No. 04-1350

In the Supreme Court of the United States

KSR INTERNATIONAL CO.,

Petitioner,

v.

TELEFLEX INC. and TECHNOLOGY HOLDING CO.,

Respondents.

On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF OF ALTITUDE CAPITAL PARTNERS, EXPANSE NETWORKS, INC., INFLEXION POINT STRATEGY, LLC, INTERDIGITAL COMMUNICATIONS CORP., IPOTENTIAL, LLC, OCEAN TOMO, LLC, AND ONSPEC ELECTRONIC INC. AS *AMICI CURIAE* IN SUPPORT OF RESPONDENTS

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INTEREST OF THE *AMICI CURIAE*[1]

As ideas increasingly become the essential raw material of the American economy, intellectual property rights are becoming an increasingly significant form of asset. See, *e.g.*, *A Market for Ideas*, ECONOMIST, Oct. 22, 2005. The ability to trade such rights – like other forms of property – in order to optimize their utilization is therefore increasingly important. *Amici* are all firms whose stock-in-trade is intellectual property rights and whose livelihood depends on the ready transferability of those rights. Some *amici* take advantage of familiar types of transactions in intellectual property rights, such as licensing. Others are developing new transaction models, such as patent brokerage and intellectual property investment banking. All, however, have a common interest in seeing that settled, reasonably workable standards of patentability are not upset.

InterDigital Communications Corporation develops technology for the wireless communications industry. The firm, founded in 1972 and publicly listed since 1981, employs approximately 240 engineers. It derives much of its revenues

[1] All parties have consented to the filing of this brief. The parties' blanket consents have been lodged with the Clerk of the Court. Pursuant to Rule 37.6, *amici curiae* state that no counsel for a party has written this brief in whole or in part and that no person or entity other than the *amici curiae* or their counsel has made a monetary contribution to the preparation or submission of this brief.

from licensing its patents to companies that manufacture cellular telephones and other mobile terminal devices.

OnSpec Electronic Inc., founded in 1989, develops semiconductors and products that enable computers and memory devices to work together. OnSpec's technology has been adopted by many of the world's leading electronics companies. OnSpec has protected its innovations with over two dozen patents, which its corporate family licenses to manufacturers of electronic components.

Expanse Networks, Inc., was founded by a physicist and engineer who works largely as a sole inventor. Expanse Networks has previously developed and sold a set of patents covering targeted television advertising technology and is currently innovating in the area of bioinformatics.

Ocean Tomo, LLC, established in 2003, is a merchant banc for intellectual property. Ocean Tomo, among other services, provides advice on transactions and valuation, and it invests in companies with promising intellectual property to assist them in their commercialization activities. Ocean Tomo publishes a public stock index (AMEX: OTPAT) of companies with especially valuable patents, and earlier this year the firm conducted a live public patent auction. See, *e.g.*, Don Clark, *Inventors See Promise in Large-Scale Public Patent Auctions*, WALL ST. J., March 9, 2006.

Inflexion Point Strategy, LLC is an intellectual property investment bank founded in 2004 by a patent attorney who formerly advised on complex corporate transactions in which intellectual property played a central role. Inflexion Point represents technology companies and private equity firms seeking to buy, sell, or invest in patents, either alone or as a component of a corporate merger, acquisition, or divestiture. An important part of Inflexion Point's business is helping clients to acquire patents for defensive use in preventing or settling infringement claims by competitors.

IPotential, LLC is a patent consultancy and brokerage. Inspired by the field of corporate finance, IPotential was founded in 2003 to serve as an advisor, broker, and negotiator specializing in patent transactions. Its clients are typically individual patent holders, universities, and smaller companies seeking to take advantage of intellectual property assets through the acquisition, sale, and licensing of patents.

Altitude Capital Partners invests in patents as well as the firms that own them. By specializing in the valuation and enforcement of intellectual property rights, Altitude serves, as one commentator has put it, as an intermediary "to exploit the value of patents that cannot be exploited effectively by those that have originally obtained them." Ronald J. Mann, *Do Patents Facilitate Financing in the Software Industry?*, 83 TEX. L. REV. 961, 1024 (2005). Relatedly, Altitude seeks to enter arrangements in which it purchases patents from inventors. For example, Altitude has agreed to give one inventor, a research scientist, an up-front payment for his rights to a stream of royalties that a large corporation had previously agreed to pay the scientist to license his patents on magnetic resonance imaging (MRI) technology. The scientist will use the payment as seed capital for a new innovative venture. The arrangement, which allows each party to focus on what it does best, illustrates how capital and patents can work together in a cycle that enhances innovation by placing technology rights in the hands of those best able to use them.

Each of the undersigned *amici*, therefore, plays an important role in the market for intellectual property rights. Some *amici* use intellectual property rights to protect their inventions, which they then make available to others to commercialize. See, *e.g.*, Bruce V. Bigelow, *Patent Payoff*, SAN DIEGO UNION-TRIB., May 14, 2006 (explaining the importance of licensing programs to technology companies); see also *eBay Inc.* v. *MercExchange, L.L.C.*, 126 S. Ct. 1837, 1840 (2006) ("[S]ome patent holders * * * might reasonably

prefer to license their patents, rather than undertake efforts to secure the financing necessary to bring their works to market themselves."). Others serve as intermediaries, adding liquidity to what has historically been an illiquid market. See, *e.g.*, *The Liquidity of Innovation*, ECONOMIST, Oct. 22, 2005. These *amici*, by contributing ideas and capital, create a robust market for inventions and thus increase incentives to invent.

Amici are interested in this case because they crucially depend on the predictability and objectivity of patentability determinations. As an illustration, a research-and-development venture of the kind typified by OnSpec Electronic will find it more difficult to attract financing for its activities if potential investors cannot evaluate the likelihood that the venture's pending patent applications will be approved or that its issued patents will be enforced. Similarly, a firm like Altitude Capital Partners will be less inclined to back an independent inventor, or will do so only on much less favorable terms that diminish incentives to innovate, if Altitude cannot predict with reasonable confidence whether the inventor's patents will be upheld in court.

Because the proposals urged by petitioner and its *amici* would undermine the predictability and objectivity that are crucial to a healthy market for intellectual property rights, *amici* will explain the significance of those goals, and how the Federal Circuit's precedents achieve them. As the American economy comes to depend increasingly on intellectual rather than physical output, a market is evolving in which highly sophisticated actors buy, sell, invest in, and license intellectual property rights. A departure from settled standards would stymie that evolving market.

SUMMARY OF ARGUMENT

The motivation-to-combine inquiry at issue in this case requires a court or patent examiner who believes that a new combination of old elements is "obvious" to justify that deter-

mination by pointing to something – a teaching, suggestion, or motivation, be it explicit or implicit – that would have prompted the ordinarily skilled artisan to create that combination. Without such prompting, the invention cannot be said to be obvious. The purpose of this inquiry is to ensure that the obviousness determination is based on the application of reason to fact, rather than on pure say-so or hindsight. Petitioner and its *amici* would dispense with this standard and substitute in its place vague or untenable suggestions that have no warrant in precedent or common sense. The result would be to convert a determination currently based on knowable objective factors into one that is arbitrary and susceptible to hindsight. The ultimate result would be a failure to protect numerous deserving inventions, and a corresponding diminishment of the incentives to innovate in this country.

Innovation is the lifeblood of the American economy, and the patent system fosters it by creating incentives for the creation, disclosure, and ultimate commercialization of inventions. The protections afforded by the grant of property rights in inventions enable small entities like the undersigned *amici* to survive, compete, and innovate.

For the system to work properly, however, patentability at the procurement stage and patent validity after issuance must be predictable. If there is no clear understanding of what is and is not patentable, investment in innovation will be chilled, and the ready transfer of technology will be inhibited. In fact, the basic purpose of 35 U.S.C. § 103 was to create "uniformity and definiteness." *Graham* v. *John Deere Co.*, 383 U.S. 1, 17 (1966). To the chagrin of industry, that purpose was undermined by developments that followed this Court's decision in *Graham* and helped prompt the creation of the Federal Circuit in 1982. Also crucial to any regime of patentability is that the determination not be based on hindsight. The government and other *amici* downplay this phenomenon, but it is in the nature

of many important technical advances to appear obvious and even inevitable in retrospect.

The motivation-to-combine standard achieves these crucial goals, and does so by rendering the obviousness determination as objective as reasonably possible. The standard, which is consistent with international norms and rooted in decisions that long predate even Section 103, is precisely the sort of workable refinement that lower courts are supposed to develop in every area of the law. The standard, moreover, has never been as inflexible as petitioner and its *amici* suggest. And even if it were, the rational approach would be not to jettison the standard and start from scratch but rather to emphasize that implicit as well as explicit motivations satisfy the standard. If the existing standard were abandoned in favor of the proposals urged by petitioner and its *amici*, then, to the detriment of American competitiveness, countless deserving inventions would never have been protected, and, in the future, will never be protected. Relatedly, petitioner's *amici*'s proposals would wreak havoc in the business world by calling into question enormous numbers of issued patents and inviting endless litigation over patent validity.

In their quest to make infringement cheaper, petitioner and its *amici* do not offer a tenable alternative to the existing standard. Petitioner's focus on capability, not motivation, to combine has never been the law and is unworkable. Since nearly all inventions are based on new combinations of old elements, petitioner's proposal effectively factors creativity out of the patent laws. Moreover, petitioner's *amici*'s argument that the current standard poses evidentiary problems in certain industries ignores the realities of patent litigation and examination, and in particular the role of expert testimony and the ability of examiners to rely on facts within their knowledge.

Petitioner's *amici* fail to substantiate in any way their allegation that the Federal Circuit standard is responsible for poor patent quality. Two or three cherry-picked examples –

examples that, examined closely, are not even particularly troubling – are hardly evidence of broad systemic problems. The real source of problems with patent quality is the U.S. Patent and Trademark Office ("PTO"), which has been notoriously backlogged, underfunded, understaffed, and overworked. The substantive law governing patentability should not be changed merely to address administrative issues at the PTO. The existing standards, although lambasted by petitioner and its *amici*, have successfully encouraged innovation for decades, and they facilitate precisely the sorts of transactions on which the health of the American economy increasingly depends. This Court should not disturb them.

ARGUMENT

I. For The Patent System To Promote Investment In Innovation, Determinations Of Patent Validity Must Be Predictable, And Must Not Fall Victim To Hindsight

A. Patent systems – U.S. and foreign – promote innovation by creating a set of inter-related incentives. This Court's cases emphasize how the patent system creates incentives to invent and to disclose inventions to the world. *E.g.*, *Eldred* v. *Ashcroft*, 537 U.S. 186, 216 (2003); *Bonito Boats, Inc.* v. *Thunder Craft Boats, Inc.*, 489 U.S. 141, 150-151 (1989). These pre-patent incentives are very real and are illustrated by entities like pharmaceutical companies, professional inventors (such as the founder of *amicus* Expanse Networks), and research-and-development companies (such as *amicus* OnSpec Electronic).

This Court has occasionally mentioned a related but distinct – and, in this case, equally important – set of incentives. See *Festo Corp.* v. *Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722, 730-731 (2002) (patent "clarity is essential to promote progress, because it enables efficient investment in innovation"). *After the patent has issued* – or in expectation of its issuance – the rights it confers make it possible to attract

investment for the purpose of commercializing the invention claimed by the patent. It is always risky to bring something new to market, and it is the promise of the limited monopoly conferred by the patent grant – the assurance that the fruits of the investment will not be appropriated by anyone who figures out how to copy the product – that makes the investment attractive. See, *e.g.*, *Verizon Commc'ns Inc.* v. *Law Offices of Curtis V. Trinko, LLP*, 540 U.S. 398, 407 (2004) ("The opportunity to charge monopoly prices – at least for a short period – is what attracts 'business acumen' in the first place; it induces risk taking that produces innovation and economic growth."). As Judge Jerome Frank once summed up, referring to a type of competition that is vital to the health of the economy: "The David Co. v. Goliath, Inc. kind of competition is dependent on investment in David Co. – the small new competitor. And few men will invest in such a competitor unless they think it has a potential patent monopoly as a slingshot." *Picard* v. *United Aircraft Corp.*, 128 F.2d 632, 643 (2d Cir. 1942) (concurring opinion).[2]

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[2] This essential function of the patent system was on the minds of those who drafted the 1952 patent statute and has been presented to Congress both before and since. In 1942, Giles S. Rich – the dean of American patent law for much of the 20th century and one member of the two-person committee that drafted what was to become the 1952 Act – noted that three years earlier the Commissioner of Patents had testified to Congress: "[S]peculative capital will not back new inventions without the patent protection. And in the final analysis this is the crux and the most important thing in the whole patent question." Quoted in Giles S. Rich, *The Relation Between Patent Practices and the Anti-Monopoly Laws*, 24 J. PAT. OFF. SOC'Y 85, 179-180 (1942). See also SUBCOMM. ON PATENTS, TRADEMARKS, AND COPYRIGHTS, PROPOSALS FOR IMPROVING THE PATENT SYSTEM, S. Doc. No. 85-21, at 1 (1st Sess. 1957) (declaring that the patent system "has three great objectives," the second being "to create conditions whereby the venture of funds to finance the hazardous introduction into public use of new devices or processes will be

It is the combination of incentives created by the patent system that allows small entities like a number of the undersigned *amici* to compete in the contemporary American economy, and to foster further innovation. Without protection for their intellectual property, smaller firms would be unable to attract financing and survive. The result would be greatly diminished diversity and therefore less innovation. See, *e.g.*, U.S. SMALL BUSINESS ADMIN. OFFICE OF ADVOCACY, FREQUENTLY ASKED QUESTIONS 1 (2005), http://www.sba.gov/advo/stats/sbfaq.pdf (Small businesses "[p]roduce 13 to 14 times more patents per employee than large patenting firms. These patents are twice as likely as large firm patents to be among the one percent most cited."); WENDY H. SCHACHT & JOHN R. THOMAS, PATENT REFORM: INNOVATION ISSUES 10 (Congr. Res. Serv. July 15, 2005) (describing individuals and small entities as "a significant source of innovative products and services").

The contributions to the commercial marketplace of such smaller firms depend on those firms' ability to form contracts based on their intellectual property rights. Those contributions, moreover, are facilitated by the existence of intermediaries that

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warranted. This is done by protecting the industrial pioneer for a limited time against the uncontrolled competition of those who have not taken the initial financial risk."); *Federal Courts Improvement Act of 1979: Addendum to Hearings Before the Subcomm. on Improvements in Judicial Machinery of the Senate Comm. on the Judiciary*, Serial No. 96-24, at 67 (1979) [hereinafter *Addendum to 1979 Hearings*] (statement of Harry F. Manbeck, Jr., general patent counsel, General Electric Co.) ("Patents, in my judgment, are a stimulus to the innovative process, which includes not only investment in research and development but also a far greater investment in facilities for producing and distributing the goods."). The scholarly literature takes at least occasional note of this point as well. See, *e.g.*, Edmund W. Kitch, *The Nature and Function of the Patent System*, 20 J.L. & ECON. 265 (1977).

specialize in the valuation, licensing or sale, and, when necessary, enforcement of intellectual property rights. The entire economy thus benefits when the market for intellectual property rights is as liquid and transparent as possible. Each of the undersigned *amici*, therefore, is a living illustration of the proper functioning of the patent system. In different ways, each forms part of a cyclical ecology in which invention is encouraged and commercialization is made possible by the availability of capital in conjunction with the ready transferability of intellectual property rights.

B. For this system to work, however, patent validity must be predictable at every stage. Investment in innovation is chilled when patentability is not predictable. "When decisions are being made [in the board or budget committee room], the gambler's spirit is low and any minor cold water on a request for research" – including uncertainty in the patent laws – "is apt to militate against a favorable research decision."[3] Similarly, without predictability, investors will be less likely to back independent innovators at both the pre-application and post-application stages. See Br. of IBM Corp. in Support of Neither Party 4 (without clarity and predictability respecting patentability, "the public cannot discern the scope of the patent until after all infringement litigation has concluded and will not invest in innovative products that might potentially fall within the patent's scope"). Licensing transactions will become less

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[3] *Addendum to 1979 Hearings*, *supra*, at 56 (statement of Donald R. Dunner, consultant to the Commission on Revision of the Federal Court Appellate System); see also *id*. at 67-68 (statement of Harry F. Manbeck, Jr., general patent counsel, General Electric Co.) ("The businessman wants to know if a patent is likely to be sustained or overturned and not that his chances are at one percentage level if the trial occurs in one circuit and at another percentage level if it occurs in another circuit. * * * [I]t is important to those who must make * * * investment decisions that we decrease unnecessary uncertainties in the patent system.").

efficient because the parties will have poor information about the value of the right being bargained for.[4]

In short, without predictability as to validity and patentability, innovation would suffer. The only winners would be a small subset of corporations – including the computer industry players supporting petitioner here – that do not depend on the patent system because they are so dominant.[5]

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[4] See *Addendum to 1979 Hearings*, *supra*, at 65 (statement of Homer O. Blair, patents and licensing vice president, Itek Corp.) ("I spend a lot of my time evaluating patents, what the value of these patents are, whether we can avoid them, and related matters. My management wants to get opinions from me as to what is the value of these patents that we are prepared to pay money to get a license under * * *. It isn't a very good answer to say, well, it depends on where somebody is going to file a patent suit. Patent law * * * should be uniform throughout the country.").

[5] Some of these firms have made a deliberate decision to infringe patents. As the former chief technology officer of one such corporation explained in sworn congressional testimony:

> It works like this. The tech company will hire smart people and put them under huge pressure and lucrative incentives to create state of the art products. They send people to technical conferences, and encourage them to read scientific papers * * *. Yet, they do not allow them to read patents * * *. This is based on a "see no evil, hear no evil" theory that it is better to feign ignorance than to find you're infringing. They do not check their products to see if they infringe anybody else's patents * * *. It's the engineering equivalent of driving at high speed, with the accelerator pedal mashed to the floor, but not looking to see if there are other cars around.

Perspectives on Patents: Post-Grant Review Procedures and Other Litigation Reforms: Hearing Before the Subcomm. on Intell. Prop. of the Senate Comm. on the Judiciary, 109th Cong. (May 23, 2006) (testimony of Nathan P. Myhrvold).

In fact, Congress specifically enacted 35 U.S.C. § 103 for "uniformity and definiteness," *Graham*, 383 U.S. at 15-18, although one would never know that from reading most of the briefs supporting petitioner. The golden era nostalgically evoked by certain *amici* – in which "a flexible test served the system well for the century between *Hotchkiss* [v. *Greenwood*, 52 U.S. (11 How.) 248 (1850),] and the Patent Act," Br. of Time Warner Inc. et al. ("Time Warner") 26 – is sheer fantasy. See *Republic Indus., Inc.* v. *Schlage Lock Co.*, 592 F.2d 963, 967 (7th Cir. 1979) ("The imprecision of the 'invention' standard resulted in an inconsistent and unpredictable body of law because it required that the decision of patentability be based ultimately upon the subjective whims of the reviewing court.").

The whole point of Section 103 was to impose "some stabilizing effect" on what had been a chaotic area of the law. *Graham*, 383 U.S. at 15-17 (quoting and citing Revision Notes and House and Senate Committee reports); see also Giles S. Rich, *Escaping the Tyranny of Words–Is Evolution in Legal Thinking Impossible?*, *in* NONOBVIOUSNESS–THE ULTIMATE CONDITION OF PATENTABILITY 3:301, 3:315 (John F. Witherspoon ed., 1980) [hereinafter NONOBVIOUSNESS] ("Since 1952 there has been * * * a carefully worked out statutory substitute for the rough-hewn stopgap the courts produced which the courts themselves said they could not explain."). As this Court has observed, "the patent system is one in which uniform federal standards are carefully used to promote invention." *Sears, Roebuck & Co.* v. *Stiffel Co.*, 376 U.S. 225, 230 (1964).

The problems of unpredictability are well illustrated by the state of affairs in 1979. By then, obviousness law was once again a vexing mess. Some courts' expansive readings of Justices Brennan's and Douglas's opinions for the Court in, respectively, *Sakraida* v. *Ag Pro, Inc.*, 425 U.S. 273 (1976), and *Anderson's-Black Rock, Inc.* v. *Pavement Salvage Co.*, 396 U.S. 57 (1969), had diminished the hopes for objectivity and consistency raised by *Graham* and *United States* v. *Adams*, 383

U.S. 39 (1966). See, *e.g.*, David E. Wigley, Note, *Evolution of the Concept of Non-obviousness of the Novel Invention: From a Flash of Genius to the Trilogy*, 42 ARIZ. L. REV. 581, 597 (2000) ("After the *Anderson's-Black Rock* and *Ag Pro* decisions, confusion prevailed among the district courts and various circuits * * *."). The imposition by the as-yet-non-existent Federal Circuit of predictability on the obviousness determination was still in the future.

In a Foreword to a book devoted entirely to Section 103, the Commissioner of Patents and Trademarks wrote:

> The judicial gloss and creative embellishments which seem periodically to become associated with the rather clear, two-sentence test provided by Section 103 made the Conference which was the basis for this book a necessity. * * *
>
> And why do I think that the Conference and this book were necessary? My answer is simple; inventors and businessmen will be interested in the patent system only so long as they can reasonably understand the patent laws and rely on their stability. If the standards for patenting vacillate, or if they are applied with substantial differences in interpretation in different parts of our country, or if they are applied and interpreted differently by different institutions of our government, those inventors and businessmen will turn their backs on the patent system. * * * An increase in trade secrecy and a decrease in innovation would be the inevitable result.

Donald W. Banner, *Foreword* (March 1979), *in* NONOBVIOUSNESS, *supra*, at v.

C. The patent system's proper functioning also requires that determinations of validity not fall victim to hindsight. The best ideas are often the most simple and elegant ones, and they appear in retrospect to have been not only obvious all along but inevitable. Science and technology both advance in this way. As Judge Frank once remarked about a particular plaintiff's

patented lubricating and cooling system: "His device, once disclosed, seems obvious and simple. But that is the nature of most important creative ideas. Once we know of them, it seems as if we must always have done so. Science endeavors to move in the direction of simplicity. (* * * We increase knowledge importantly, so to speak, by shaving old ideas with Occam's razor.)" *Picard*, 128 F.2d at 638 (concurring opinion). See also Br. of Ford Motor Co. & DaimlerChrysler Corp. in Support of Neither Party ("Ford Br.") 22 ("[I]nnovation in the automobile industry, as in other industries involving large-scale commercial manufacturing, often results from incremental improvements that appear in retrospect to be almost inevitable.").[6]

It is most assuredly in the national interest to reward the creation and disclosure of, and establish the right conditions for commercializing, inventions obvious only in hindsight. Such inventions – ones that by definition a person of ordinary skill would have been capable of creating, but not motivated to create – would be less likely to become a reality without the incentives created by the patent grant.

II. The Test Applied Below Reflects An Objective Standard That Achieves Predictability and Avoids Hindsight But Remains Flexible In Practice

A. The crucial features of a test for obviousness – predictability, and the avoidance of hindsight – require an objective standard under which reason is applied to facts. It is not an accident that, under *Graham*, the Section 103 inquiry is based

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[6] Ford Motor Co. and DaimlerChrysler Corp. come quite close to endorsing existing doctrine without actually taking a position on the outcome of the present case. The third of the "Big Three" automakers – General Motors Corp. ("GM") – has joined an *amicus* brief that is closer to petitioner's position, but, as that brief indicates, part of GM's interest in this case stems from the fact that the present lawsuit accuses pedal assemblies supplied to GM for use in its vehicles. See Br. of Cisco Systems Inc., GM, et al. ("Cisco") 2; Pet App. 23a.

on "factual inquiries," 383 U.S. at 17. As long as the validity determination must be based on actual *evidence*, its results will be basically predictable to those with knowledge in the art. By contrast, the results will be unpredictable when an examiner or court can simply assert obviousness based on a subjective impression or fiat without *anything* in the record to suggest a *reason* to adapt prior art.

The purpose of the motivation-to-combine standard applied below is simply to require that a determination that a combination of known elements is obvious be justified with reference to specific facts that motivate (either explicitly or implicitly) the combination. This insistence rigorously avoids hindsight, and makes it possible to predict with sufficient confidence whether a patent application will be denied or an obviousness challenge will be upheld in court. The objective nature of the inquiry, moreover, permits the applicant and the examiner to have meaningful conversations about the application, just as it permits prospective patent licensors and licensees, or buyers and sellers, to have meaningful discussions about validity.

1. The standard is far more flexible than the government and other *amici* suggest. Contrary to petitioner's caricature, the Federal Circuit has held repeatedly and practically since its inception that the motivation does not need to be an explicit statement and that even an *implicit* teaching, suggestion, or motivation will suffice.[7] The government brushes this point

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[7] *E.g.*, *Winner Int'l Royalty Corp.* v. *Wang*, 202 F.3d 1340, 1348 & n.6 (Fed. Cir. 2000) ("[A] reference need not expressly teach that the disclosure contained therein should be combined with another * * * [T]he district court misstated our case law on the test for the 'motivation to combine' issue when it stated that 'there must have been some *explicit* teaching or suggestion in the art to motivate one of even ordinary skill to combine such elements * * *.'"); *Motorola, Inc.* v. *Interdigital Tech. Corp.*, 121 F.3d 1461, 1472 (Fed. Cir. 1997) ("[T]here is no requirement that the prior art contain an express suggestion to combine known elements to achieve the claimed

aside, asserting with very little in the way of citation that "the test has often proved difficult to satisfy by 'implicit' means." U.S. Merits-Stage Br. ("U.S. Br.") 20. In truth, however, throughout its history the Federal Circuit has not hesitated to uphold obviousness determinations where the suggestion was only implicit.[8] The government's characterization of a "rigid

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invention. Rather, the suggestion to combine may come *from* the prior art, as filtered through the knowledge of one skilled in the art."); *In re Nilssen*, 851 F.2d 1401, 1403 (Fed. Cir. 1988) ("[F]or the purpose of combining references, those references need not explicitly suggest combining teachings, much less specific references."); *In re Sernaker*, 702 F.2d 989, 995 (Fed. Cir. 1983) ("[I]t was not necessary that the prior art suggest expressly or in so many words, the 'changes or possible improvements' the inventor made. It was only necessary that he apply 'knowledge clearly present in the prior art.'").

[8] See, *e.g.*, *Princeton Biochemicals, Inc.* v. *Beckman Coulter, Inc.*, 411 F.3d 1332, 1338-1339 (Fed. Cir. 2005) (upholding obviousness determination where motivation to combine came from "the knowledge of those skilled in the art" and "the nature of the problem," as established by expert testimony); *Motorola, Inc.*, 121 F.3d at 1472 (upholding verdict of obviousness despite lack of express suggestion because there was evidence from which the jury "could have found a suggestion to combine the various references," including prior art references that "were related and involved similar problems" and detailed expert testimony regarding "the teachings of each reference and the motivations that one skilled in the art might have to combine the various references"); *B.F. Goodrich Co.* v. *Aircraft Braking Sys. Corp.*, 72 F.3d 1577, 1583 (Fed. Cir. 1996) (upholding determination of obviousness where suggestion was established in part by expert testimony regarding knowledge of those in the art); *Nilssen*, 851 F.2d at 1403-1404 (affirming PTO board's determination that "it would have been obvious to one of ordinary skill in the art to use the threshold signal produced in [one prior art] device to actuate a cutoff switch to render the inverter inoperative as taught by [another reference]").

rule" and "inflexible constraints," U.S. Br. 15, 17, is unfair and inaccurate.

The government further contends that an implicit teaching, suggestion, or motivation "would add nothing meaningful to the *Graham* framework." U.S. Br. 20. The government is wrong. "Whether the Board relies on an express or an implicit showing, it must provide particular findings related thereto." *In re Kotzab*, 217 F.3d 1365, 1370 (Fed. Cir. 2000). Either way, the requirement of such findings takes the determination out of the realm of say-so and imposes precisely what the government's vague proposals would avoid, which is the discipline of reasoned decisionmaking. And it is that discipline – the requirement that the PTO (or a court) furnish "some rationale, articulation, or reasoned basis to explain" a conclusion that a combination of known elements was obvious all along – that "helps ensure predictable patentability determinations." *In re Kahn*, 441 F.3d 977, 987 (Fed. Cir. 2006) (Linn, J.). The government's complaint about a supposedly "stringent requirement that *specific* evidence be introduced," U.S. Br. 20 (emphasis in original), is just a lament by an overwhelmed, understaffed agency about the burdens of complying with the rule of law.

The Federal Circuit standard is a fair balance between the need for an objective analytical framework and the need for flexibility. This Court should not disturb the standard. If, however, the Court concludes that there is any merit to the criticisms leveled by petitioner and its *amici* – and in our view it should not – the solution is not to jettison the standard, but rather to emphasize that courts and the PTO should look to implicit as well as explicit motivations.

2. In urging an entirely subjective standard, the government and other *amici* downplay, as they must, the significance of the hindsight problem. "Retrospective analysis," the government says, "is not unique to patent law, but regularly arises in a wide variety of contexts," U.S. Br. 21. The government and other

amici have missed the point. It is not simply that the obviousness analysis is retrospective; it is that the very existence of the invention changes the cognitive landscape by creating the appearance – but only in hindsight – that an innovation was merely an uncreative assembly of old elements.

The examples of other "retrospective analysis" that the United States and other *amici* furnish are not analogous. Knowledge that police found contraband after a search, for example, see U.S. Br. 21, can easily be set aside by one who has experience in legal reasoning and whose task is to apply precedents and common human experience. Furthermore, the physical existence of contraband, in contrast to the creation of an idea, is never in doubt. By contrast, for a court or jury that in all likelihood is first exposed to a particular technology in the very litigation before it, and must place itself in the position of one "having ordinary skill in the art," 35 U.S.C. § 103(a), trying to set aside knowledge that did not exist before the invention was brought to life is immensely more difficult. It is an exercise fraught with peril unless anchored in *something* in the prior art bearing on what any skilled artisan *would have* – not could have – thought of.

This very case illustrates the issue. Once Engelgau's solution to the mechanical problems solved by his patent was known, it was easy for petitioner to characterize the invention as nothing more than sticking an electronic sensor together with a known adjustable pedal assembly. But it is not at all self-evident from the patent, the record, or the computer simulation furnished by petitioner that an automotive mechanical engineer would have seen at the time of Engelgau's invention that his particular arrangement of parts – which, once the invention is realized, can be simplistically and reductively described as "Asano plus sensor" – was an obvious thing to do. The Federal

Circuit was thus hardly extreme in vacating the district court's grant of summary judgment.[9]

3. The motivation-to-combine standard is just the type of workable refinement of a concise statute and high court case law that lower courts develop and apply every day in every area of the law. Indeed, as the United States and other *amici* supporting petitioner acknowledge, *Graham* itself contemplated that its "framework might be refined based on the insights gained through experience." U.S. Br. 24 (citing 383 U.S. at 18); see also Cisco Br. 12 (arguing *Graham* is workable if courts apply to factual findings "the principles of law that have been developed, and other principles that will develop over time").

For all the scorn they heap on the Federal Circuit, petitioner and its *amici* have failed to show why the doctrine at issue in this case is not just such a refinement. Indeed, the Federal Circuit has made it crystal clear that "[t]he assessment of whether to combine references" can be conceived of "as a subset of the first *Graham* factor, the scope and content of the prior art," *McGinley* v. *Franklin Sports, Inc.*, 262 F.3d 1339, 1351 (Fed. Cir. 2001); accord *Dystar TextilFarben GmbH & Co. Deutschland KG* v. *C.H. Patrick Co.*, 2006 WL 2806466, at *4 (Fed Cir. Oct. 3, 2006); *SIBIA Neurosciences, Inc.* v. *Cadus Pharm. Corp.*, 225 F.3d 1349, 1356 (Fed. Cir. 2000) ("Determining whether there is a suggestion or motivation to modify a prior art reference is one aspect of determining the scope and content of the prior art * * *.").

Finally, petitioner's caricature obscures the fact that the requirement of a suggestion or motivation to combine references in order to avoid hindsight, far from being some kind of latter-day usurpation by the Federal Circuit, is rooted in decisions that long antedate not only the creation of the Federal Cir-

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[9] The Federal Circuit did not, as the government incorrectly states, U.S. Br. 22, conclude that there was no motivation in the prior art.

cuit but also *Graham* and the 1952 patent statute. The Court of Customs and Patent Appeals was applying the doctrine as early as 1938:

> [T]he sole issue before us is whether it involved invention to combine the references in the manner set forth in the quoted excerpt from the decision of the Primary Examiner * * *. We have carefully examined the references for a suggestion of appellant's combination and the new and useful results obtained thereby, but have found none. Of course, if the references are examined in the light of appellant's disclosure, the solution of the problem confronting appellant seems simple. *A problem solved is no longer a problem, and one is prone to overlook the fact that it ever existed*.

In re Deakins, 96 F.2d 845, 849 (C.C.P.A. 1938) (emphasis added). Accord *In re Holt*, 162 F.2d 472, 477 (C.C.P.A. 1947); *In re Leschinsky*, 123 F.2d 645, 647 (C.C.P.A. 1941); *In re Smith*, 118 F.2d 722, 728 (C.C.P.A. 1941). What the Federal Circuit did, soon after its creation, was simply "adopt[] its predecessor court's suggestion test." 2 CHISUM ON PATENTS § 5.04, at 5-282 (2005) (citing *In re Sernaker*, 702 F.2d 989 (Fed. Cir. 1983)).

B. Innumerable valuable innovations would be unprotected if petitioner and its *amici* had their way.[10] Perhaps the clearest illustration is the patent for an electric battery upheld in *Adams*,

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[10] Ford and DaimlerChrysler acknowledge this point. See Ford Br. 19-22 ("By the time electric starters became a standard feature * * * it would have been easy to characterize the ultimate innovation as little more than a combination of known parts. Yet denying patent protection for this reason alone would likely have discouraged the huge front-end investment that was required to pursue future innovations in the area.").

a case controlled by, and decided the same day as a companion to, *Graham*.[11]

Adams's invention was "the first practical, water-activated, constant potential battery which could be fabricated and stored indefinitely without any fluid in its cells." 383 U.S. at 43. The battery consisted in substance of (1) a positive electrode made of magnesium, (2) a negative electrode made of cuprous chloride, and (3) water. Each individual element "was well known in the prior art," *id*. at 51. It was plain that anyone *could have* combined the elements the way Adams did. But the prior art

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[11] Petitioner and some of its *amici* suggest that *Graham* itself is inconsistent with Federal Circuit case law, but they are wrong. First of all, *Graham* is not a case about combining references, and so it is not one in which the motivation-to-combine standard should even come into play. Furthermore, *Graham*'s conclusion as to obviousness of the plow patent was based on several considerations that overrode the need to inquire into a motivation to combine. The "free-flex theory" by which petitioner sought to distinguish his patent from the prior art was never made in the patent office, was shown by Graham's own experts to be "not, in fact, a significant feature in the patent," and was "raised for the first time on appeal." 383 U.S. at 25. Moreover, there was *no* operative distinction between Graham's patent and a prior art reference, let alone nonobvious differences. *Id*. at 26 ("[A]ll of the elements in the [patent at issue] are present in the Glencoe structure. * * * The mere shifting of the wear point to the heel of the * * * hinge plate [in Graham's patent] from the stirrup of Glencoe * * * presents no operative mechanical distinctions, much less nonobvious differences."). As for the *Calmar* sprayer-cap cases decided in the same opinion, this Court explicitly relied on the fact that the patent claims had been limited during prosecution to cover *not* the combination of elements asserted by the patent owner during litigation, but only two narrow features of the sealing arrangement, *each* of which was present in the prior art. 383 U.S. at 32-35. Contrary to petitioner's implication, see Pet. Br. 21, and some *amici*'s incorrect description of the cases, see Br. of Intell. Prop. Law Profs. 10, the motivation-to-combine requirement simply was not at issue.

contained no teaching, suggestion, or motivation to do so, and indeed actively discouraged Adams's combination. *Id*. at 52. Experts did not even believe in the invention when presented with a demonstration of it. *Id*. at 44, 52. Adams's invention would be protected by the Federal Circuit's standard and unprotected by petitioner's proposed standard.

C. Stripping deserving inventions of protection can only damage American competitiveness. Every jurisdiction's patent regime confronts the same challenges and tends to resolve them in similar ways. The European patent regime, in stark contrast to the statements of petitioner and one of its *amici*, see Pet. Br. 50 & n.38; Br. of Business Software Alliance ("BSA") 22, adopts the same general approach as the Federal Circuit.[12] The European Patent Office ("EPO") guidelines specifically state: "[T]he question * * * is whether there is any teaching in the prior art as a whole that *would* (not simply could, but would) have prompted the skilled person * * * to modify or adapt the closest prior art * * *." EPO Guidelines, Part C, ch. IV, § 9.8.3 (emphasis in original). It is therefore difficult to make sense of BSA's declaration that "the EU does *not* impose any require-

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[12] Petitioner's selective citation (at 50 n.38) of European Patent Office guidelines is a red herring. To be sure, the guidelines distinguish, as petitioner points out, between a patentable "combination of features" and a mere "aggregation of features" that is unpatentable because it lacks a "synergistic effect." But, regardless of whether a "synergistic effect" is truly in practice a prerequisite to patentability in Europe, not even petitioner and most of its *amici* seriously defend the highly questionable position that such an "effect" is or should be a prerequisite in this country. See, *e.g.*, Br. of Intell. Prop. Law Profs. 20 ("[We] do not advocate implementation of a 'synergy test.'"). Nor do they argue that this case can be decided on the basis of a lack of such an "effect." The real issue is that once the European examiners get past "synergistic effect" – as this patent undoubtedly does – they conduct an inquiry that is almost identical to the Federal Circuit's "motivation-to-combine" inquiry.

ment paralleling the Federal Circuit's 'teaching, suggestion, or motivation' rule," BSA Br. 22 (emphasis in original).

European patent law, moreover, also stresses the importance of objectivity. See EPO Guidelines, Part C, ch. IV, § 9.8 ("[I]n order to assess inventive step [*i.e.*, nonobviousness] in *an objective and predictable manner*, the examiner should normally apply the so-called 'problem-and-solution approach.'" (emphasis added)). Relatedly, EPO examiners may consider the same objectively verifiable factors known as "secondary considerations" under *Graham*. *Id*. § 9.10.4 ("Where the invention solves a technical problem which workers in the art have been attempting to solve for a long time, or otherwise fulfills a long-felt need, this may be regarded as an indication of inventive step. Commercial success alone is not to be regarded as indicative of inventive step, but evidence of immediate commercial success when coupled with evidence of a long-felt want is of relevance * * *."). And EPO examiners, like their American counterparts, are taught to beware of hindsight: "Once a new idea has been formulated it can often be shown theoretically how it might be arrived at, starting from something known, by a series of apparently easy steps. The examiner should be wary of ex post facto analysis of this kind." *Id*. § 9.10.2.

III. Petitioner's Radical Proposal And Its *Amici*'s Vague Suggestions Offer No Useful Alternative To The Current Standard

A. Petitioner proposes a standard under which *capability* to combine, not motivation to combine, renders an invention unpatentable. Pet. Br. 16. That has never been the law in this country. Petitioner has invented this standard (which is certainly novel and nonobvious, but not useful) out of whole cloth. None of the cases petitioner cites actually articulates such a standard. See Pet. Br. 25-27. Moreover, it is impossible to reconcile this standard with cases like *Adams*, in which everyone in the art had the *ability* to connect the components as

the inventor did, but nobody was *motivated* to do so and in fact no one did so.

Petitioner's proposed "could have" standard, moreover, makes creativity flatly irrelevant. *Most* inventions – not the rare exceptions – are based on combining prior insights. See, *e.g.*, *Reiner* v. *I. Leon Co.*, 285 F.2d 501, 503 (2d Cir. 1960) (L. Hand, J.) ("substantially every invention is for such a 'combination' [of old elements]: that is to say, it consists of former elements in a new assemblage"); Rich, *Escaping the Tyranny of Words*, *supra*, at 3:319 ("practically all patentable inventions are combinations of old elements"); see also *Reeves Instrument Corp.* v. *Beckman Instruments, Inc.*, 444 F.2d 263, 270 (9th Cir. 1971) ("Carried to its logical conclusion, the argument here would result in a rule to the effect that *A & P* precludes the patenting of virtually every new mechanical or electrical device since the vast majority, if not all, involve * * * construction * * * from old elements."). The "could have" test, under which most such combinations would be obvious, effectively reads out of Section 103 the experience, judgment, and tacit knowledge that give rise to creativity in those of skill in the art.

Indeed, if a court must only ask whether "a person having ordinary skill in an art would have been *capable* of adapting extant technology to achieve a desired result" (Pet. Br. 16), then hindsight coupled with an opportunistic search for prior art to satisfy that lax test will determine the results of obviousness challenges in the defendant's favor. As a result, countless meaningful inventions, which might otherwise have rewarded their inventors and those who invested in the inventive activity, would be left unprotected.

B. Petitioner's *amici* also offer nothing useful in place of the current motivation-to-combine inquiry. If they make any affirmative suggestion at all, it is generally to urge renewed attention to the *Graham* factors, especially the level of ordinary skill in the art. See, *e.g.*, U.S. Br. 25 ("the role of the

hypothetical person of ordinary skill is critical"). But that approach is based on the false premise that the Federal Circuit standard does not already consider the level of ordinary skill and the other *Graham* factors. On the contrary, the Federal Circuit standard is designed to implement, not flout, Section 103 and *Graham*, and it is expressly formulated in terms of the person having ordinary skill. The whole reason for the standard is to establish in an objective way whether a combination of known elements would have been obvious to that hypothetical person at the time of the invention.

In fact, a number of the *amicus* briefs paint a misleading picture of patent litigation by positing a false dichotomy between the prior art and the knowledge of one of ordinary skill in the art. Cisco's brief, for instance, asserts (at 7-8) that "[t]he Federal Circuit has * * * emphasized the prior art over the knowledge of one of ordinary skill in the art." But the latter is inseparable from the former. The hypothetical person of ordinary skill is presumed to know "all prior art in the field of the inventor's endeavor and of prior art solutions for a common problem even if outside that field." *In re Nilssen*, 851 F.2d 1401, 1403 (Fed. Cir. 1988). The question in litigation over the obviousness of a combination of known elements is what the art of record would have suggested to that person. One does not have to reject the Federal Circuit's test to bring about a world in which "[e]xpert witnesses in the art can opine on what ordinarily skilled artisans understand about the art, with reasoning and examples sufficient to support their views." Cisco Br. 12. That is how patent litigation currently proceeds every day. See note 8, *supra*. The Federal Circuit's test commendably *disciplines* judicial thinking about how to distinguish experts' impermissible hindsight from their well-grounded assertions about what would or would not have been obvious to ordinarily skilled artisans, and it is difficult to see how an express departure from that discipline would improve patent litigation.

Relatedly, the software industry's complaint that the lack of a culture of documentation makes it difficult to satisfy the motivation-to-combine standard, see BSA Br. 14-16, is nonsense. As some *amici* point out, "The state of internet art * * * is known to engineers in the field at any given time and can be [inferred] from current products." Time Warner Br. 14. In other words, expert testimony based on current products can be used in litigation to establish the state of the art, *i.e.*, to establish *any* explicit *or implicit* teaching, suggestion, or motivation to combine prior elements in the way the patent does. *Amici* further undercut their own argument when they complain that software "technology moves too quickly for published references to keep up," and use as an example "'open source' code that is constantly modified by its users, who share their innovations under a general public license." *Id*. at 15. "Open source" software is by definition available to the public and therefore readily ascertainable by a trier of fact or a patent examiner as prior art. *Amici* fail to acknowledge as well that modern information technology is making it *easier*, not harder, to archive, catalogue, and search for documentation to satisfy the standard.

Further, *amici*'s complaint that patent examiners cannot always point to an article or patent illustrating "what everybody already knows" is also highly questionable. An examiner may reject claims on the basis of "facts within his or her knowledge," provided "the data [are] as specific as possible," and, when requested by the applicant, supported by affidavit. 37 C.F.R. §§ 1.104(c)(3), (d)(2) (2005). The argument about the difficulty of establishing the state of the art in the software and internet industries is creative, but it is a canard.

C. Petitioner, the United States, and other *amici* are unabashed in their agenda to avoid jury trials and make it easier to obtain summary judgment. But petitioner and its supporters are ignoring two fundamental points: (1) the obviousness conclusion is based on factual determinations, and (2) for better or for worse, material factual disputes are generally resolved by

juries. Summary judgment in our system is granted only when there are no material disputes of fact. To say that the current standard is problematic because it makes it harder to get summary judgment in a given case presupposes that the patent in question is indisputably invalid in the first place. In other words, the argument about summary judgment adds no analytic content to the basic debate over patentability standards.

What petitioner and its supporters are really trying to do is make it cheaper to infringe – whereas *Congress* has mandated that "[a] patent shall be presumed valid," 35 U.S.C. § 282. In pursuit of their agenda, petitioner and its *amici* would diminish predictability by converting a determination that should be based on knowable objective factors – factors whose existence and ascertainability are the basis for any number of out-of-court settlements – into a determination that lends itself to arbitrariness infected by hindsight. Petitioner's and its *amici*'s suggestions would effectively create a presumption of *invalidity* for an enormous number of unexpired patents, altogether undermining the Congressional mandate of § 282.

D. Were this Court to accept them, the standards (or lack of them) opportunistically proposed by petitioner and its *amici* would wreak havoc in the business world. By immediately calling into question any patent issued since approximately 1983, this Court would be inviting endless litigation over patent validity. If Congress eventually agrees that the U.S. patent system is fundamentally broken, it can legislate a change in the obviousness standard, and it has the option to do so on a prospective basis only. This Court, however, is in the business of saying what the law is, not what it should be. The Court is institutionally not well positioned to consider properly, much less guard against, the harms that would ensue from upsetting settled standards.

IV. The Complaints Of Petitioner's *Amici* About Patent Quality Are Poorly Supported And In Any Case Result From Institutional Problems At The Patent Office

A. *Amici*'s basic complaint is that the Federal Circuit's standard results in patents of poor quality. But *amici* have presented no evidence that the motivation-to-combine standard is responsible for rampant issuance or validation of so-called "bad patents." Two or three cherry-picked examples are not evidence that a system is broken. One need not agree with every last application of the Federal Circuit's standard to conclude that the standard itself is basically sound. It is, however, worth noting that none of petitioner's and its *amici*'s examples shows that the motivation-to-combine inquiry is responsible for poor patent quality.

The Halloween trash bag patent, mentioned in at least seven briefs filed in support of petitioner, was *denied* by the PTO at two levels of review. *In re Dembiczak*, 175 F.3d 994, 996 (Fed. Cir. 1999). The Federal Circuit, contrary to the statements of some *amici*, did not order the PTO to grant the patent; it merely held that the PTO had not made the necessary findings for an obviousness rejection. The opinion lays out what the PTO would have had to do to properly reject the patent. In particular, the Federal Circuit explained that, if the arguments made by the Commissioner in the court of appeals regarding a motivation to combine had been made and supported in the patent office, the rejection would have been upheld. *Id*. at 1001. *Amici* thus entirely misdescribe the case when they say that "the Federal Circuit concluded that the trash bag was patentable," Br. of Intel Corp. and Micron Tech., Inc. ("Intel") 8.

The other examples offered by *amici* are even less persuasive. Intel cites (at 8-9) *McGinley* v. *Franklin Sports, Inc.*, 262 F.3d 1339 (Fed. Cir. 2001), in which the Federal Circuit merely deferred to a jury's factual findings. Intel also cites *Winner Int'l Royalty Corp.* v. *Wang*, 202 F.3d 1340 (Fed.

Cir. 2000), which is hardly an open-and-shut case. See *id.* at 1349-1351 (holding that district court did not clearly err when it "found that there was no motivation to combine Johnson with the ratcheting mechanism of Moore because (1) there was no apparent disadvantage to the dead-bolt mechanism of Johnson * * *; and (2) Johnson's written description taught away from the use of Moore").

As for the "Method of Swinging on a Swing" patent mentioned in several briefs, the patentee was a small boy, and the application was a whimsical exercise by his father (see U.S. Patent No. 6,368,227 ("[T]he present invention may be referred to by the present inventor and his sister as 'Tarzan' swinging. The user may even choose to produce a Tarzan-type yell while swinging in the manner described * * *.")), a patent lawyer for 3M Co. who was trying to show his son what he did for a living, David Streitfeld, *Note: This Headline Is Patented*, L.A. TIMES, Feb. 7, 2003. The patent was invalidated on re-examination, which, if it shows anything at all, is not the failure of our system but its (albeit imperfect) success. Cf. *Kansas* v. *Marsh*, 126 S. Ct. 2516, 2536 (2006) (Scalia, J., concurring) ("Reversal of an erroneous conviction on appeal or on habeas, or the pardoning of an innocent condemnee through executive clemency, demonstrates not the failure of the system but its success."). In any case, it is not as if the problem with the swing patent was the Federal Circuit's standard. There is no reason to believe the patent covered patentable subject matter, or was new and useful, let alone nonobvious. More generally, if one combs the bowels of any government agency long enough, one is bound to find more than a few ridiculous decisions. A silly aberration far removed from the facts of this case is not evidence that an entire system is broken.

B. If there is a real problem with patent quality, the source of it is the PTO, not the Federal Circuit's standard. The PTO has a massive backlog, and it is universally acknowledged to be underfunded and understaffed. Examiners have historically

operated under a regime of incentives that rewards them for disposing of applications quickly, not well. Morale is low, and the turnover rate among examiners is 50% in a five-year period. See, *e.g.*, Jeff Nesmith, *Patents Pending*, AUSTIN AM.-STATESMAN, Aug. 27, 2006. In these circumstances, it is not at all surprising that the PTO would make some mistakes in issuing patents. If they see fit, Congress and the Executive could address the problems by giving the PTO additional funding and additional staffing, or mandating a reform of incentive structures. This Court, however, is not in a position to fix problems at the PTO, and ultimately it would be counterproductive to try to address those problems by substituting either an amorphous or a hindsight-driven test for the Federal Circuit's studied handiwork in a corner of patent law that is not the real problem.

Indeed, there is no reason to believe that the PTO would do a better job with any standard other than the Federal Circuit's. To be sure, the approach proposed by petitioner would make summary denials *easier* and infringement cheaper, but for all the reasons discussed in this brief, that does not mean that the patent system and those that rely on it would be any better off.

CONCLUSION

The judgment of the court of appeals should be affirmed.

Respectfully submitted.

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