

Fed. Circ. Radically Changes The Law Of Obviousness

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On Oct. 7, 2016, the Court of Appeals for the Federal Circuit issued a remarkable en banc opinion effectively holding that obviousness is a question of fact for the jury, and therefore that a jury verdict of nonobviousness must be reviewed under the deferential presumptions and standards applied to jury decisions by the regional circuit in which the district court sits. *Apple Inc. v. Samsung Electronics Co. Ltd.*, No. 2015-1171, ___ F.3d ___, 2016 WL 5864573 (Fed. Cir. Oct. 7, 2016).

The opinion contradicts almost 200 years of consistent U.S. Supreme Court precedent, up to and including the Supreme Court's most recent decision on the topic, issued almost a decade ago now: *KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398 (2007). This alone makes it remarkable. The opinion is particularly extraordinary, and unexpected, because it was issued in a case in which, as the en banc majority admits, "no party ... invited this court to consider changing the law of obviousness,"[1] one in which the court did not invite additional briefing from the parties or from amici on the en banc issues.

To be fair, the en banc majority does not profess to be changing the law, and instead asserts that it is merely applying the traditional rules of jury verdict review that in its view the original panel — all the members of which dissent from the en banc decision — had wrongly ignored. But the mistake in the en banc majority opinion was not in how it applies the standards of review, but rather in the question to which it applied them.

As the Supreme Court explained in, e.g., *Graham v. John Deere Co.*, 383 U.S. 1 (1966), obviousness is a question of law based on underlying facts.[2] The Graham opinion identifies three sets of fact questions relevant to obviousness: "the scope and content of the prior art," "differences between the prior art and the claims at issue," and "the level of ordinary skill in the pertinent art." [3] The obviousness test it prescribes is a legal one based on the answers. The opinion also identifies a fourth set of fact questions, which concern "secondary considerations such as commercial success," which in some cases "may have relevancy." [4]

By 2007, the Federal Circuit had for several years been applying the Graham factors in such a way as to find obviousness only where the prior art evidence showed an explicit "teaching, suggestion, or motivation" (the "TSM test") to make the claimed invention.[5] Then, in *KSR*, the Supreme Court bluntly reversed the Federal Circuit, holding that, while the idea of the TSM test



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“captured a helpful insight,” its application by the Federal Circuit reflected “fundamental misunderstandings” of the Supreme Court’s past decisions.[6] Important for consideration of the Federal Circuit’s new en banc opinion, the KSR Supreme Court specifically reiterated that obviousness is a question of law and that summary judgment on the obviousness question is “appropriate” when the Graham fact questions are not in material dispute.[7]

In the present case, Apple asserted, inter alia, infringement of claims in U.S. Patent Nos. 8,046,721, and 8,074,172.[8] The jury was asked to decide whether the claims had been proven obvious by clear and convincing evidence and determined they had not.[11] The trial judge denied Samsung’s motion for judgment as a matter of law and Samsung appealed.[10] The original Federal Circuit panel reversed the district court and held the claims obvious despite the jury verdict.[11] And, as described above, the en banc court then reversed the panel decision, with the original panel members dissenting.

The asserted claim of Apple’s ’721 patent describes the iPhone swipe-to-unlock feature. In analyzing obviousness, the majority does not appear to reanalyze de novo this legal question. Rather, the majority imagines that the jury made two implicit findings — that (1) there is no motivation to combine the two proposed prior art references and (2) the secondary considerations favor nonobviousness — and then searches for facts sufficient to uphold them.[12]

Regarding the motivation to combine, the majority holds that, “though the prior art references each relate to touchscreens,” substantial facts support the jury’s implied finding that “it would not have been obvious for a skilled artisan, seeking an unlock mechanism that would be both intuitive to use and solve the pocket dialing problem for cell phones, to look to [Plaisant,] a wall-mounted controller for an air conditioner.”[13]

This “motivation to combine” question could be an issue of fact under Graham if it were characterized as whether the Plaisant wall switch was within the scope of the pertinent prior art. That is not, however, the en banc majority’s approach. The majority opinion explicitly noted, “There does not appear to be a dispute between the parties about whether the two references were prior art.”[14] Even further, it also explicitly noted, “Apple does not contest that, together, Neonode and Plaisant disclose all the elements of claim 8.”[15]

It was perhaps because of these undisputed facts that the en banc majority took the critical (and remarkable) step of characterizing the issue of whether “a skilled artisan would not have been motivated to combine the slider toggle in Plaisant with the cell phone disclosed in Neonode” as an issue of fact. In this context, where it was undisputed that both of the prior art documents are pertinent and that between them they describe every element of the claim, the question of whether one of skill in the art would have been motivated to combine the two to reach the claimed invention is the ultimate question of obviousness, not an underlying Graham fact question. Once it is established by a jury that documents are pertinent prior art, that between them they describe the claim elements, and that one of ordinary skill in the art would or would not have been motivated to combine them, what is left for the court to decide as a matter of law?

The only possible answer is secondary considerations. That is, in a case where the jury determines that there was motivation to combine the prior art, under the en banc majority’s approach it might still be up to the court to decide as a matter of law whether secondary considerations show that the claimed invention was not obvious. However, this part of the en banc majority’s opinion also raises new questions about the law of obviousness.

The majority finds significant generalized evidence of secondary considerations in the record,[16] but fails to identify a nexus between that evidence and the claim's novelty. Judge Sharon Prost objects to this and to the majority's elevation of secondary considerations to a significant component of the obviousness analysis:

In the history of our court, we have only once held that evidence of secondary considerations outweighs strong evidence of obviousness. ... When examining evidence of secondary considerations, "courts must exercise care in assessing proffered evidence of objective considerations, giving such evidence weight only where the objective indicia are attributable to the inventive characteristics of the discovery as claimed in the patent." ... The proponent of such evidence of secondary considerations, in this case Apple, "bears the burden of showing that a nexus exists between the claimed features of the invention and the objective evidence offered to show non-obviousness. ... The mere existence of evidence of secondary considerations does not control the obviousness determination." [17]

In short, the majority assumes implied jury findings, searches for facts supporting these findings, and elevates the importance of secondary considerations, reducing obviousness to a fact-finding exercise such that the bar for proving obviousness is raised. Judge Prost worries this approach "would seem to end our substantial evidence review on appeal." [18] But Judge Timothy Dyk identifies the deeper danger here: "The flimsy nature of the evidence found by the majority to support the jury verdict emphasizes the dangers of inviting factfinding to dominate the obviousness determination." [19]

With respect to the asserted '172 patent claim — which describes on-the-fly auto-correction — the majority again performs no legal analysis on obviousness after finding facts supporting the jury's implied findings, here: that (1) the prior art does not teach text replacement at the location of the cursor (or provide a motivation to combine that teaching with other art) and (2) the secondary considerations favor nonobviousness. [20] In the dissenters' view, here again the majority ignores the unrebutted obviousness case put on by Samsung and overly emphasizes secondary considerations. [21]

While the Federal Circuit, sitting en banc, can overrule its own precedent, [22] the majority denies it is doing so. [23] And, as Judge Dyk opines, the majority opinion overruns the nes-plus-ultra of KSR:

While for the most part the majority does not express its shifts in obviousness principles explicitly, an examination of the majority's opinion makes clear its substantial impact on the law of obviousness. And that impact will not be a positive one, for the principles that the majority announces are inconsistent with the Supreme Court's decisions in KSR, *Graham v. John Deere Co.*, 383 U.S. 1 (1966), as well as earlier Supreme Court cases, and will make proof of obviousness far more difficult. [24]

Judge Prost agrees that KSR "significantly reduced the evidentiary burden necessary to establish a motivation to combine prior art references"; [25] yet in Judge Dyk's words, the majority "turns the legal question of obviousness into a factual issue for a jury to resolve, both as to the sufficiency of the motivation to combine and the significance to be given to secondary considerations." [26] The majority opinion is contrary to KSR's "explicit reject[ion of] the contention that obviousness is always a matter of fact requiring jury resolution." [27]

Under KSR, there exist patent claims so obvious that a court does wrong to allow a jury to find them nonobvious. Judge Dyk argues that this case, with its unrebutted evidence of obviousness, is such a case:

Here ... "the content of the prior art, the scope of the patent claim, and the level of ordinary skill

in the art are not in material dispute,” ... and there is no indication that the combination of the relevant prior art does more than yield a predictable result. ... The specific holdings in Graham and KSR themselves demonstrate that both the significance and the weighing of secondary considerations are legal issues for the court. ... [T]he majority lowers the bar for nonobviousness by refusing to take account of the trivial nature of the two claimed inventions. ...

[T]he majority concludes that combinations of prior art used to solve a known problem are insufficient to render an invention obvious as a matter of law. According to the majority, there must be evidence of a specific motivation to combine. Both aspects of these conclusions are contrary to KSR. ... KSR holds that the reason may be found as a matter of law in the solution to a known problem. ... KSR also held, contrary to the majority, that ... the existence of a known problem solved by [a] combination can render that combination obvious as a matter of law and without further evidence of a specific motivation to combine. ... With respect to the '721 patent, Apple does not dispute, and the majority agrees, that the combination of the prior art Neonode and Plaisant references produces the claimed invention. As discussed below, the same is true with respect to the '172 patent. ... There is no claim that either combination yielded unpredictable results. Both of the patents also address a known problem.[28]

The majority further transgresses KSR’s admonition that “secondary considerations take on less importance when there is little doubt as to obviousness.”[29] Judge Dyk explains:

[T]he majority errs in elevating secondary considerations of nonobviousness beyond their role as articulated by the Supreme Court. Secondary considerations “without invention[] will not make patentability.” Thus, when, as here, a patent is plainly not inventive, that is, when the prima facie case of obviousness is strong, secondary considerations carry little weight. ... Under Supreme Court authority, secondary considerations are insufficient to outweigh a strong case of obviousness involving small advances over the prior art. KSR and Graham assigned a limited role to secondary considerations ... [T]hese considerations are relevant only in a close case where all other proof leaves the question of invention in doubt.”[30]

While this decision may be justified as deference to district courts, following the general line of Supreme Court precedent in Teva and Halo, it appears to be more: a revolt — without public input — against KSR. This change perversely makes it harder to prove obviousness of the worst claims, i.e., those whose constituent elements are well-known and predictably combined — particularly if there exists generalized secondary consideration evidence. Thus, it seems unlikely that the Supreme Court will pass up this chance to take certiorari and reiterate the essential holdings of KSR.

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[1] Apple, 2016 WL 5864573 at *2.

[2] Graham, 383 U.S. at 17.

[3] *Id.*

[4] *Id.* at 17–18.

[5] See, e.g., *KSR*, 550 U.S. at 413.

[6] *Id.* at 418, 422.

[7] *Id.* at 427.

[8] *Apple*, 2016 WL 5864573 at *1.

[9] *Id.*

[10] *Id.*

[11] *Id.*

[12] *Id.* at *10–16.

[13] *Id.* at *17.

[14] *Id.* at *10 n.14.

[15] *Id.* at *10.

[16] See *id.* at *12–16.

[17] *Id.* at *25 (citing *Transocean Offshore Deepwater Drilling, Inc. v. Maersk Drilling USA, Inc.*, 699 F.3d 1340 (Fed. Cir. 2012); *In re Cyclobenzaprine Hydrochloride Extended-Release Capsule Patent Litig.*, 676 F.3d 1063, 1079 n.6 (Fed. Cir. 2012); *WMS Gaming, Inc. v. Int’l Game Tech.*, 184 F.3d 1339, 1359 (Fed. Cir. 1999); *Richardson-Vicks Inc. v. Upjohn Co.*, 122 F.3d 1476, 1483 (Fed. Cir. 1997)).

[18] *Id.* at *21.

[19] *Id.* at *31.

[20] See *id.* at *17–20.

[21] *Id.* at *27–29 (citations omitted) (“[T]he majority concludes, based on Dr. Cockburn’s testimony, that there is substantial evidence that neither Robinson nor Xrgomics discloses the text replacement. ... That is demonstrably incorrect”); *32–37.

[22] See, e.g., Fed. R. App. P. 35.

[23] *Apple*, 2016 WL 5864573 at *2.

[24] *Id.* at *31.

[25] Id. at *21.

[26] Id. at *31.

[27] Id.

[28] Id. at *32–33 (citing KSR, 550 U.S. at 427).

[29] Id. at *21 (citing *Dow Chem. Co. v. Halliburton Oil Well Cementing Co.*, 324 U.S. 320, 330 (1945); *Goodyear Tire & Rubber Co. v. Ray-O-Vac Co.*, 321 U.S. 275, 279 (1944)).

[30] Id. at *35–36 (citing *Sakraida v. Ag Pro, Inc.*, 425 U.S. 273, 278 (1976)).