The PTO's
2010 *KSR* Guidelines Update

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Overview

- PTO's 2007 KSR Guidelines
- New 2010 Guidelines
- Specific aspects that may be of help in responding to obviousness rejections

KSR and the PTO's Response

- The *KSR* decision came out in 2007
  - Supreme Court finds the obviousness standards is not limited to teaching-suggestion-motivation (TSM)
  - Offers "factors", but no clear test
- PTO issues 2007 KSR Guidelines resolving the Supreme Court's factors into seven "rationales" for a determination of obviousness

PTO Obviousness Rationales -1

- (A) Combining prior art elements according to known methods to yield predictable results;
- (B) Simple substitution of one known element for another to obtain predictable results;
- (C) Use of known technique to improve similar devices (methods, or products) in the same way;
- (D) Applying a known technique to a known device (method, or product) ready for improvement to yield predictable results;
- (E) "Obvious to try"—choosing from a finite number of identified, predictable solutions, with a reasonable expectation of success;
- (F) Known work in one field of endeavor may prompt variations of it for use in either the same field or a different one based on design incentives or other market forces if the variations would have been predictable to one of ordinary skill in the art;
- (G) TSM Test

PTO Obviousness Rationales -2

- The 2007 Rationales required the Examiners to make explicit factual determinations to support their rationale
- Rationale A: Office personnel must articulate the following:
  - (1) a finding that the prior art included each element claimed, although not necessarily in a single prior art reference, with the only difference between the claimed invention and the prior art being the lack of actual combination of the elements in a single prior art reference;
  - (2) a finding that one of ordinary skill in the art could have combined the elements as claimed by known methods, and that in combination, each element merely would have performed the same function as it did separately;
  - (3) a finding that one of ordinary skill in the art would have recognized that the results of the combination were predictable; and
  - (4) whatever additional findings based on the *Graham* factual inquiries may be necessary, in view of the facts of the case under consideration, to explain a conclusion of obviousness.

PTO's 2007 Rationales in Practice

- Examiner application of the 2007 Rationales has been spotty and overly-aggressive
  - Examiners took the 2007 guidelines as a "license to kill" and have increased 103 rejections
  - Examiners have not been providing the findings required Rationales
  - When Rationales are provided, they are conclusory
- Impact
  - Substantial difficulty in getting around 103s
  - Increased cost and time
  - Reduction in claim scope

PTO's 2010 Update

- PTO issued its 2010 KSR Guidelines Update on September 1
- 2007 Guidelines issued under Dudas, Kappos takes over in 2009
  - New, pro-innovation policies
  - Other policy changes reflect more even, balanced view
- Kappos discarded earlier bad PTO actions
  - Abandoned PTO's terrible continuations rules
  - Provides easy out for "computer readable medium" when non-tangibility was raised

PTO's 2010 Update – In General

- More balanced than 2007 rules
- Provides lots of examples
  - Reviews case law for last ~3 years since *KSR*
  - Includes both obvious and non-obvious examples
  - But! Only addresses first 3 rationales
- Stronger language about required findings
- Includes specific examples of when Examiner's findings are inadequate
- Should be useful in practice

Caveat

- Can't appeal/petition failure to follow
- It has been developed as a matter of internal Office management and is not intended to create any right or benefit, substantive or procedural, enforceable by any party against the Office. Rejections will continue to be based upon the substantive law, and it is these rejections that are appealable. Consequently, any failure by Office personnel to follow this *2010 KSR Guidelines Update* is neither appealable nor petitionable.

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Make the Findings! - 1

- It is important for Office personnel to recognize that when they do choose to formulate an obviousness rejection using one of the rationales suggested by the Supreme Court in *KSR* and discussed in the *2007 KSR Guidelines*, they are to adhere to the instructions provided in the MPEP regarding the necessary factual findings.
- If a rejection has been made that omits one of the required factual findings, and in response to the rejection a practitioner or inventor points out the omission, Office personnel must either withdraw the rejection, or repeat the rejection including all required factual findings.

Make the Findings – 2

- When setting forth a rejection, Office personnel are to continue to make appropriate findings of fact as explained in MPEP § § 2141 and 2143, and must provide a reasoned explanation as to why the invention as claimed would have been obvious to a person of ordinary skill in the art at the time of the invention. This requirement for explanation remains even in situations in which Office personnel may properly rely on intangible realities such as common sense and ordinary ingenuity.

Example of Bad Rejection

- So, for example, automating a manual activity, making portable, making separable, reversal or duplication of parts, or purifying an old product may form the basis of a rejection. However, such rationales should not be treated as *per se* rules, but rather must be explained and shown to apply to the facts at hand. A similar caveat applies to any obviousness analysis. Simply stating the principle (*e.g.*, "art recognized equivalent," "structural similarity") without providing an explanation of its applicability to the facts of the case at hand is generally not sufficient to establish a *prima facie* case of obviousness.

Rationale A–Specific Comments

- [O]ne situation when it is important to identify a reason to combine known elements in a known manner to obtain predictable results is when the combination requires a greater expenditure of time, effort, or resources than the prior art teachings.
- Even though the components are known, the combining step is technically feasible, and the result is predictable, the claimed invention may nevertheless be nonobvious when the combining step involves such additional effort that no one of ordinary skill would have undertaken it without a recognized reason to do so.

Rationale A–Specific Comments -2

- When a combination invention involves additional complexity as compared with the prior art, the invention may be nonobvious unless an examiner can articulate a reason for including the added features or steps. This is so even when the claimed invention could have been readily implemented.

Rationale B & C–Specific Comments

- Rationale B
  - Only 2 sentences from PTO
  - 13 examples
- Rationale C
  - Extremely fact-dependent
  - 20 examples
  - Particular emphasis on predictability and the reasonable expectations of those of ordinary skill in the art.

Consideration of Evidence

- Office Personnel to consider all rebuttal evidence
- If the evidence is deemed insufficient to rebut the *prima facie* case of obviousness, Office personnel should specifically set forth the facts and reasoning that justify this conclusion.
- Cites MPEP § 2141 and *Piasecki* 745 F.2d at 1473
- Includes 4 examples

Summary

- Stronger language about required findings should be useful in practice
- Examiner recitation of specific findings should be helpful in re-aligning PTO with "balanced inquiry" rather than "rejection machine."

Thanks!

Questions?

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Review of the Supreme Court's Recent Opinion In *Bilski*

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Bilski Background -1

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- Claimed method for managing consumption risk cost of a commodity
- Method claims only – no system claims
- No recitation of specific machine
- "Initiating a series of transactions"
- "Identifying market participants"

Bilski Background -2

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- Rejected by Examiner and BPAI
- CAFC -Machine-Or-Transformation Test
  - Tied to a particular machine or apparatus
  - Transforms article into different state or thing
  - Synthesis of SC cases, especially *Diehr*
- Sole test - discards all previous, including *State Street*
- Note: *Bilski* only addresses patentability of method claims, not machine, manufacture, or composition

Supreme Court's Opinion

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- Opinion – 16 pages
- Stevens Concurrence – 47 pages
- Breyer Concurrence – 4 pages

Supreme Court's Decision

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- *Bilski* is too abstract - Unanimous
- MOT is valuable, but not exclusive test
- Use language of §100(b) and "guideposts" of *Benson*, *Flook*, and *Diehr*
- *(b) The term "process" means process, art, or method, and includes a new use of a known process, machine, manufacture, composition of matter, or material.*
- Business method patents are not categorically excluded

Stevens Concurrence

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- Joined by Ginsburg, Breyer, and Sotomayor
- Agree with MOT as nonexclusive test
- Wants categorical exclusion of business method patents
  - Not in accord with historical precedents
  - Do not promote innovation

Scalia Maneuvering

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- Does not join in Opinion's Part II-B-2 and II-C-2 relating to historical denial of business methods
- Does join in Part II-C-1 – don't exclude
  - Definitional issue
  - 273(b)(1) - rights to practice business methods – supports business methods

Breyer Concurrence

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- Breyer and Scalia
- Part I – no business methods – No Scalia
- Part II – Consistent with Op and Stevens
  - 101 is limited
  - MOT is "the clue" to patentability
  - Never has been the sole test
  - State Street test is too broad

Excluding Business Methods Is a Bad Idea

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- "Claims related to business subject matter" vs. "business method claims"
- §101 – machine, manufacture, process, composition
- 1) *Bilski* only addresses "process"
- 2) Can claim using system claims
- 3) Definitional problem
- 4) "People will still be motivated"

Door is Still Open to Exclude

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- Stevens concurrence – 4 want them gone
- Opinion itself leaves the door open
- "Indeed, if the Court of Appeals were to succeed in defining a narrower category or class of patent applications that claim to instruct how business should be conducted, and then rule that the category is unpatentable because, for instance, it represents an attempt to patent abstract ideas, this conclusion might well be in accord with controlling precedent." p12

Who Got What They Wanted?

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- Comparison of what Bilski wanted and the PTO wanted
- How did I do in my predictions of December 2009?
- Continuing SC trends

Did Bilski Get What He Wanted?

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- Everything except laws of nature, natural phenomenon and abstract ideas [Pretty Much]
- Does not like the additional MOT test applicable to just one statutory class [MOT is not the sole test]
- Also patentable subject matter – tax avoidance, estate planning, how to resist a corporate takeover [Not categorically excluded]

Did the PTO win?

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- Limitation to the realm of the physical [Nope]
- Like the MOT test [MOT still useful]
- Want to keep the holding narrow [Yes]
- I guess the point I'm trying to make is simply that we don't want the Court, for instance, in the area of software innovations or medical diagnostic techniques to be trying to use this case as the vehicle for identifying the circumstances in which innovations of that sort would and would not be patent eligible, because the case really doesn't present any -- any question regarding those technologies.

My *Bilksi* Predictions

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- Lots of possible outcomes [Always]
- Hope for smart law clerks [Always]
- Most likely to soften MOT to make it non-exclusive [Oh Yeah]
- May add additional language about applied knowledge [Stevens concur]

Continuing SC Trends

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- The Supreme Court does not like rules
- Comparison to KSR
  - SC removed TSM as sole 103 test, but still useful
- E-bay – no "automatic injunction"

Impact of *Bilski*

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- PTO – already implemented MOT - likely to stay, but some wiggle room
- Drafting patent apps – include variety –method, system, method with machine
- American innovation – not hamstrung by categorical exclusion of business methods
- Increased litigation – Standard is unclear, therefore plaintiff's patent does not clearly meet standard – defendant may be motivated to attack it

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QUESTIONS?