

# Nonobviousness, the Federal Circuit, and the “Suggestion Test”: An Empirical Study of Recent Case Law

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# Nonobviousness and the “Suggestion Test”

- *Graham v. John Deere Co.*:
  - (1) identify the “scope and content of the prior art”;
  - (2) determine the “differences between the prior art and the claims”; and
  - (3) ascertain “the level of ordinary skill in the pertinent art.”
- “Against this background, the obviousness or nonobviousness of the subject matter is determined.”
- Leaves Gap Between Three Inquiries and Ultimate Determination

# Nonobviousness and the “Suggestion Test” (cont’d)

- Gap is Filled by the “Suggestion Test”
- Case law recites three sources from which a suggestion may be either explicitly or implicitly found:
  - (a) the prior art references themselves;
  - (b) the knowledge of those of ordinary skill in the art;  
and
  - (c) the nature of the problem to be solved.
- This is the “**Broad**” Suggestion Test

# Recent Criticism

- FTC 2003 Report → Federal Circuit Relaxed Nonobviousness Standard
  - Asserts Court Applies “**Narrow**” Suggestion Test
  - Focus on Only Prior Art References for Suggestion
- NRC 2004 Report → Need to Reinvigorate Nonobviousness Standard
  - Worry About Lack of Prior Art References in Business Method Area
- Amicus Briefs in *KSR Int’l v. Teleflex Co.*
  - Focus, in part, on Federal Circuit’s Use of Narrow Suggestion Test

# Empirical Investigation of Recent Federal Circuit Case Law

- Test the Assumptions Behind Recent Criticism
  1. Federal Circuit Generally Favors Nonobviousness
  2. Federal Circuit Employs a Narrow Suggestion Test
- Make Two Passes
  1. **Macro-View** – Aggregate of Cases Over Last Three Years
  2. **Micro-View** – Analysis in Nonobviousness Opinions Over Last Three Years

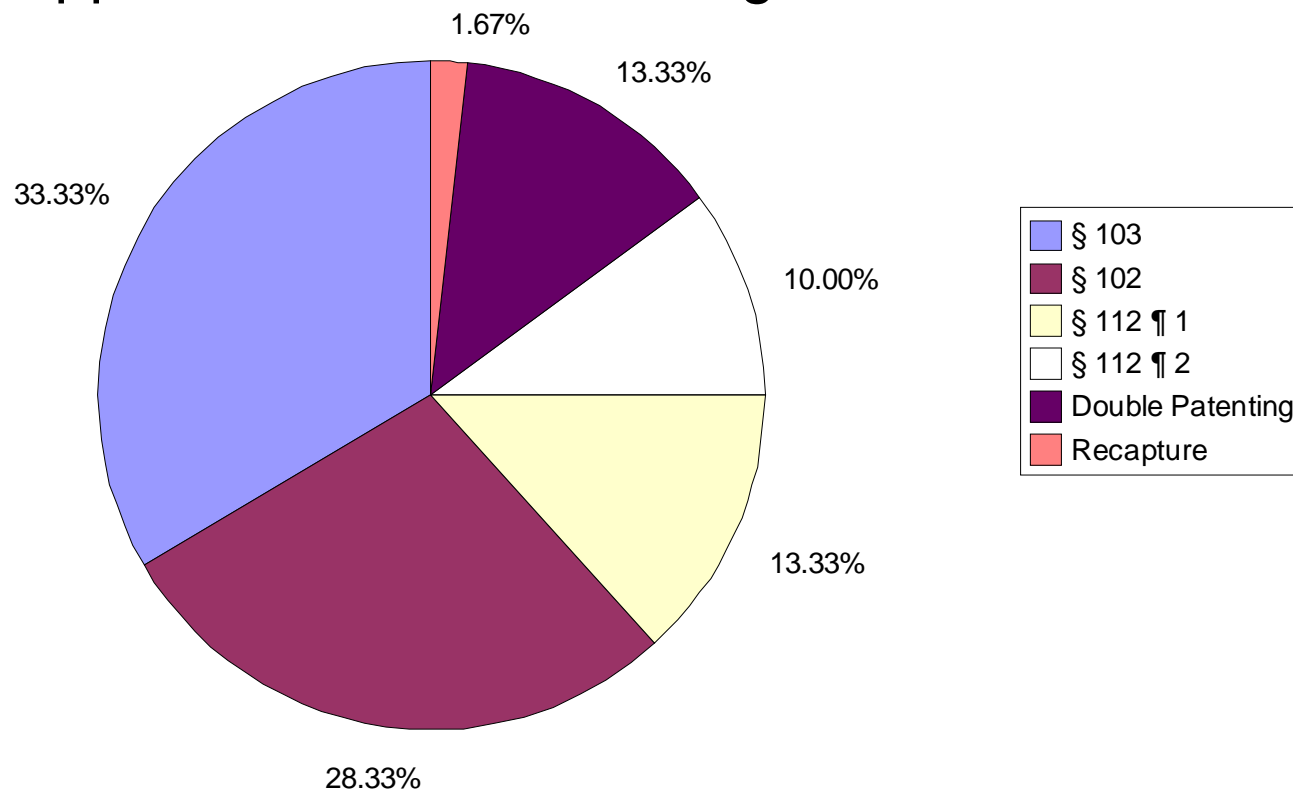
# Macro-View

- Parameters of Population Studied:
  - Federal Circuit Opinions Issued from August 31, 2002 to September 1, 2005
  - All Written Opinions That Contain Either:
    - Final Judgment on Validity
    - Any Determination on the Issue of Nonobviousness
- Data Collected on a Per Patent Basis
- Similar Parameters as Used in the Population Studies by Lunney 2001 and Allison & Lemley 1998

# 1. Comparing the Basis for the Federal Circuit's Finding of Invalidity in Final Judgments

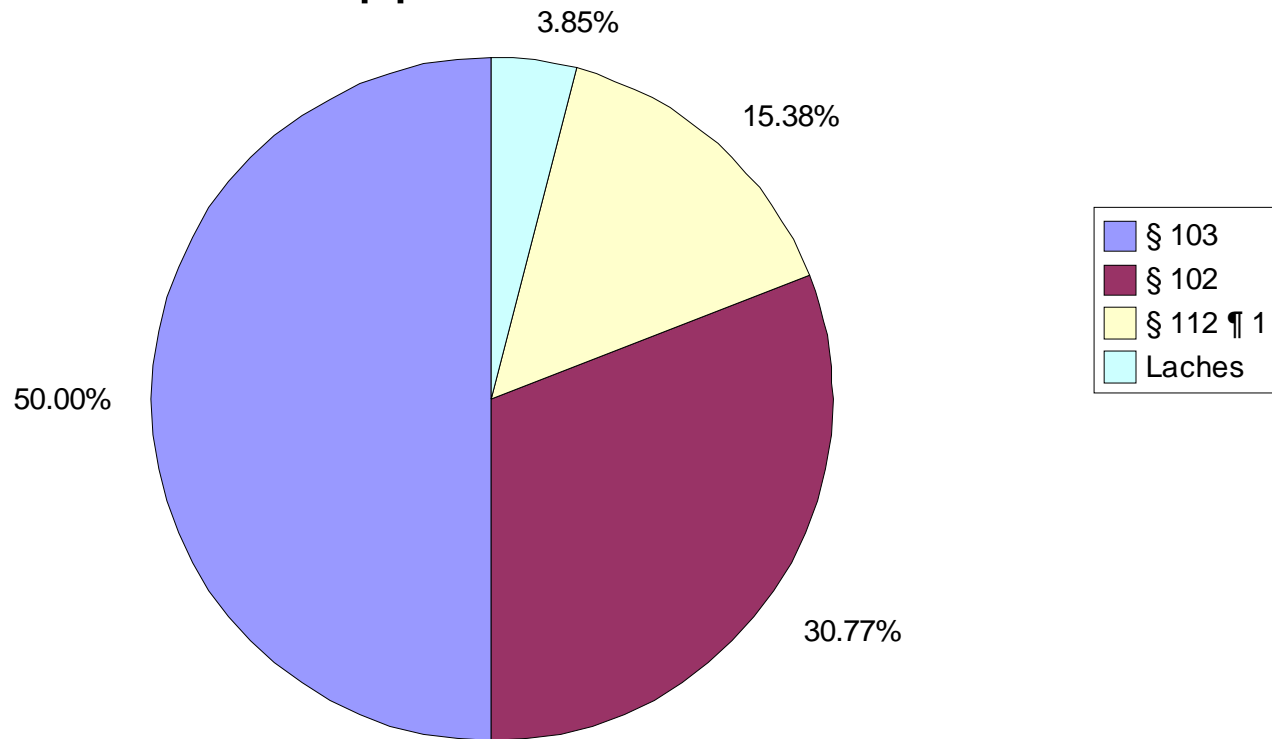
## - How Does Obviousness Compare?

Figure 1a: Basis for Finding of Invalidity in Appeals from Patent Infringement Decisions



# 1. Comparing the Basis for the Federal Circuit's Finding of Invalidity in Final Judgments (cont'd)

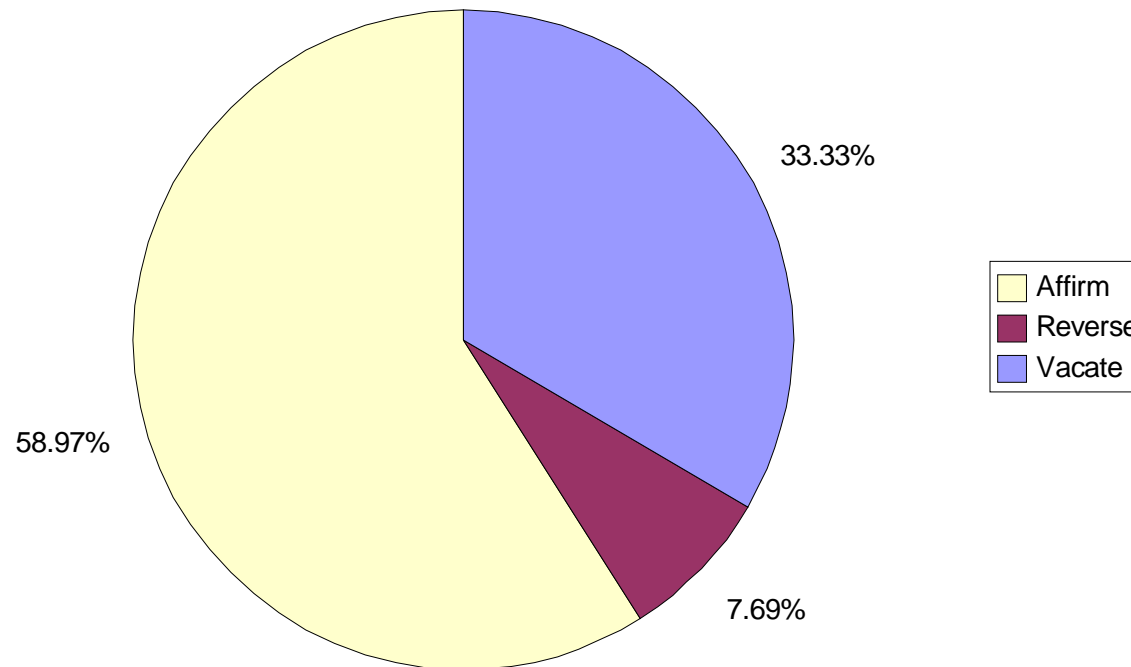
Figure 1b: Basis for Finding of Invalidity in Appeals from the USPTO



## 2. The Federal Circuit's Review of Findings of Nonobviousness

### - Does the Court Favor Findings of Nonobviousness?

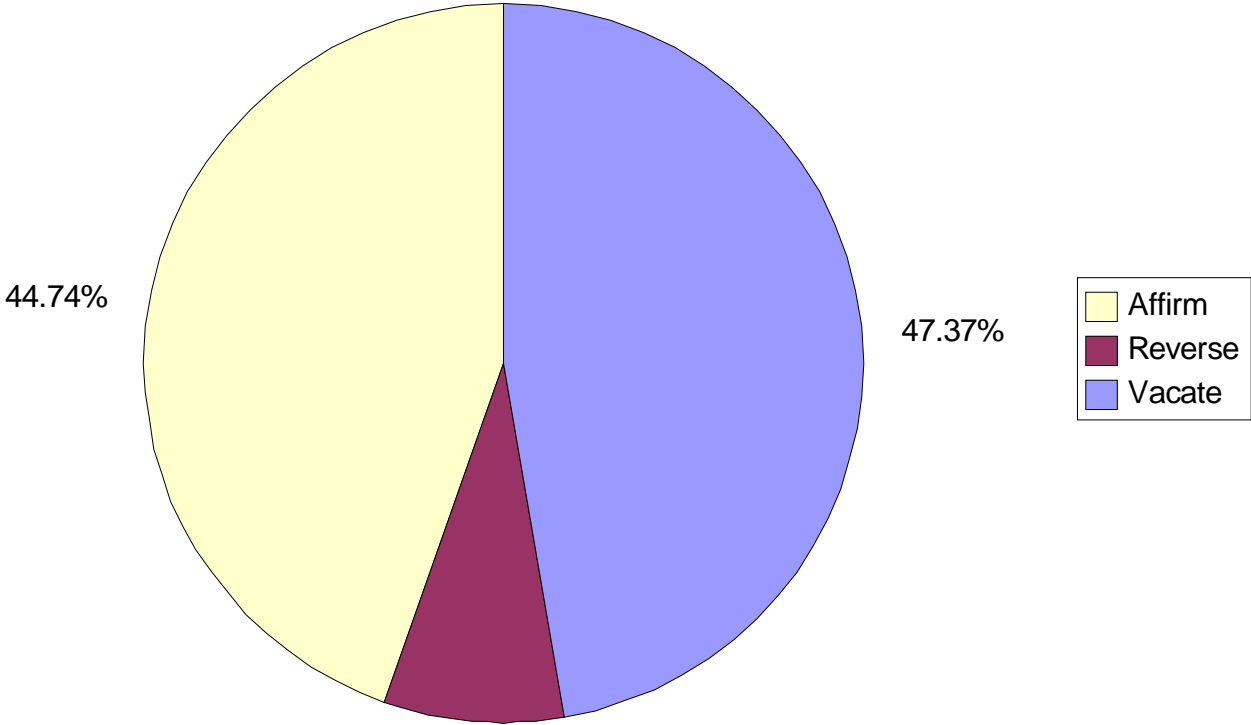
Figure 2: Treatment of Finding of Nonobviousness in Appeals from Patent Infringement Decisions



# 3. The Federal Circuit's Review of Findings of Obviousness

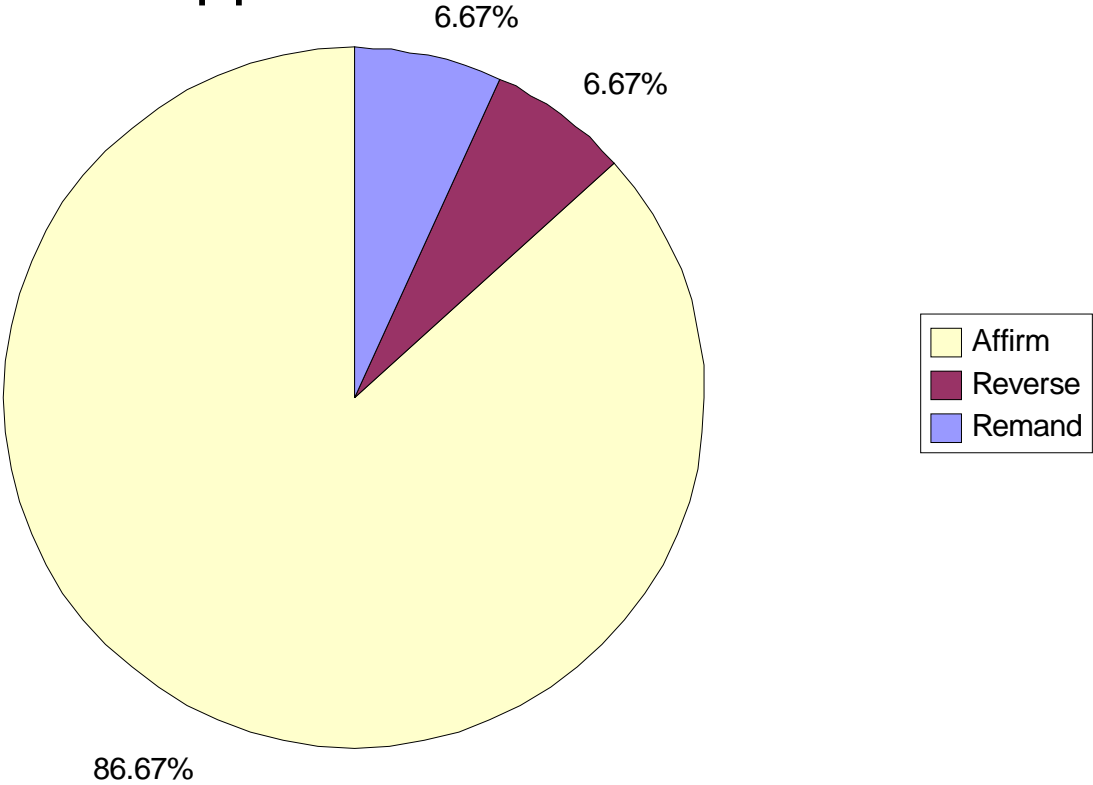
- Does the Court Disfavor Findings of Obviousness?

Figure 3a: Treatment of Finding of Obviousness in Appeals from Patent Infringement Decisions



# 3. The Federal Circuit's Review of Findings of Obviousness (cont'd)

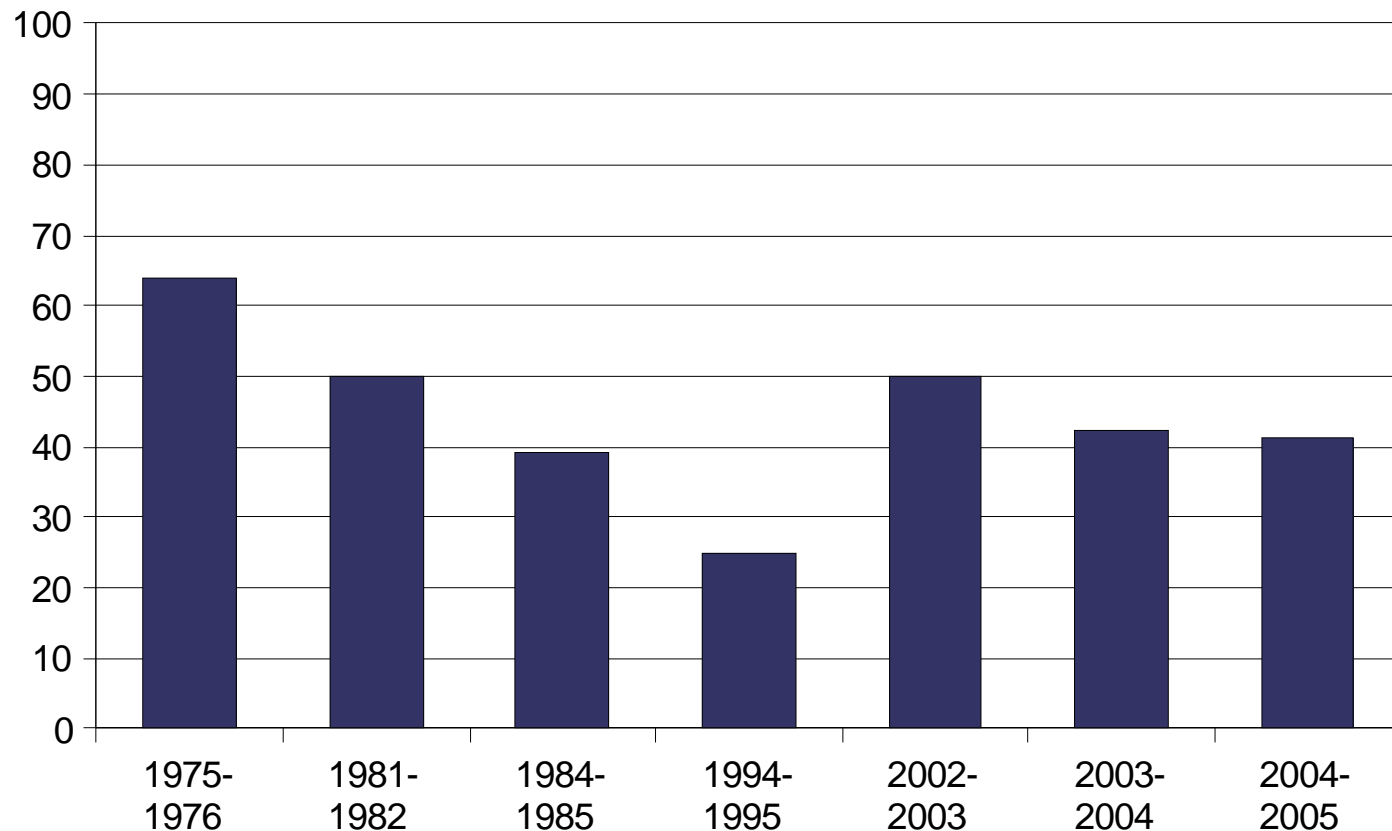
Figure 3b: Treatment of Finding of Obviousness in Appeals from the USPTO



## 4. Invalidity Based on Obviousness Over Time

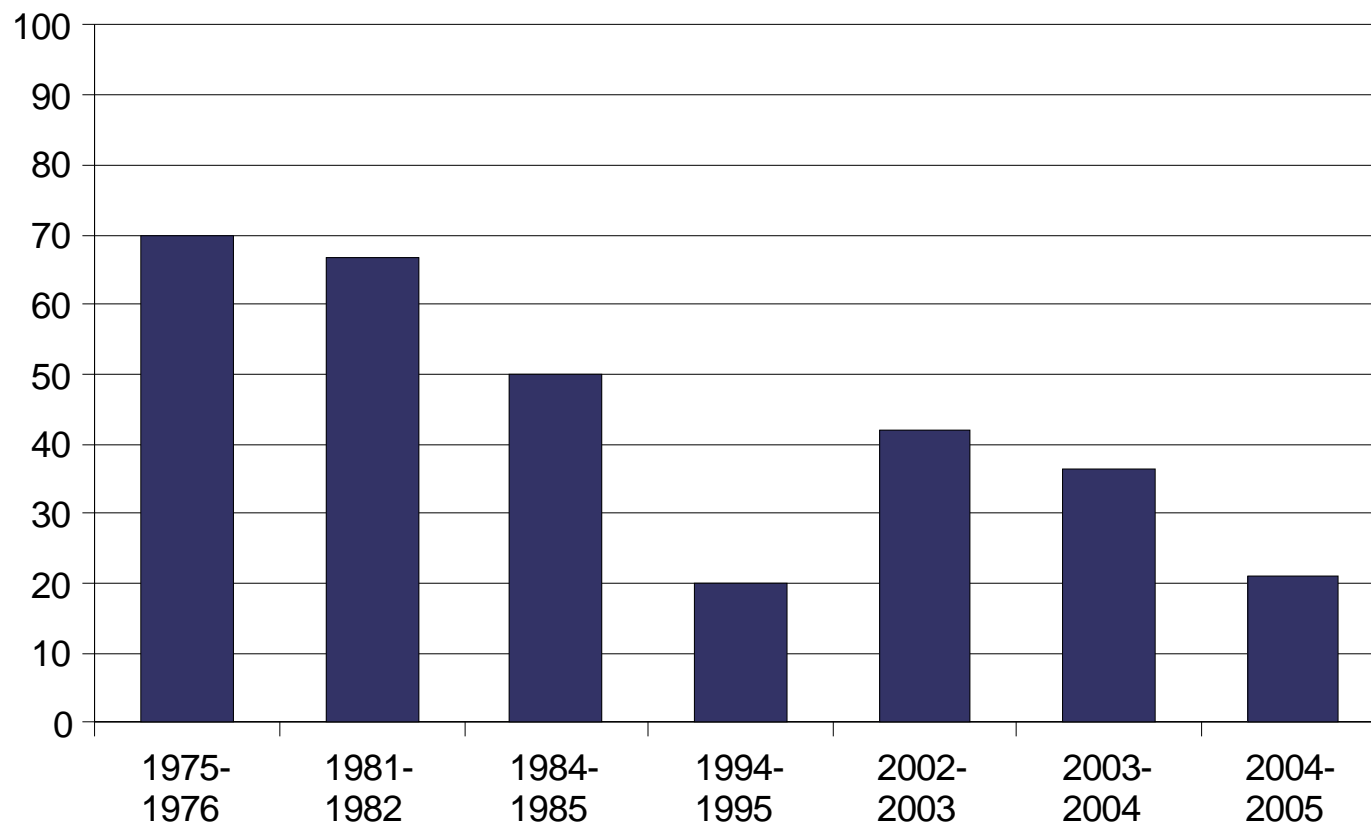
### - Has Obviousness Findings Decreased Over Time?

Figure 4a: Percentage of Patents Held Invalid Where Validity at Issue and Decided



## 4. Invalidity Based on Obviousness Over Time (cont'd)

Figure 4b: Percentage of Invalid Patents Found Invalid for Obviousness



# Macro-View – Initial Conclusions

- Obviousness Still Main Basis for Invalidity
- Court Handles Appeals from Obviousness and Nonobviousness About the Same – 50/50
- EXCEPT from USPTO – Clear Bias Towards Obviousness
- No Clear Trend Over Time
- BUT Invalidity Rate Pretty Steady at 40-50%

# Micro-View

- Macro Does Not Address Both Assumptions in Recent Criticism
- Micro-View Looks Closer – See:
  - What Suggestion Test Does the Court Really Use?
  - Does the Type of Suggestion Test Make a Difference with Regards to the Outcome?
- Examine Analysis in All Cases Considering Nonobviousness Over the Past Three Years
- Use Part of Population from Macro-View
- Includes Total of 69 Cases (92 Patents)

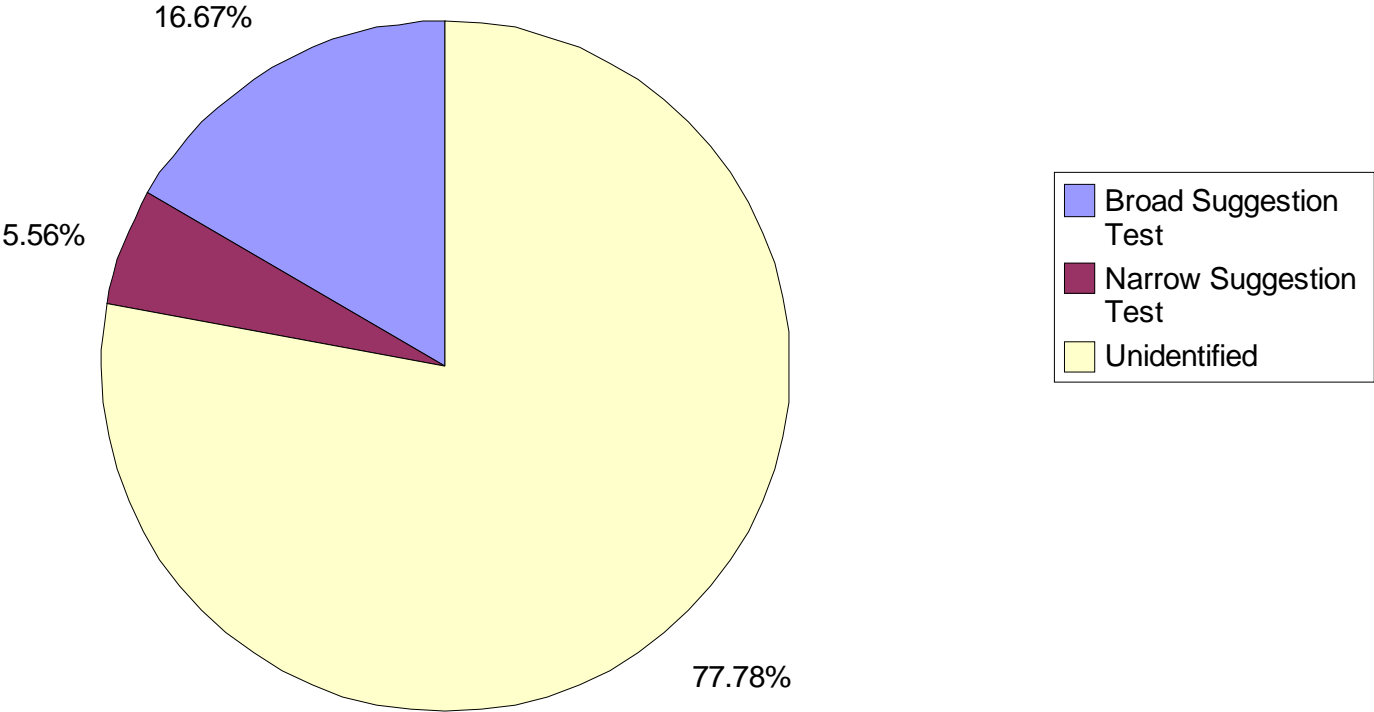
## 5. The Specific Type of Suggestion Test Used

### - Does the Court Use a “Narrow” Suggestion Test?

- Not All 69 Opinions Provide Information to Adequately Answer This Question:
  - Some Do Not Discuss the Suggestion Test (20 Cases)
  - Others Are Only Confronted With Prior Art (37 Cases)
- Leaves Only 12 Cases that Expressly Use the Broad or Narrow Suggestion Test:
  - 8 Use Broad Suggestion Test
  - 4 Use Narrow Suggestion Test

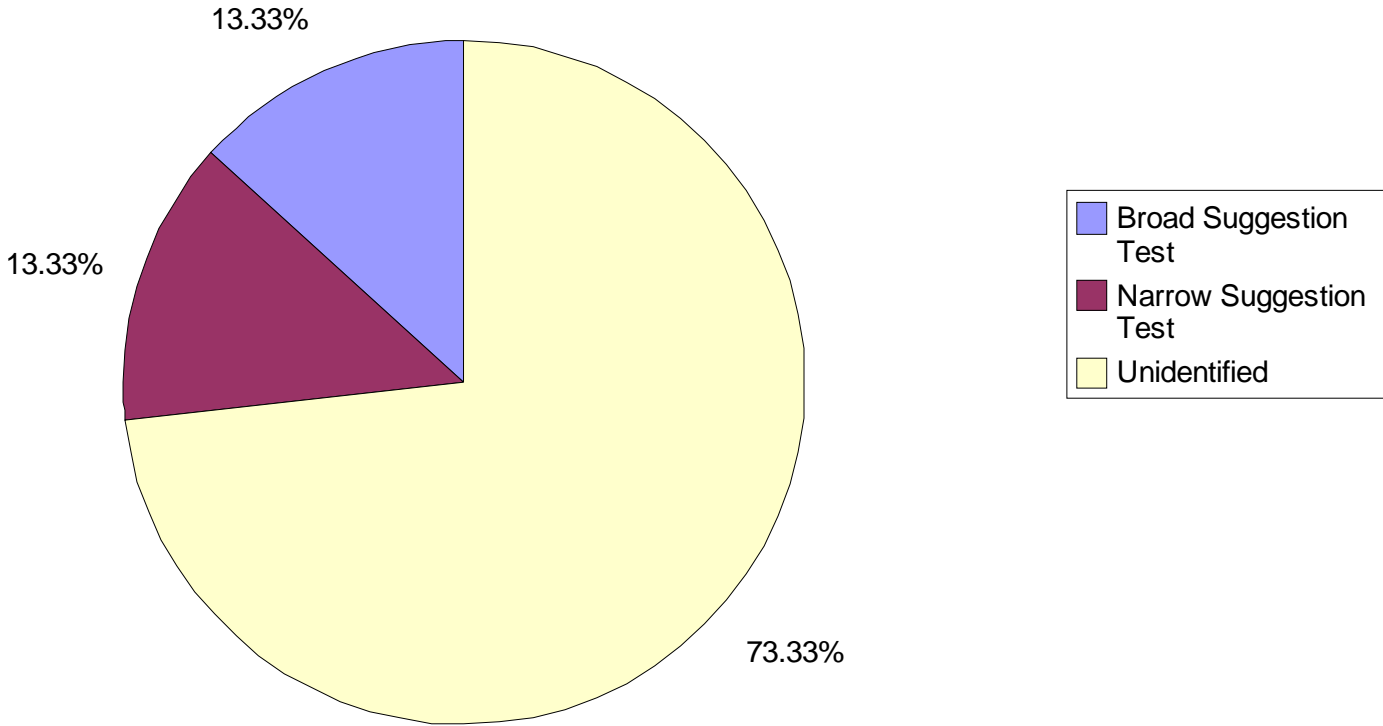
# 5. The Specific Type of “Suggestion Test” Used (cont’d)

Figure 5a: Suggestion Test Used in Appeals from Patent Infringement Decisions



# 5. The Specific Type of “Suggestion Test” Used (cont’d)

Figure 5b: Suggestion Test Used in Appeals from the USPTO



## 6. Relationship Between Type of “Suggestion Test” and Outcome on Nonobviousness Issue

- Direct effect in 11 of 12 cases
  - Broad Favors Obviousness
  - Narrow Favors Nonobviousness
  - One Broad Application Still Results in Vacate of Obviousness Finding
- But Appears to Have No Effect in Other 57 Cases
  - Of 37 Cases Where Court Confronts Only Prior Art, Results Are About Even

# Micro-View – Initial Conclusions

- Type of Suggestion Test Used Plays Small Role in Nonobviousness Jurisprudence
- Litigants Seem to Be Prior Art Focused
  - Perception of Narrow Suggestion Test?
  - Cases Settling in Patentees Favor Because of Perceived Narrow Suggestion Test?
- Thus, Not a Good Target for Reform
- However, Court Should Follow Precedent