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## KSR v. Teleflex: Predictable Reform of Patent Substance and Procedure in the Judiciary

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*KSR V. TELEFLEX:*  
PREDICTABLE REFORM OF PATENT SUBSTANCE  
AND PROCEDURE IN THE JUDICIARY

John F. Duffy\* †

INTRODUCTION

Though *KSR International Co. v. Teleflex, Inc.* is now widely acknowledged in the bar and the academy to be the most significant patent case in at least a quarter century, that view dramatically underestimates the importance of the decision. The *KSR* decision has immense significance not merely because it rejected the standard of patentability that had been applied in the lower courts for decades, but also because it highlights many separate trends that are reshaping the patent system.

This Commentary will touch upon four such trends that are clearly evident in *KSR*. First, the case was a predictable continuation of the Supreme Court's reengagement in the field of patent law. Second, the decision represents a continued revision to the substantive standards applied in patent law. Third, and perhaps most overlooked, *KSR* heralds a significant procedural reform to patent litigation. Fourth, the decision presents a classic example of the judiciary revising judge-made doctrines in response to external criticism. This final point raises the interesting theoretical issue of whether the traditional common law process in the patent field has been fatally hobbled by the creation of a single intermediate appellate court with jurisdiction over most patent cases. *KSR* holds out the hope that the judiciary is still capable of overseeing the field in the traditional manner, but developments in the Congress and the U.S. Patent and Trademark Office ("PTO") suggest that this tradition may be coming to an end.

I. PREDICTABLE REFORM

It is exceedingly rare that a Supreme Court decision can be responsible for such a dramatic change in lower court law and yet have been so thoroughly predictable. I am confident in saying the decision was predictable because my 2003 *Supreme Court Review* article, *The Festo Decision and the Return of the Supreme Court to the Bar of Patents*, not only predicted a general return of the Supreme Court to the patent field but also specifically

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singled out the obviousness doctrine as an area that the Court would address “soon.” There is a story here, and it is worth telling because it shows how patent issues can continue to attract the Supreme Court’s attention despite the dominance of a single court of appeals over patent law.

Long before *KSR*, a notorious divergence between the obviousness precedents of the Supreme Court and the Federal Circuit had been widely recognized by patent attorneys and scholars. The divergence was easy to see. While the regional circuits had cited the Supreme Court’s most recent decision on obviousness, *Sakraida v. Ag Pro, Inc.*, about ten times per year prior to the centralization of patent appeals in 1982, the Federal Circuit cited *Sakraida* only four times in the twenty-four years between 1982 and the grant of certiorari in *KSR*. What’s more, in three of the four cases, the court had cited *Sakraida* only to disparage it.

In 2002, three significant events occurred, essentially guaranteeing that the Supreme Court would soon review the Federal Circuit’s obviousness case law. First, the Federal Circuit itself acknowledged in *Engineering Corp. v. Bartell Industries, Inc.* that its obviousness precedents were significantly different from regional circuit precedent applied prior to the creation of the Federal Circuit. That overt acknowledgment of a “circuit split” made it much easier for a party to petition successfully for certiorari. Second, in a case named *In re Lee*, the Federal Circuit reversed the PTO’s refusal of a patent application and expressly indicated that the PTO should not rely on “common sense” in rejecting patent applications. That decision created a great deal of hostility at the PTO and also made the Federal Circuit doctrine seem unreasonable on its face. Third, the Federal Trade Commission held hearings that culminated in a report lucidly explaining the importance of the obviousness standard and documenting the PTO’s increasing hostility to Federal Circuit doctrine.

At the Federal Trade Commission hearings, I realized that the Supreme Court would grant certiorari on the obviousness doctrine if only it were asked to do so. Indeed, it seemed incredible that the government had not sought certiorari after its then recent defeat in the *Lee* case. One PTO official explained to me that seeking Supreme Court review was an onerous process inside the executive branch bureaucracy; I realized that private parties would be far more effective than the government in bringing the issue to the Court. In subsequent speeches, I urged private attorneys to present the issue to the Supreme Court. As a result of those speeches, I had the good fortune to be asked to coauthor the successful certiorari petition.

The *KSR* experience shows that attracting the Supreme Court’s attention to a patent law issue remains broadly similar, if not identical, to the process in other areas of federal statutory law. In deciding whether to grant certiorari, the Court looks for conflicting authorities. In patent law, conflicts between recent appellate decisions are nearly impossible due to the Federal Circuit’s almost exclusive jurisdiction over the area, and so the Supreme Court has learned to look elsewhere for signs of discord. In *KSR*, evidence of conflict came from a comparison of Federal Circuit decisions with earlier “pre-Federal Circuit” appellate decisions, from the opinions of scholars

(who had long noted the tension between Supreme Court precedent and Federal Circuit precedent), and from the government's criticism of Federal Circuit doctrine in the Federal Trade Commission report. Yet even with this evidence, the Court was cautious; it asked the Solicitor General for his opinion prior to the grant of certiorari—a technique that the Court has deployed frequently in the patent area. The resulting amicus brief from the Solicitor General confirmed the conflicting views and sealed the case for certiorari.

## II. REFORM OF PATENT SUBSTANCE

In a series of cases, the Supreme Court has actively reviewed and changed the substantive standards of patent law developed by the Federal Circuit. *KSR* continued this trend, and, in fact, the most widely celebrated aspect of *KSR* is its substantive effect on the patentability standard.

For almost all of its quarter century of existence, the Federal Circuit articulated and applied a patentability standard under which subject matter claimed by a patent applicant would be considered nonobvious, and therefore patentable, unless it could be proven that a “teaching, suggestion, or motivation” previously existed to make the claimed subject matter. The test had become boilerplate in the Federal Circuit's opinions and was applied by that court in *KSR*. In the very beginning of its legal analysis, the Supreme Court announced that it was “rejecting the rigid approach of the Court of Appeals.” That simple, clear statement heralded a revolution in the field by disavowing years of lower court precedent.

Yet for all its significance, the Supreme Court's substantive holding was also precisely targeted and limited. True, the Supreme Court disavowed the rigid substantive standard that the Federal Circuit had applied for years, but the Court left open many possible ways in which the substantive standard could evolve. Though the Supreme Court has given the lower court a strong reminder that it should cite and follow *all* the higher Court's precedents on the patentability standard, the Federal Circuit will still have substantial freedom, in the first instance, to choose which path the law should take in future cases. That is as it should be, for *KSR* was the first obviousness case adjudicated by the Supreme Court in more than 30 years. But the limitations on the Court's holding blunt the substantive effect of *KSR* somewhat; the decision offers the Federal Circuit a new starting point rather than a final destination.

## III. REFORM OF PATENT PROCEDURE

As important as *KSR* is substantively, the decision's procedural significance is even greater. Prior to *KSR*, the Federal Circuit had held that its teaching-suggestion-motivation test presented an issue of fact for juries to determine. The teaching-suggestion-motivation test therefore had the practical effect of transforming the issue of patent validity—which the Supreme Court has repeatedly held to be an issue of law—into an issue of fact. Consequently, the basic validity of a patent, even one mistakenly issued without

consideration of the relevant prior art, could not be decided without a multimillion dollar jury trial.

In *KSR*, the Supreme Court restated once again that validity is an issue of law for judges to decide. The Court made this clear throughout the opinion by detailing questions that “the court must ask” in deciding obviousness issues and by directing that “[t]o facilitate review, this analysis should be made explicit.” Those directions clearly foreclose much jury involvement. Furthermore, the Supreme Court’s disposition of *KSR* itself underscores that the issue of “obviousness is a legal determination,” as the Court held it “appropriate” to invalidate the patent claim at issue on summary judgment. Thus, after *KSR* there will undoubtedly be a sea change in procedure, as deciding obviousness—and likely other validity issues—becomes the exclusive province of the judge.

Indeed, another Court decision just a few months before *KSR* greatly magnified the latter decision’s procedural implications. In January 2007, the Court’s decision in *MedImmune, Inc. v. Genentech, Inc.* overturned the Federal Circuit’s restrictive case law on the availability of declaratory judgments in patent cases. In combination, *KSR* and *MedImmune* allow a party threatened with a potentially invalid patent to file a declaratory judgment action as soon as the threat becomes known and to seek immediate summary judgment as to the patent’s validity. Such an action holds the promise of a relatively inexpensive and quick judicial decision on the basic validity of the patent. Defendants have long sought such an efficient method for challenging questionable patents; previously their best hope had been for new legislation that would create an administrative process for reconsidering the validity of issued patents. Now defendants may find their Holy Grail in the courts.

#### IV. JUDICIARY REFORM AND THE COMING DEATH OF THE COMMON LAW IN THE PATENT SYSTEM

Although patent law is a creature of federal statute, it has long been dominated by judicially-created common law. As in antitrust (that “other” branch of federal monopoly law), the key statutory provisions fairly exude ambiguity. The hallmark of the common law process is the incremental development of legal doctrine, as the courts themselves constantly experiment with changes and correct themselves when the changes go awry or go too far.

*KSR* carries on that tradition of growth and correction, but it remains unclear whether the tradition will continue much longer. Congress has become increasingly willing to consider detailed patent legislation, which could displace the traditional common law process through its sheer length, if perhaps not its clarity. Similarly, the PTO is becoming more aggressive in issuing guidelines and promulgating procedural rules as a means of controlling the development of the law. Such administrative actions could also displace judicially-developed common law. Furthermore, the primary pieces of patent reform legislation introduced this year in the House and the Senate

proposed delegating broad rule-making powers that would allow the PTO to supplant the courts as the primary organ for developing law and policy in the patent system.

Thus, *KSR* may be one of the last great common law decisions on patent law. If that happens, the death of patent common law will be directly attributable to the creation of a single court of appeals in the field. Even with the Supreme Court's increased oversight, the Federal Circuit is likely to remain the sole appellate court issuing binding precedents on many important issues in the field. Ironically, that concentration of judicial power on patent issues seems to be bringing about the demise of the traditional judicial power to shape patent common law. Supreme Court review—even for an issue sufficiently important to prompt certiorari—may not be forthcoming for many years or even, as *KSR* shows, decades. The continual process of intercourt debate and incremental conflict so essential to the health of the common law has thereby been sacrificed on the altar of uniformity. In the absence of structural reform that would spread patent jurisdiction to a few additional circuits, as Craig A. Nard and I propose in our forthcoming *Northwestern Law Review* article, *Rethinking Patent Law's Uniformity Principle*, the centuries-old arc of judicial development of patent law, of which *KSR* is merely the most recent part, may not survive long into this new century.