to undercut § 103.

Then you come down to: Well, what is going to support where the law is now, if anything? I will just really talk briefly about only two things.

First, what does the respondent say, which is the person who is trying to support it? His position is that teaching, suggestion, and what have you, it is fully consistent with the statute and with the three prior cases. He does not really tell you a lot about why that is so, but that is what he would like you to believe.

There is a law professors’ brief which I think is a little more interesting and helpful.<sup>53</sup> This is a different group of law professors, although one professor, Mark Lemley, who is a really smart guy, has been on both sides, first the petitioner and now the respondent, so he cannot lose. I guess he was in the petition originally in support of it, then he changed sides, and now he is in the law professors’ brief in support of the patent.

What they say ultimately is that the TSM test “introduces at least some predictability into the nonobviousness inquiry.”<sup>54</sup> Their point, which is to me an interesting point, is that it is not the be-all and end-all, but it does give you some help in trying to understand nonobviousness beyond what the traditional Graham factors provide.

The other thing they say on top of that is if you look at the results of litigation in the Federal Circuit, it is relatively even in the amount of reversals. Now, I do not make anything of that, frankly.

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<sup>52</sup> Brief for International Business Machines Corp. as Amicus Curiae in Support of Neither Party at 6, *KSR Int’l Co. v. Teleflex, Inc.*, No. 04-1350 (U.S. Aug. 21, 2006), available at <http://www.patentlyo.com/patent/IBM.pdf> [hereinafter IBM Brief].

<sup>53</sup> Brief of Business and Law Professors as Amici Curiae in Support of the Respondents, *KSR Int’l Co. v. Teleflex, Inc.*, No. 04-1350 (U.S. Oct. 16, 2006), available at [http://www.patentlyo.com/patent/204111\\_A\\_20M\\_20brief.pdf](http://www.patentlyo.com/patent/204111_A_20M_20brief.pdf) [hereinafter Law & Business Professors’ Brief].

<sup>54</sup> Law & Business Professors’ Brief, *supra* note 53, at 27.

I do not know how you can say that if the Federal Circuit has been reversing things 40 percent of the time and they have not changed over the last twenty years, that somehow tells you that the test makes sense. But in any event, that is what the argument is of that part of the law professors' brief. They cite their own articles, which all good law professors do. I do not know if John does that, but that is what they do. That is the law professors' argument.

As I say, I think the statistical one does not do it. The other one I think is more interesting.

Then, after all of that, what will the Court do? I do not know what the Court will do, but I just have one or two thoughts as to what they might do in this sense.

I think probably it is instructive to look at what happened in the most recent case like this, in the case involving injunctive relief.<sup>55</sup> There, after having listened to arguments about as diverse as we have here on obviousness, the Court ultimately came back to the notion that there was a test of a hundred years ago, the test made some sense, the four-part test; the problem was that the Court had not been doing a good enough job in applying it and they ought to go back and apply it properly.<sup>56</sup> I would suggest that we will probably see something like that come out of the Supreme Court this time. We have a statute, we have *Graham*, we have some I would say over-zealous comments by the Federal Circuit.

Now, since the case has been taken on cert., the Federal Circuit has been writing opinions to try to influence the Court to cut back. I think when the day is done the Supreme Court will go back to basics, they will go back to the statute, they will go back to *Graham*, and they will say, "Okay, guys, let's now go back and let's apply this in the way that the statute says and we really meant." Who knows? That is my take on where this will end up.

Thank you.

MR. RICHARDS: Thank you, Herb.

Our next speaker is Steven Lee from another major IP firm in the City, Kenyon & Kenyon. Steve is involved in chemical and

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<sup>55</sup> eBay Inc. v. MercExchange, L.L.C., 126 S. Ct. 1837 (2006).

<sup>56</sup> *Id.* at 1840–41.

pharmaceutical matters for the most part, a traditional patent industry. So, notwithstanding what I said about a lot of the issues coming up from the IT end, I think he's got a somewhat different perspective from the traditional patent industry point of view. Steve.

[See article below in lieu of presentation transcript.]<sup>57</sup>

MR. RICHARDS: Professor Thomas is a full-time academic at Georgetown University. He is a good friend of Fordham. He has been to many of the conferences here. I think we know him well. He has always got something interesting to say.

PROFESSOR THOMAS: Thanks a lot. That was a little ambiguous there at the end, but I do appreciate the intro. It is always a pleasure to be here in the amphitheater that is really a theater—Hugh, you've got to work on that description. I am very pleased to be here with these three panelists. It will be a tough act to follow, but I will do my best.

*KSR* is a big case because it addresses the only significant patentability requirement that exists under U.S. law. I count four fundamental patentability requirements: statutory subject matter,<sup>58</sup> utility,<sup>59</sup> novelty,<sup>60</sup> and nonobviousness.<sup>61</sup> It is plain that in the United States statutory subject matter is as broad as human experience itself. Utility, a very lenient requirement, is also easily met in most areas of technology. Novelty too is also easily satisfied. So what we are really left with is the fundamental gatekeeper to patentability. Should the Supreme Court raise that standard, it will effectively cede a great deal of proprietary subject matter into the public domain. So *KSR* potentially affects every pending patent challenge, every application at the Patent Office, and basically every proceeding everywhere involving patent rights.

Let me begin by building upon what my two predecessor speakers said with respect to the Federal Circuit. Since *certiorari*

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<sup>57</sup> Steven J. Lee & Jeffrey M. Butler, *Teaching, Suggestion and Motivation: KSR v. Teleflex and the Chemical Arts*, 17 *FORDHAM INTELL. PROP. MEDIA & ENT. L.J.* 915 (2007).

<sup>58</sup> 35 U.S.C. § 101 (2006).

<sup>59</sup> *Id.*

<sup>60</sup> *Id.* § 102.

<sup>61</sup> *Id.* § 103.

was granted in *KSR*, the court of appeals has been fighting a rearguard battle. It has issued a number of opinions—*DyStar*<sup>62</sup> plainly the most significant, but not the only one attempting to defend this motivation requirement.

In these opinions the Federal Circuit has stressed the increased flexibility of the motivation requirement; it stated that the motivation requirement forms part of one of the *Graham* factors, the level of ordinary skill in the art,<sup>63</sup> it has said that the motivation requirement flows from the Administrative Procedure Act,<sup>64</sup> and it has opined that the motivation requirement serves congressional goals in enacting § 103 of the Patent Act in the first place.<sup>65</sup> So numerous worthy predecessors have suddenly been identified.

The trouble with these post-hoc rationales is that this increased flexibility which the court now harps upon tends to make the motivation requirement superfluous. One advantage of the motivation requirement is that it makes obviousness determinations easier to carry out. Patent Office examiners need no longer weigh their experience and expertise when evaluating individual inventions. Rather, they simply become bibliographers who piece together references under the assumption that persons of skill in the art are dullards who require essentially a connect-the-dots explanation in order to do anything, even perhaps tie their shoes. So to the extent that the motivation standard becomes more flexible, its primary advantage is lost.

Further, the Court of Appeals has stated that the motivation to combine can come from the nature of the problem to be solved or from the level of skill in the art itself. Those standards seem very nebulous. Finally, to the extent that the motivation requirement simply restates the *Graham* framework, it amounts to an unnecessary verbal flourish that ought to be rejected.

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<sup>62</sup> *Dystar Textilfarben GmbH & Co. Deutschland KG v. C.H. Patrick Co.*, 464 F.3d 1356 (Fed. Cir. 2006).

<sup>63</sup> *Dystar*, 464 F.3d at 1370.

<sup>64</sup> *Alza Corp. v. Mylan Labs., Inc.*, 464 F.3d 1286, 1291 (Fed. Cir. 2006).

<sup>65</sup> *In re Kahn*, 441 F.3d 977, 986 (Fed. Cir. 2006).

What should the Supreme Court do as it weighs the merits of the *KSR* case? I will speak to five policy goals I hope the Court will keep in mind.

First, a heightened level of obviousness does not necessarily evidence an anti-patent bias. Inside the Beltway, most patent practitioners are in the business of procuring patents. In the view of many of these patent solicitors, the more patents, the better.

This view may not appropriately account for the dynamism of innovation. If the patent system has a higher level of obviousness, in theory it will encourage higher levels of innovation. Potential innovators will know they have to achieve a certain degree of inventiveness in order to be eligible to enter the patent game.

Also, consider a somewhat simplified world where inventors may be classified as either primary innovators or follow-on innovators. If the level of obviousness is low, everybody gets a patent. The result is that the primary innovator has to share his success with follow-on innovators who produce marginal improvements upon his product, essentially through cross-licensing of patents. If the level of the obviousness is raised, then only the primary innovator obtains patent-based rewards. Again, through a more stringent obviousness standard, we might promote higher and better levels of innovation.

Second, I hope the Court will articulate obviousness policy better than it did in *Graham v. John Deere*. Recall that in *Graham v. John Deere* the Court said that the goal of the patent system is to figure out the things that “are worth to the public the embarrassment of an exclusive patent,” quoting Jefferson.<sup>66</sup> “Worth” is a mischievous word. There are a lot of things that have worth to society, but are nonetheless not patentable inventions because they are not sufficiently innovative. A “worth”-based policy goal just seems to be wrongheaded.

The *Graham* Court also stated that the patent system should weed out those inventions that would be developed due to ordinary competitive processes, absent a patent system, from those inventions that would be developed only due to the lure of the

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<sup>66</sup> 383 U.S. 1, 9 (1966).

patent system. That seems to be the right policy, but the Court does not go much further in telling us how to achieve that aspiration.

Third, I think we need to think hard about a very difficult question: When do we have obviousness right? What is the appropriate standard of obviousness or nonobviousness; how do we even go about deciding that? There may not be one answer; rather, different answers may be appropriate for distinct industries.

The Court may also wish to recall the two sorts of statistical error, Type I and Type II errors.<sup>67</sup> Of course we wish to craft an obviousness standard that leads to as few errors as possible. But, knowing that some errors are inevitable, what we ought to do is categorize the errors into two sorts. Sometimes we will grant patents improvidently, so patents should not have issued because the claimed invention would have been obvious. Yet we mistakenly allowed the patent anyway; that is one sort of mistake. The other type of error is that the invention should have been patented, but, because we misapplied the obviousness standard, a patent did not issue. Right now I would say we virtually have only the first sort of error in the patent system. There are very few instances where we have the second type; that is to say, we should have issued a patent but we did not get one out. So I think we need to think of a formulation where, to the extent we have errors, they are balanced. This framework, would, I think, provide the best chance of both preserving the public domain but also promoting innovation.

Fourth, the Supreme Court ought to think carefully about whether additional verbal formulations are necessary or even desirable. Is this an area where we need a lot of subtests and further development by the Court? Does the Court need to speak out and further refine *Graham*; or should we just leave the determination to the statutory language and the previously articulated *Graham* factors? Do we need further expressions from on high about how to conduct obviousness determinations? Or is this standard, because of different industry profiles, different paces

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<sup>67</sup> See, e.g., Erik S. Maurer, *An Economic Justification for a Broad Interpretation of Patentable Subject Matter*, 95 NW. U. L. REV. 1057, 1094 (2001).

of innovation, and different technological features, one that is simply incapable of meaningful articulation in some sweeping manner?

Finally, I hope the Court will think more about the person of ordinary skill in the art. Right now the motivation test blunts the expertise of Patent Office examiners because they are not allowed to rely upon it. They simply act like librarians, putting references together and connecting the dots. Looking toward the Federal Circuit opinions, the level of ordinary skill in the art is indeed one of the *Graham* factors.<sup>68</sup> But, in fact, it is not an error for lower courts not to identify the level of ordinary skill in the art. The Federal Circuit will nonetheless affirm district court obviousness decisions, even though that *Graham* finding has not been expressly made.<sup>69</sup>

Even at the Federal Circuit level, the person of ordinary skill in the art typically acts as no more than a bland and nondescript doppelganger for the judge. Federal Circuit opinions not uncommonly identify the level of ordinary skill, as, for example, “a Ph.D. in X field with two years of experience”—and that’s it; there is no further refinement or development of the significance of these facts. This finding is nothing more than a placeholder. Nothing further is said about the person of ordinary skill in the art. I think that is a problem.

Looking back to the case law that issued before the motivation requirement became entrenched, the Federal Circuit had begun a more robust inquiry into exactly who this person of ordinary skill in the art was—what were the tools that she used in the field; what kinds of experiments did she perform; what sorts of problems had she in the recent past traversed; what are the artisanal and craft skills that persons of ordinary skill in the art possess? Early in its history, the Federal Circuit had pursued this manner of inquiry, but it ultimately replaced such review with a very blunt and overly

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<sup>68</sup> 383 U.S. at 16.

<sup>69</sup> See *Custom Accessories, Inc. v. Jeffrey-Allan Indus., Inc.*, 807 F.2d 955, 963 (Fed. Cir. 1986); *Kloster Speedsteel AB v. Crucible Inc.*, 793 F.2d 1565, 1574 (Fed. Cir. 1986); *Litton Indus. Prods., Inc. v. Solid State Sys. Corp.*, 755 F.2d 158, 163 (Fed. Cir. 1985).



lenient test. I should hope that the Supreme Court might encourage us to go back along that path not taken.

Now, what is the Supreme Court going to do in this case? There are a lot of options.

The Court could return to a synergy requirement. I suppose I read *Anderson's-Black Rock*<sup>70</sup> and *Sakraida*<sup>71</sup> a little more generously than Mr. Schwartz. So I could certainly see the Supreme Court returning to a synergy requirement. I hope that is not what happens. Such an outcome would, indeed, work a broad-scale transfer of proprietary rights into the public.

Second, the Court could stipulate that the “teaching, suggestion, motivation” requirement serves the pinnacle of obviousness. But it would no longer serve as a requirement. Certainly, where the prior art lays out in a step-by-step manner how to perform the claimed invention, well of course the invention would have been obvious. But we also need to acknowledge the problem-solving skills that are inherent to a person of ordinary skill. So the “teaching, suggestion, motivation” test might be the start of the inquiry, but it would not be the finish.

Finally—and I think I have to say at this point what I think might well happen—is that the Supreme Court might issue a *Pfaff*-like restatement of the law that does not really accomplish much.<sup>72</sup> You may remember the *Pfaff* case, which involved § 102(b) on-sale bar case. No one really knows why the Court granted certiorari in that case. There was a standard that was working fairly well to figure out when the § 102(b) bar was triggered, and the Court changed the verbal formulation a little bit. But there has not been a huge distinction in outcomes since the Court decided *Pfaff*. I fear to say I think that is what is going to happen here. I can imagine the Court might tinker a little bit with *Graham*, but I am not sure it will significantly advance thinking within our obviousness jurisprudence.

At the end of the day, I believe we can still hold out hope for a worthy successor to *Graham v. John Deere*—an opinion that both

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<sup>70</sup> *Anderson's-Black Rock v. Pavement Co.*, 396 U.S. 57 (1969).

<sup>71</sup> *Sakraida v. Ag Pro Inc.*, 425 U.S. 273 (1976).

<sup>72</sup> *Pfaff v. Wells Elecs. Inc.*, 525 U.S. 55 (1998).

thoughtfully discusses the obviousness requirement and addresses the very apparent problems of the modern patent system.

I will cede almost ninety seconds to the panel. I thank you for listening. Thank you.

MR. RICHARDS: One of the problems we have, of course, is that obviousness is in reality a very nebulous concept. When I was starting out in England a million years ago, there was a thing called the *Cripps* question,<sup>73</sup> which was trotted out by the courts all the time as being the test for obviousness. When you analyze it, it really came down to saying “it’s obvious if it’s obvious.” We have had these problems in dealing with it to this day.

Now, Jay, I think, wants to put the emphasis much more firmly on determining how inventive the skilled person should be in order to apply this. That is, I think, an interesting approach. However, how are you going to determine what the skill level should be in any particular situation?

PROFESSOR THOMAS: So the question I received is, how do we determine the level of ordinary skill in the art? Well, that is what we are doing right now. So I think we’ve got at least experience since the 1960s about how we ought to identify that.

Right now, parties primarily do it by stipulation, because it doesn’t matter. That is the effective result, because it does not contribute to the obviousness analysis in any way. It is simply a placeholder that lets the court move on.

I think what we need to do is look to the level of active practice in the field, look to people who are working on the category of technology that is involved in the case, and consider what that average artisan might be. So it is as simple as that.

MR. LEE: As a practitioner, my experience is that the parties do not stipulate to what the level of ordinary skill is. Then, what they do is, of course, everybody will have their own set of experts. One side will have a medicinal chemist and the other will have a pharmaceutical chemist, and they will fight over what is the person of ordinary skill in the art. The judge will then decide to accept

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<sup>73</sup> See *Sharpe & Dohme Inc. v. Boots Pure Drug Co.*, [1927] 45 R.P.C. 153, 173, 176 (C.A. 1927).

one of these on the basis of which side he or she likes, and then will say that the other expert is really not qualified in this area because he is not even one of ordinary skill in the art. So that is what I am seeing lately, is that the level of ordinary skill in the art is being used, although maybe not in the way that you are talking about.

MR. SCHWARTZ: I will just add one other comment to that. I have difficulty as a trial lawyer as to how to do it the way John would like. In theory it is interesting, but my experience is either the parties stipulate or the experts are diverse, like Steve says. But in no case that I have been in has anybody actually tried to put in as a matter of evidence what a person of ordinary skill knew or didn't know. It is a very difficult thing. With a good judge in a jury trial, you would have a difficult time getting it in, first of all. And, second of all, the court would become very impatient with it. If you wanted to list out fifteen characteristics or things that an expert would know to do it, the other side would try to take those apart. It becomes a very difficult issue in terms of trial.

As a matter of theory I like it, and I agree that I think it ought to be more robust, but I am not quite so sure how it ought to get done.

PROFESSOR THOMAS: Do you like it because it comports with the wording in § 103?<sup>74</sup>

MR. SCHWARTZ: Yes.

PROFESSOR THOMAS: Okay. I think that is another big advantage.

MR. SCHWARTZ: I like it because I think it clearly comes out of § 103.<sup>75</sup> The problem to me is more one of the practicality, of exactly how you use it and develop it in the courtroom.

MR. RICHARDS: It is a matter of what they know or how they think?

MR. SCHWARTZ: It is a matter of if you are going to decide that a chemist has a certain skill-set that would bear on the invention, you've got to have some basis to put it in other than

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<sup>74</sup> 35 U.S.C. § 103 (2000).

<sup>75</sup> *Id.*

pure speculation of “well, do you know how to mix these types of chemicals and do you know how to do that?” “Yup, yup, yup.” It has got to be more robust than that, and then it gets into evidentiary issues. I would not say it is impossible. It is complicated.

MR. RICHARDS: Jay, any thoughts on how you would actually realize this practically?

PROFESSOR THOMAS: Well, I am not so sure it is as bad as it is being portrayed. Again, there certainly are cases where we have talked about the person of ordinary skill in the art. It is a fixture of current law. I just think it is an underdeveloped fixture, because the Federal Circuit shows a more rigorous rule that is ultimately more lenient.

MR. LEE: I was going to say I think that it can be done. I have seen it recently in the guise of the enablement requirement,<sup>76</sup> because you are trying to find out whether something could be made without undue experimentation; and then you go through and try to establish what people did in actuality, what people could have done, and how difficult the experimentation would be. It would seem to me that the level of ordinary skill in the art would be a similar kind of a factual undertaking. If it was called for, if the courts wanted it, I think that the parties could do it.

MR. RICHARDS: But in prosecution of an application?

MR. LEE: Well, you know, the Patent Office does not pay much attention really to the Federal Circuit, or the Supreme Court for that matter. I find that the Patent Office has its own body of precedent. It has its Manual of Patent Examining Procedure.<sup>77</sup> I am not trying to disparage the Patent Office here, but I think that the Patent Office, even less than the Federal Circuit, pays attention to what somebody has characterized as these verbal formulations of what the test is.

PROFESSOR THOMAS: I agree with Mr. Lee on that point, simply because this is an office that is going to hire a thousand examiners a year for the next five years. It has run out of space in

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<sup>76</sup> 35 U.S.C. § 112 (2000).

<sup>77</sup> U.S. Patent and Trademark Office, Manual of Patent Examining Procedure (8th ed., rev. 5 2006).

its marble palace of Carlyle and is going to start detailing its most experienced people to work at home, which means all the new people won't be able to go down the hall and ask someone how to perform examination tasks.<sup>78</sup> So I think we have to have a realistic sense of the trickle-down effect of anything the Supreme Court says to actual day-to-day life in patent prosecution.

But nonetheless, it is not such a bad thing. I mean, plainly, the patents that are litigated tend to be the more important patents, and the patents that are licensed will be subject to determinations in view of the case law. So I agree. I am also a little jaundiced about that distinction. But I still think there is a possibility for good with the *KSR* case.

MR. RICHARDS: Thank you.

Anybody else on the panel want to comment on what anybody else has said before we throw it open to the floor?

MR. LEE: I would just like to say that, whatever the right level of obviousness is in the United States, in some cases we definitely are doing better than the rest of the world. For example, an egregious example, even recognized by the U.K. courts, when they found that the patent on Viagra was obvious, the judges said, it was a remarkable invention, but we are constrained by our body of law to find that this would have been an obvious invention.<sup>79</sup> It certainly did not seem that way to the world. I would say that a system which finds that that patent was obvious is a system which is broken and needs to be fixed. While I think the corresponding patent in the United States has not really been challenged, I think that we would have a better opportunity under our law to find that that patent was not obvious.

MR. RICHARDS: I am certainly not going to try to defend the current application of the standard in the United Kingdom. It is becoming a very anti-patent jurisdiction, as far as I can make out at the moment.

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<sup>78</sup> Press Release, U.S. Patent & Trademark Office, USPTO Launches Telecommuting Program for Patent Examiners (July 2, 2001), *available at* <http://www.uspto.gov/web/offices/com/speeches/01-29.htm>.

<sup>79</sup> See Pfizer Ltd.'s Patent, [2001] F.S.R. 16 (Ch. (Pats. Ct.) 2000) (Eng.).

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Anybody in the audience have any thoughts or questions they want to ask? Say who you are for the Journal.

QUESTION: James Power. I am a patent attorney practicing in the neighborhood here.

I would like to direct this question to Professor Thomas, and anyone else who would like to jump in certainly is invited to do so. It seems from reading your amicus brief that what your group wishes to do is to de-emphasize or take away some of the pragmatic grounds by which the courts test the obviousness standard. In other words, the person of ordinary skill in the art can say, "I think it is obvious," but he then has to present "why do I think it is obvious; what is it that suggests the obviousness?" and then to re-emphasize the person of ordinary skill in the art's opinion.

My question would be: When the person of ordinary skill in the art gets on the stand and testifies "I think this patent is obvious, Judge; may I now step down?" how do you cross-examine him, if you cannot ask him what his reasons or bases are or what led him to that opinion?

PROFESSOR THOMAS: Well, in response to that—it is a great question, but my response is what I think our group of academics is opposed to is the "teaching, suggestion, motivation" requirement. We are not opposed to that being relevant, we are not opposed to that being the epitome of obviousness, but we think that that blunt approach, which boils down to you have to have prior-art journal articles describing each and every step of the claimed invention and how to put them together, simply means that there are too many errors of patents being granted that should not be, because there are other sources of knowledge that will not necessarily be before that tribunal and there are, again, artisanal skills that simply cannot be accounted for.

So certainly, in terms of the finding of fact of ordinary skill, these will be questions that will be left to the trier of facts, as so many other similar style questions are—what is a reasonable person; how does a reasonable person behave? You cannot tell me that in tort cases that you have to have a journal article proving how a reasonable person would behave when she crosses the street.

I think, similarly, the level of proof has been so elevated, it is basically impossible for the Patent Office to reject an application.

As you know, right now the U.S. Patent Office claims a roughly seventy percent grant rate.<sup>80</sup> But, in fact, that is an Enron-style accounting statistic, because what that really counts is the number of final rejections that come out every year. Now, of course, thirty percent of those rejected will be re-filed the next year under the continuation strategy.<sup>81</sup> So the actual corrected grant rate we do not really know, because the Patent Office will not count them, but it is probably on the order of ninety-five percent. In fact, someone did a study of the first one hundred published applications after the 1999 amendments, and something like ninety-two of them had become issued patents, which was a little embarrassing.<sup>82</sup>

It was funny, because during this era I was prosecuting myself, and I thought, “Boy, I am really good at this. What a fine young patent attorney I am.” Then I found out everybody was doing it.

I do think there is a connection there, and I think that by itself, that we are so out of step with our peers, suggests that in fact we are being overly lenient and creating an overly porous Patent Office. I think the obvious requirement has a lot to do with it.

Sorry for that longwinded answer.

MR. LEE: I thought one of the points in your amicus brief was that the solution is not to decide whether patents are valid or invalid at the stage of a district court litigation—it is much too late; it is much too expensive. People need to have more certainty in whether they have a property which is valid and can be enforced. So I do agree. I think we both agree that what really has to be done is to get rid of these bad patents at an early stage.

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<sup>80</sup> See, e.g., Cecil D. Quillen, Jr. & Ogden H. Webster, *Continuing Patent Applications and the U.S. Patent and Trademark Office—Updated*, 15 FED. CIR. B.J. 635 (2006).

<sup>81</sup> *Id.*

<sup>82</sup> Dennis Crouch, *Statistical Interlude: First 100 Published Applications*, PATENTLY-O, Aug. 23, 2006, [http://www.patentlyo.com/patent/2006/08/interesting\\_sid.html](http://www.patentlyo.com/patent/2006/08/interesting_sid.html).

There is in the Patent Reform Act of 2005 and 2006,<sup>83</sup> and probably in a couple months 2007, a provision for oppositions to granted patents, where people can come in and oppose them, having a lower burden of proof—preponderance of the evidence, no presumption of validity.<sup>84</sup> But even under these opposition proceedings, they are limited in certain ways, in terms of time and in terms of the effect on later litigation. But that is one way in which I suppose that we could try to avoid patent litigation in the first place and try to get the patents out valid and earlier.

MR. RICHARDS: Other questions?

QUESTION: John Richardson from New York City.

I was going to get into what you were talking about, Mr. Lee. I just wanted to reinforce what you said. Anybody who knows anything about patent prosecution or has seen people writing applications knows that formal novelty is very often quite easy to achieve. I have seen so many cases where you are talking about adding factors—it could be weight, it could be thickness, it could be purity, all these sort of things. It is very, very easy for a skilled person to do this. So obviousness really carries everything.

If the Patent Office is just looking at patent documents, printed publications, they are not going to get a flavor for the skill in the art. These documents are written by lawyers. So there has got to be some way of dealing with that at the Patent Office level. Otherwise, patent law is simply a wasteland, it is not respectable, it is a laughingstock. I just hope that we do not just get a solution that only applies to litigation at the district court or the CAFC level. It has got to be at the Patent Office.

QUESTION: Mark Felcomy [phonetic].

Professor, you talked before about the need to balance the two types of errors. You talked about granting too many patents, granting too few. My question is: Isn't that balance ultimately a

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<sup>83</sup> Patent Reform Act of 2005, H.R. 2795, 109th Cong. (2005), available at <http://thomas.loc.gov/cgi-bin/query/z?c109:H.R.2795:/>; Patent Reform Act of 2006, S. 3818, 109th Cong. (2006), available at <http://thomas.loc.gov/cgi-bin/query/z?c109:S.3818:/>.

<sup>84</sup> See Patent Reform Act of 2005, H.R. 2795, 109th Cong. § 332 (2005); Patent Reform Act of 2006, S. 3818, 109th Cong. § 316 (2006).



matter of social policy? And might the right answer to that question actually change, not only with geography, but change over time the balance between society's interest in rewarding innovation, on the one hand, versus the benefits of competition in the marketplace, on the other hand? Isn't that a question which is really less a matter of law and more a matter of social policy that perhaps the courts should have the flexibility to address as the needs of the society change over time?

PROFESSOR THOMAS: Yes. Actually, I agree with you. If I misspoke or mis-styled my comments—I just believe that right now our balance is so out of whack that we need to restore it.

Plainly, presumptions and burdens of proof—don't mock the IBM brief that much.<sup>85</sup> The Supreme Court likes presumptions in patent law, and we might have another presumption here.

But, obviously, you have to overcome the burden of proof of validity by clear and convincing evidence. So that is a way of saying, "Well, we would prefer to make an error that this is unpatentable, but we are going to grant the patent. We would prefer to make that error than the other way around."

But right now, again, with a grant rate that is certainly above ninety percent, I think we are well above that standard and into a land of sophistry and fiction. I am not sure I am going to call it the wasteland, but I am getting there. You could talk me into it, John.

I agree with your remarks, but again I hope that we can ratchet down the ability to get a patent at this point.

MR. SCHWARTZ: Yes, I would agree with it too. To me, the most startling thing about all the briefs in *KSR* is they are all on one side or the other.<sup>86</sup> There is really nobody trying to pick a middle ground that is good for the system or society, which is what you are talking about. They are all interest groups one way or the other. Maybe that is the adversary system and what have you, but to me it is startlingly biased both ways, and to me ultimately unhelpful to the Court in that way. So I think that the Court is

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<sup>85</sup> IBM Brief, *supra* note 52.

<sup>86</sup> *See, e.g.*, Solicitor General's Brief, *supra* note 48 (supporting the petitioner, *KSR*); Law & Business Professors' Brief, *supra* note 53 (supporting the respondent, *Teleflex*).

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going to have to pick their own middle ground. I guess that is what I am suggesting.

MR. RICHARDS: And your other thoughts on what that middle ground might be?

MR. SCHWARTZ: I think it is what I said earlier. I think the Court is going to go back to the statute<sup>87</sup> and *Graham*.<sup>88</sup> Possibly leave suggestion as one of the alternatives to think about and consider along the way, but take it back to the basics and let the Court re-develop it according to what they said thirty or forty years ago.

QUESTION: My name is Richard Field.

Although it is interest groups on the briefs, it struck me that it was the IT industry in large part, the Internet industry, that seems to be objecting to the existing test. That seems instructive. They are jumping up in down, in large part saying, "This is not working for us. What is different?"

The panel has not really focused in on the group that is saying "this test doesn't work." Is there something unique to that industry? Is it because the industry has developed within the course of two years? There is no written teaching out there. People are leaping in. Maybe the first guy who applied "business methods in the Internet" was a genius, but the second or the thirtieth guy might not have been. But there is no prior written material. Is there something different about IT and the Internet that would suggest that this test is not working for that group?

MR. SCHWARTZ: The thing that is different is how much more patents are enforceable in this day and age and how much more valuable they are. Forty years ago, it was not a problem because not that many patents got sustained, injunctive relief was not that easily available. Right now, it becomes too much of a burden on industries where there are tons of patents. That is the IT industry.

I agree with Steve, Pharma is very different. Pharma is a few patents and they are crucial to getting the product on the market or

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<sup>87</sup> 35 U.S.C. § 103 (2000).

<sup>88</sup> *Graham v. John Deere Co.*, 383 U.S. 1 (1966).

not. I think the Supreme Court has addressed that already in the injunctive relief case.<sup>89</sup> And the courts are already addressing it and they are changing previous doctrine. Now they are staying injunctions on appeal. There is really a cutting back of the strength of the system, which is really, I think, in response to the IT industry, which says, “We can’t pay \$100 million for every dippy patent that comes along. We need something more sensible.”

MR. LEE: I tried to address this before, and obviously I didn’t. In the IT industry, I think the barrier to drafting and getting a patent application is very low in terms of money, as opposed to in the pharmaceutical industry where you’ve actually probably got to do a decent number of experiments because this is a rather unpredictable art.

So what you wind up having is lots of patents that are owned by people who do not make products, they just license their patents. This does not fit very well into a model of an industry where everybody tends to cross-license each other, for instance in computers or electrical engineering, and I think the Internet as well. So what you wind up having is people having no down-side, asserting their patents with only an up-side. If they get a favorable district court decision, then the chances of a permanent injunction pending appeal are quite high. This can lead to an imbalance in the ability to negotiate a proper license in the area. This is what that industry, I believe, is so afraid of and why they are trying to allow challenges to patents to be easier than they are today.

MR. RICHARDS: So we are back to patent trolls.

MR. LEE: I did not use the word “trolls,” but yes, that is what it is.

MR. RICHARDS: Any other questions or comments from the floor?

QUESTION: My name is Ted Weitz. I am not a patent lawyer, but I have been practicing in the technology industry for many years.

One comment on the last item, which is, I think, another motivation for the IT industry is the fact that those who grew up in the IT industry recognize that, unlike pharmaceuticals where

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<sup>89</sup> eBay, Inc. v. MercExchange, L.L.C., 126 S. Ct. 1837 (2006).

people actually made the tradeoff and understood that their investment in research and development was in part because they would get a monopoly for a period of time and be able to recover the cost, virtually no one in IT thought in those terms as they were developing things, and they have not found patents a proper stimulus to innovation, but rather have found patents almost exclusively an obstacle to innovation. I think that, in part, motivates it.

But I also had a question. The question was on the skill-in-the-art discussion that we had a little earlier. Once upon a time, you could figure out that in horseshoes a farrier was a good person who was of ordinary skill in the art and ask would it be obvious to that individual. That is all well and good. But when you are dealing with more complex areas—if you are talking about nuclear fuel, somebody who is of ordinary skill in the art is probably at least a Ph.D. with some post-doctoral work, because nobody else is in that art really. Is there any learning on what you consider “ordinary” in terms of trying to develop a standard of ordinary skill in the art?

MR. SCHWARTZ: That is really one of my problems, which is why I raised it. You get yourself into a narrow corner and a very high level and the problems of proof of whether that nuclear scientist knew A, B, C, D, E. What you are going to end up with a lot of times is what Steve said, I think. You are going to get experts on either side, depending on what side of the lawsuit they are on, having very stark and different views of what the expert would know or would not know. I do not know how far that really gets you. That is one way.

Then, the other way is people just punt on it and they stipulate that the person of ordinary skill in the art has a Ph.D. in nuclear engineering, and then people go on to something else. So nobody has any idea what that means.

MR. LEE: To be completely accurate, to match the statute to the facts, you would have to replace “a person of ordinary skill in the art” with “a team of ordinary skill in the art,” because so many inventions in the pharmaceutical area, for example, are made by a team of people. No one person has all these skills and abilities. There is no such person, even hypothetically.

MR. RICHARDS: One of the problems is with “ordinary skill in the art,” not “ordinary knowledge in the art.” When does the skill merge into knowledge? That is my big problem on this.

Jay, you raised it.

PROFESSOR THOMAS: I will weigh in again and try to not add to my own misery with your views on the skill-in-the-art approach. As Steve previously said, we have the enablement inquiry<sup>90</sup> and we have claim construction.<sup>91</sup> The person of skill in the art is waiting in the wings. He is there. He is not going away. He has been part of the *Graham* inquiry for a long time. In fact, there is debate.

I am familiar with at least one European Patent Office Technical Board decision in which one of the parties actually proproposed a Nobel Laureate as the person of ordinary skill.<sup>92</sup> Now, the Board actually went with a slightly lower level.

And, confounded, it would be such a difficult task to determine who would be leading a research team, what is the average competence of people who are active in the area. Certainly, in the bar associations we do that all the time—what is the average level of skill of a managing partner at a firm?

It just escapes me to some degree. But I will certainly defer to my senior colleagues. It escapes me that skillful lawyers in high-profile cases, with lots of will and lots of resources, will not be able to frame the discussion in a way that the Court will be able to come up with the level of ordinary skill, as the Supreme Court has instructed us since the 1960s.

MR. RICHARDS: This is not the place to go down the road as to whether we should have expanded patentable subject matter to

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<sup>90</sup> 35 U.S.C. § 112 (2000) (“The specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same. . . .”).

<sup>91</sup> *Phillips v. AWH Corp.*, 415 F.3d 1303, 1313 (Fed. Cir. 2005) (en banc) (Claim construction produces “the meaning the term would have to a person of ordinary skill in the art . . .”).

<sup>92</sup> Case T 0060/89, *Harvard Univ. v. Hoechst*, 1992 O.J. E.P.O. 268 (Technical Bd. of Appeal 1990), available at <http://legal.european-patent-office.org/dg3/biblio/t890060.ep1.htm>.

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include computer software, but obviously that is something of an issue in the background of some of this.

Anybody else have any other questions, comments?

QUESTION: Hugh Hansen, Fordham Law School.

One thing is it seems like the patent community is sort of sealed into itself and almost impervious to criticism from outside, and it has been allowed for a long time basically to exist and just run its own show. The Supreme Court did not grant cert for a case from the Federal Circuit for something like fifteen years. Now the Supreme Court seems to be thinking, "Okay, not you guys, but somehow something is going wrong in a number of things and non-experts have to look at this."

European patent people seem to have a lot of criticism of what is going on in the United States. People within the system, like Dan Ravicher, are going crazy over what is going on. To what extent does it matter to the patent bar and what is going to happen? To what extent, no matter what the Supreme Court does, will the Federal Circuit and the PTO and all just continue in a form of basically doing what they want to do? Or is there sensitivity to non-expert, non-patent people, non-technical people, and what they think?

MR. SCHWARTZ: I think there is. I think the response to the injunctive decision<sup>93</sup> of a year ago is an example of that. The Federal Circuit recently stayed an injunction in the *TiVo* case<sup>94</sup> against competitors that three years ago they would have never been stayed, in my opinion, absolutely would not have happened, and they did it in a very brief opinion.

I think the Federal Circuit is very much aware of what the Supreme Court is doing, and I think it is going to adopt its ways to what comes down in *KSR*. I think it is a good thing that there are others out there looking at it who are not patent people. For people who have had problems with the Federal Circuit, one issue is its parochialism and the fact that it does not have any outside

<sup>93</sup> *eBay Inc. v. MercExchange, L.L.C.*, 126 S. Ct. 1837 (2006).

<sup>94</sup> Public Order at 1, *TiVo, Inc. v. EchoStar Commc'ns Corp.*, No. 2006-1574, (Fed. Cir. Aug. 18, 2006), *available at* [http://www.patentlyo.com/patent/TiVo\\_20Granting\\_20Stay.pdf](http://www.patentlyo.com/patent/TiVo_20Granting_20Stay.pdf).

influences. It is now getting it from the Supreme Court because you do not have coordinate appellate courts like you used to.

PROFESSOR THOMAS: I agree with Mr. Schwartz. I think things can change. Let me say that, even before the Federal Circuit, it was hard to get a patent sustained; but often, when you did, you would have a robust scope of equivalency. You no longer have a robust scope of equivalency at the Federal Circuit.<sup>95</sup> That has changed.

Certainly, the fact that the Federal Circuit is writing a lot of opinions responsive to the amici suggests that it is not blowing this off, it is taking this very seriously. The fact that other federal government agencies, like the FTC<sup>96</sup> and the Solicitor General,<sup>97</sup> are getting interested in the patent system suggests that the entire field is under more scrutiny. So I think it may be slow to change, and I am often frustrated by the slow pace of change myself, but I think there will be change, there has to be change.

MR. SCHWARZ: I think it is inevitable.

MR. LEE: Where the public could get into the picture is in the debate over the Patent Reform Act.<sup>98</sup> Unfortunately, what I see is that everybody who seems interested in this seems to be a special-interest group, somebody that is interested in getting patents. All the people that are involved and have been supporting this issue have been submitting papers and speaking are all part of industries which are heavily involved in patents. There does not seem to be any representative of the public saying, "What are we giving up for these monopolies? What are we getting in exchange for giving

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<sup>95</sup> See John R. Thomas, *Formalism at the Federal Circuit*, 52 AM. U. L. REV. 771 (2003).

<sup>96</sup> FED. TRADE COMM'N, TO PROMOTE INNOVATION: THE PROPER BALANCE OF COMPETITION AND PATENT LAW AND POLICY (Oct. 2003), available at <http://www.ftc.gov/os/2003/10/innovationrpt.pdf>.

<sup>97</sup> Brief for the United States as Amicus Curiae, *KSR Int'l Co. v. Teleflex, Inc.*, No. 04-1350 (U.S. Aug. 22, 2006), available at <http://www.usdoj.gov/osg/briefs/2005/2pet/6invit/2004-1350.pet.ami.inv.pdf>.

<sup>98</sup> Patent Reform Act of 2006, S. 3818, 109th Cong. (2006), available at <http://thomas.loc.gov/cgi-bin/query/z?c109:S.3818/>; Amendment in the Nature of a Substitute to H.R. 2795, 109th Cong. (2006), available at <http://www.ipo.org/AM/Template.cfm?Section=Home&template=/CM/ContentDisplay.cfm&ContentID=3350>.

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these valuable monopolies to the patent industry?" So I am bothered by that, Hugh.

MR. RICHARDS: Any thoughts from anybody in the audience on Professor Hansen's comments?

QUESTION: Greg Maskel of the Fordham IPLJ.

Mr. Lee just mentioned the role of Congress. This panel has discussed the Supreme Court and how it might act as a check on the Federal Circuit's view of obviousness. But what do you think is Congress' role, or does Congress have any interest in wading into this dispute?

PROFESSOR THOMAS: First, I have to apologize. I am going to have to run out after listening to my other colleagues' and my questions. So I want to thank you now.

I work on Capitol Hill one day a week. I go over to the Congressional Research Service and answer queries from members of Congress and their staff about the patent law. I have seen the 1999 Act<sup>99</sup> and now the reform acts.<sup>100</sup> Congress has a very active role at this point. I think they have put a lot of time and effort into learning about the patent system, and I think they do not want to see that effort go to waste. So they are going to pass something. That is what Congress does, it passes laws.

Now, what the shape of that law will be, or whether it will be the omnibus reform that we have seen, that is an open question. I think right now we are still shaking out who the chairman of the House Subcommittee on Courts, the Internet, and Intellectual Property is going to be. That person will have great influence on what happens. So if we get someone who is more in the independent inventor lobby, or someone who is more interested in corporations in her district, then that is going to be what the bill is

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<sup>99</sup> American Inventors Protection Act of 1999, Pub. L. No. 106-113, 113 Stat. 1501A-552 (1999). For more information on the AIPA, see U.S. Patent & Trademark Office, *American Inventor's Protection Act of 1999*, <http://www.uspto.gov/web/offices/dcom/olia/aipa/>.

<sup>100</sup> Patent Reform Act of 2006, S. 3818, 109th Cong. (2006) available at <http://thomas.loc.gov/cgi-bin/query/z?c109:S.3818/>; Amendment in the Nature of a Substitute to H.R. 2795, 109th Cong. (2005), available at <http://www.ipo.org/AM/Template.cfm?Section=Home&template=/CM/ContentDisplay.cfm&ContentID=3350>.



going to look like. So I think you can substantially predict by that one person.

Now, when *eBay*<sup>101</sup> came out, Congress moved away from injunctions. There has not been any talk about nonobviousness. I do not think in the § 103 area,<sup>102</sup> the nonobviousness area, Congress is that interested in legislating. The last time they tried to do it was in response to business methods, when they were going to have a special obviousness standard for business methods and software patents, but that bill when dropped was dead on arrival.<sup>103</sup> I think that Congress actually finds that obviousness is not something that is that conducive for it to legislate upon.

MR. SCHWARTZ: I agree with what Jay said. He is certainly more knowledgeable than I am on what goes on in Congress day to day. I have had my experiences with them over time, also advising them. I think they will do something. I agree that it is going to turn a lot on who the two chairmen are.

MR. LEE: In the current statute, there is a special provision on obviousness for biotech inventions,<sup>104</sup> but in the proposals for the patent reform acts that has actually been dropped. So, if anything, it would seem to me that they are going back to a simpler view of obviousness.

MR. THOMAS: That is a good point.

MR. RICHARDS: Thank you, Jay. We greatly appreciate your being with us this morning.

Has anybody else got any thoughts, comments, or should we break for coffee? There is a motion for coffee. Seeing nobody objecting, the motion passes.

Thank you all for being here. Thank you especially to Steve and to Herb and to Jay, and thank you all for your invaluable contributions.

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<sup>101</sup> *eBay, Inc. v. MercExchange, L.L.C.*, 126 S. Ct. 1837 (2006).

<sup>102</sup> 35 U.S.C. § 103 (2000).

<sup>103</sup> Business Method Patent Improvement Act of 2000, H.R. 5364 IH, 106th Cong. (2000), available at [http://www.techlawjournal.com/cong106/patent/bus\\_method/berman.asp](http://www.techlawjournal.com/cong106/patent/bus_method/berman.asp).

<sup>104</sup> 35 U.S.C. § 103(b) (2000).