

Tuesday, May 1, 2007

Intellectual Property Update: U.S. Supreme Court Issues Two Patent Law Decisions

By Bruce E. Dahl and Susan E. Chetlin

Years can go by before the United States Supreme Court issues a decision affecting patent law in the United States. Today was remarkable because the Supreme Court issued two patent law decisions. We touch on the highlights of each of these two important cases:

KSR International Co. v. Teleflex, Inc.:

The Supreme Court reaffirmed the traditional test for obviousness, the so-called teaching, suggestion, motivation (TSM test) that has been applied for decades by courts and the U.S. Patent Office. However, in reversing the Federal Circuit, the Supreme Court rejected a rigid, formalistic application of the TSM test that would prevent recourse to “common sense” and allow “predictable variations” and “ordinary innovations” to be improperly patented.

The case involved a patent to an adjustable automobile pedal assembly having an electronic sensor on the gas pedal. The electronic sensor transmits the pedal’s position to a computer that controls the engine throttle. When Teleflex sued KSR for patent infringement, KSR asserted that the patent was obvious in view of known adjustable pedal assemblies and known electronic sensors.

In re-affirming its prior precedents, including its seminal decision in *Graham v. John Deere*, the Supreme Court explained that the obviousness test is based on whether a combination of elements would have been obvious to a person having “ordinary skill in the art,” and not on whether the combination was obvious to the patentee, or whether the prior art was trying to solve the same problem as the patentee. Many factors may be considered, including whether the invention resulted from “ordinary skill and common sense” and whether design trends are driven by market demand or the scientific literature. In short, the Supreme Court re-iterated that the test for obviousness is a flexible one and may take into account many factors.

While reversing the Federal Circuit in this particular case, the Supreme Court acknowledged that the Federal Circuit has applied the appropriate flexibility to the TSM test in many cases, therefore leaving intact many prior obviousness determinations. It remains to be seen how the *KSR* decision will affect the Patent Office’s obviousness determinations, if at all.

Microsoft v. AT&T

In *Microsoft v. AT&T*, a decision involving the extraterritorial reach of U.S. patent protection, the Supreme Court held that software can be shipped abroad on a master disk, copied abroad, installed on computers abroad, all without infringing a U.S.

quick links

- [Intellectual Property Attorneys](#)
- [Intellectual Property Practice](#)
- [All Fennemore Craig Updates](#)
- [Contact Us](#)
- [Acrobat Reader](#)

Phoenix
3003 N. Central Ave.
Suite 2600
Phoenix, AZ 85012-2913
(602) 916-5000

Tucson
One S. Church Ave.
Suite 1000
Tucson, AZ 85701-1627
(520) 879-6800

Nogales
420 W. Mariposa Rd.
Suite 200
Nogales, AZ 85621-1074
(520) 281-3480

Las Vegas
300 S. Fourth St.
Suite 1400
Las Vegas, NV 89101
(702) 692-8000

Denver
1700 Lincoln
Suite 2625
Denver, CO 80203-4500
(303) 291-3200

patent, despite the extraterritorial reach of §271(f)(1) of the patent statute. Section 271(f)(1) defines as an infringer under U.S. law anyone who “supplies” uncombined “components of a patented invention” from the United States and causes “such components” to be combined abroad in a manner that would infringe a U.S. patent had the components been combined here.

Microsoft shipped a so-called “golden disk” – a master version of software – abroad where it was replicated and installed on computer equipment there. AT&T sued Microsoft in the U.S. for infringing AT&T’s recorded speech processing software as a result of both Microsoft’s U.S. activities, as well as Microsoft’s activities in shipping the “golden disk” abroad, copying it and installing the copies on foreign computers. Microsoft conceded that its activities in the U.S. directly infringed AT&T’s patent; however, it denied infringement under §271(f)(1).

In concluding that Microsoft had not infringed §271(f)(1), the Supreme Court held that software, which is not in computer readable form, is not a “component” within the meaning of the statute because it cannot be installed on a computer, and thus it cannot be “combined” with other components in an infringing manner. In addition, since the software Microsoft sent from the U.S. had to be copied before it could be combined with other components, the Supreme Court held that Microsoft did not “supply” components from the U.S. either, within the meaning of §271(f)(1). In reaching this result, the Supreme Court construed the statute strictly, being mindful of the presumption against extraterritorial expansion of U.S. laws.

Thus, in order to be considered a “component,” the actual software installed on the foreign computers would have to be the precise software shipped from the U.S. While acknowledging the statute failed to address what AT&T termed a “loophole” that permitted foreign copying of software and its subsequent installation, the Supreme Court said that the “loophole” in our judgment, is properly left for Congress to consider, and to close if it finds such action warranted.” 550 U.S. ____ (2007), Slip. Op. at 17. Those, like AT&T, who wish to protect their inventions from foreign software copying activities have two choices: patent their inventions in foreign countries or persuade Congress to change the law.

For more information about these two decisions, please contact Bruce Dahl or Sue Chetlin in our new Denver office.

Bruce E. Dahl focuses his practice in intellectual property and business and finance law. Mr. Dahl is a registered patent attorney and is a member of the firm’s intellectual property practice group. Mr. Dahl has extensive experience in all aspects of intellectual property law, including U.S. and foreign patent prosecution, patent infringement studies, design-around efforts, intellectual property licensing, technology development agreements, trademarks, copyrights, and agreements relating to intellectual property. He earned his B.S., (1984) from the University of Colorado and his J.D., (1988) from the University of Denver.

Susan E. Chetlin focuses her practice in intellectual property, copyright and business and finance law. Ms. Chetlin is a registered patent attorney and a member of the firm’s intellectual property group. Ms. Chetlin has extensive experience in intellectual property matters, including U.S. and foreign patent prosecution, licensing, technology development and other intellectual property agreements, intellectual property ownership issues, infringement and design-around issues, as well as trademark, copyright and trade secret matters. She earned her A.B., (1979) from Princeton University and her J.D., (1984) from the University of Virginia.



Bruce E. Dahl
Director
303.291.3205
bdahl@fclaw.com



Susan E. Chetlin
Director
303.291.3211
schetlin@fclaw.com



Rodney J. Fuller
Of Counsel
602.916.5404
rfuller@fclaw.com



Susan Stone Rosenfield
Of Counsel
602.916.5317
srosenfield@fclaw.com