

***US Supreme Court Strengthens Non-Obviousness Test for Patentability***

In a long-awaited decision in the patent case *KSR v. Teleflex*, the U.S. Supreme Court refined the standard for determining whether an invention is “obvious” and therefore not patentable.

In a seminal decision *Graham v. John Deere*, 383 U.S. 1, 17-18, 148 USPQ 459, 467 (1966), the Supreme Court laid the foundation for an obviousness analysis under U.S. patent law by establishing a tripartite test. The three factual inquiries are (A) determining the scope and content of the prior art, (B) ascertaining the differences between the prior art and the claims at issue, and (C) resolving the level of ordinary skill in the pertinent art. In close cases, secondary considerations, such as long-felt but unsolved needs, or unsuccessful attempts by others to solve the problem, may be used in resolving obviousness.

To make the obviousness standard more objective, the U.S. Court of Appeals for the Federal Circuit (CAFC) had promulgated an additional test: the finding of obviousness must be supported by some “teaching, suggestion, or motivation that would have led a person of ordinary skill

in the art to combine the relevant prior art teachings in the manner claimed.” (“TSM test”) This additional test has now been partially overturned by the U.S. Supreme Court.

The Supreme Court in *KSR*, did not repudiate the CAFC requirement by completely eliminating the TSM test, since such a ruling would have profoundly and retroactively brought into question several tens, if not hundreds, of thousands of patents issued under the previous CAFC standard. The decision holds that the TSM test is not to be applied as a rigid, inflexible requirement. Although the TSM test may still be utilized in a determination to combine two or more references, a clear written teaching or suggestion in a reference is no longer required, and the general knowledge of a person having ordinary skill may be brought to bear on the obviousness issue.

The Supreme Court decision appears to reflect the view in the non-patent community that patents were being too easily granted by the USPTO. It has been said that USPTO grant of patents for only

*continued on page 2*

***MICROSOFT CORP. v. AT&T CORP.***

The Supreme Court’s recent interest in patent matters continued with its decision in *Microsoft Corp. v. AT&T Corp.* In a 7-1 decision, the Court held that Section 271(f) of the Patent Act does not extend to cover foreign duplication of software from a master copy supplied from the U.S. Because patent law is territorial—there is no such thing as a world-wide patent—a U.S. patent covers infringing acts occurring within the United States, but generally disregards allegedly-infringing acts occurring elsewhere in the world. The single exception to this principle is Section 271(f) of the Patent Act, which calls for infringement liability for the unauthorized supply of “components” of a patented invention for “combination” abroad.

In the present case, AT&T is the assignee of a patent on a computer to digitally encode and compress recorded speech. In the U.S., a computer installed with Microsoft WINDOWS infringes AT&T’s patent—WINDOWS incorporates software code that, when installed, enables a computer to process speech in the manner claimed by the patent. For foreign-made

*continued on page 2*

***Bona Fide Intent to Use Requires Hard Facts, Not Merely Subjective State of Mind***

In a recent non-precedential but citable decision, the Trademark Trial and Appeal Board (TTAB) sustained an opposition by Intel Corporation, against an intent-to-use (ITU) application for the mark IDEAS INSIDE. In *Intel Corp. v. Emery*, Opposition No. 91123312, Applicant, Steven Emery, filed an ITU application covering a broad listing of goods and services, including computer-related goods, along with more than two hundred items of apparel. Intel’s initial opposition included claims of likelihood of confusion and dilution of Intel’s INTEL INSIDE mark, but was subsequently limited to the

assertion that applicant lacked a *bona fide* intent to use the mark in commerce at the time the application was filed.

When an applicant lacks a *bona fide* intent to use the mark in commerce at the time of filing an ITU-based application, the application is invalid. Therefore, such lack of intent is an appropriate ground for an opposition or cancellation proceeding. The TTAB opined that an applicant’s intent must be shown by “objective” evidence in the form of “real life facts measured by the actions of the applicant,” and not merely by the applicant’s arguments about his

subjective state of mind. Such objective evidence, which was lacking in this case, can include documentation showing plans to use the mark on the goods or services claimed, marketing plans, business plans, or licensing programs. Although it is difficult for a Trademark Examining Attorney to determine *bona fide* intent in an *ex parte* context, this case exemplifies that a trademark applicant should be prepared to objectively demonstrate its good faith, if tested in an *inter partes* opposition or cancellation proceeding.

***US Supreme Court Strengthens Non-Obviousness Test for Patentability*** (continued from page 1)

slight or inconsequential improvements was actually stifling the progress of science and useful arts, rather than promoting it, as mandated by the U.S. Constitution.

The USPTO lost no time in promulgating a Memorandum to the Patent Examining Corps, in which the *KSR* decision was analyzed. The direct guideline that concluded the memorandum was that "in formulating a rejection under 35 U.S.C. §103(a) [non-obviousness provision] based upon a combination of elements, it remains necessary to identify the reason why a

person of ordinary skill in the art would have combined the prior art elements in the manner claimed." The reason need not be articulated or even suggested by a specific reference, and the general knowledge in the industry may be relied upon.

The practical effect of the *KSR* decision is that the USPTO Office Actions should continue to provide "reasons" for combining references. Arguments that a teaching, suggestion or motivation to combine references is lacking no longer can be counted on to provide a sure basis for overturning a rejection. This may make it harder to obtain allowance of pending claims, supporting the recent USPTO policy to apply more stringent

requirements before allowing an application. A decrease in the allowance rate from about 70% to 54% was listed as one of the USPTO accomplishments in its fiscal 2006 report. In patent enforcement or litigation, the *KSR* decision will provide a stronger defense to accused infringers in an attack on patent validity, and is bound to increase patent litigation costs as the validity of a patent will gain prominence as a contested issue in more cases. These considerations, together with those brought by another Supreme Court decision directed to limitations on the Doctrine of Equivalents, make careful patent prosecution all the more important.

***Microsoft Corp. v. AT&T Corp.*** (continued from page 1)

computers sold abroad, Microsoft sends each manufacturer a master version of WINDOWS, either on a disk or via encrypted electronic transmission, which the foreign manufacturer uses to generate copies. The copies are then installed on the individual machines.

The Court framed the issue before it as: *Does Microsoft's liability for patent infringement extend to computers made in another country when loaded with WINDOWS software copied abroad from a master disk or electronic transmission dispatched by Microsoft from the United*

*States?* To this, the Court answered "No."

The underlying questions the Court ultimately attempted answer in this decision concern: (1) defining and treatment of "abstract software," and (2) issues with the supply of software copies. Regarding abstract software, the Court stated: "Until it is expressed as a computer-readable 'copy,' e.g., on a CD-ROM, WINDOWS software, indeed any software, detached from an activating medium remains uncombinable... Abstract software code is an idea without physical embodiment, and as such, it does not match Section 271(f)'s categorization:

"components" amenable to "combination." Concerning the supply of copies, the Court stated: "[T]he very components supplied from the United States, and not copies thereof, trigger Section 271(f) liability when combined abroad to form the patented invention at issue. Here, as we have repeatedly noted, the copies of WINDOWS actually installed on the foreign computers were not themselves supplied from the United States." Justice Stevens, in the lone dissenting opinion, stated that: "[I]f a disk with software inscribed on it is a 'component,' I find it difficult to understand why the most important ingredient of that component is not also a component."