Obtaining and Enforcing Patents: New Standards for Patentability of Inventions

by Clark A. Jablon, Esq.

Editor's Note: This column is the first in a four-part series examining the latest developments in the vital area of patents, particularly those that relate to the display industry. In the coming months, look for columns on the increased importance of patent portfolio building, how to read a patent to determine potential infringement issues, and how to establish an effective patent program in a company that does not currently seek patents.

Patents play a significant role in the display industry because it is driven primarily by products that use new, or relatively new, technology. Patents have a life of 20 years from their filing date, so even "mature" display technology may still be covered by patents. For example, Japanese companies continue to play a strong role in the liquid-crystal-display (LCD) and plasma-display-panel (PDP) industries, both as manufacturers and patent licensors, partly as a result of their extensive patent portfolios, which cover key improvements in the fundamental LCD and PDP technologies invented more than 20 years ago. More recent players in the LCD-manufacturing business, such as Korean companies Samsung and LG, have extensive patent portfolios that have many years of life left until they expire.

Even next-generation display technology is heavily impacted by patents. For example, Kodak's original organic-light-emitting-diode (OLED) patents from the late 1980s and Cambridge Display Technologies' original polymer-type OLED patents from the early 1990s remain valid today. In the U.S., patent holders generally have the right to either offer a license at whatever royalty rate they believe the market will bear, or to refuse to license their patents at all. Patents thus provide either a tax on, or a barrier to entry for, companies who wish to compete in the display industry against patent holders of fundamental display technology. Thus, the ability to obtain and enforce patents is critically important to the patent holders.

KSR vs. Teleflex

In April 2007, the U.S. Supreme Court issued a landmark decision that jolted the patent industry. Specifically, the Supreme Court held in KSR vs. Teleflex that the previous standard applied by the Court of Appeals for the Federal Circuit for gauging whether an invention is invalid for being "obvious to one of ordinary skill in the art" was too strict and was not supported by Supreme Court precedent. The Federal Circuit test is widely known as the "teaching-suggestion-motivation" (TSM) test because it requires the Patent Examiner (during examination) or the Defendant (in a patent lawsuit) who asserts that an invention is obvious under the patent statute to identify a teaching, suggestion, or motivation in the prior art to support the obviousness assertion. This test takes different forms depending upon the nature of the obviousness assertion. If the invention is asserted to be an obvious "modification" of existing technology, then the TSM test requires a teaching, suggestion, or motivation in the prior art to make the modification. If the invention is asserted to be an obvious "combination" of existing technology, then the TSM test requires a teaching, suggestion, or motivation in the prior art to combine the existing technology. Many inventions seem obvious only after they are invented. The TSM test was considered by the Federal Circuit to be the only way to practically guard against "improper hindsight

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reconstruction of the invention" by requiring proof of why the changes made to the existing technology are not obvious. It is considered to be a "pro-patent" standard because it often is not easy to meet the burdens of proof imposed by the TSM test.

In KSR, the Supreme Court did not reject the TSM test, but held that the TSM test is not an exclusive test, and that obviousness can be shown in other ways that require lesser burdens of proof. For example, an invention that uses a combination of known elements may be shown to be obvious if the combination is no more than the "predictable use of known elements according to their established functions," and there was an "apparent reason" to combine the known elements. Any need or problem known in the field of endeavor at the time of the invention and addressed by the patent can provide a reason for combining the elements in the manner claimed. Other statements by the Supreme Court further weaken the obviousness test. For example, the Supreme Court stated that a combination of familiar elements according to known methods is likely to be obvious when it does no more than "yield predictable results."

It is widely accepted that KSR will make it harder to obtain new U.S. patents and harder for patent holders to enforce their patents against a defense of invalidity based on "obviousness." The net result will likely be a shift in the balance of power away from patent holders. KSR is thus a favorable decision for companies that do not have significant – or any – patent portfolios, and rely primarily upon licensing or design-around efforts to address patent issues.

Although KSR has lowered the bar on what must be shown to determine whether a patent is obvious and, therefore, invalid, or whether a patent application should be rejected for being obvious, KSR has not changed the extensive case law on ways in which a patent applicant or patent owner can show that an invention is not obvious. In fact, KSR reaffirmed the importance of "secondary considerations" that can be used to rebut a finding of obviousness. Examples of secondary considerations include: (1) achieving "unexpected results" by making a change to an existing technology or achieving unexpected results or "synergistic results" by combining two known technologies; (2) fulfilling a long-felt need; (3) achieving "commercial success" and/or licensing success with the invention; (4) showing that there was failure by others to create the invention; (5) showing that there was copying by competitors; (6) showing that there was skepticism among experts regarding whether the invention would work.

Impact of KSR on the Display Industry

KSR will likely have its greatest negative impact on patent procurement and enforcement in technology areas that do not rely upon sophisticated technology, such as simple mechanical inventions and many types of "business process" inventions. KSR will also likely have a negative impact upon patent holders who own only one or a few patents in a given area, and who are thus vulnerable to "all or nothing" patent challenges. However, the level of technology sophistication in the display industry is relatively high, and the companies involved with patents tend to amass patent portfolios, not a few individual patents. Thus, the impact on patent procurement and enforcement in the display industry is not likely to be as significant. This is either good news or bad news, depending upon whether your company is a patent "have" or a patent "have-not."

In the next column, I will explore in more detail the increased importance of building a patent portfolio in view of KSR v. Teleflex.

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