

ClassCo, Inc., v. Apple, Inc.
No. 2015-1853
Fed. Cir. Aug. 30, 2016
Opinion by Circuit Judge Stoll with Circuit Judges Taranto and Bryson.

On appeal from a decision of the Patent Trial and Appeal Board (“Board”) in an *inter partes* reexamination proceeding, the United States Court of Appeals for the Federal Circuit (“Court”) affirmed the Board’s decision that certain claims of ClassCo’s patent were invalid as obvious. While the Court found no error in the Board’s ultimate conclusion of obviousness, it found the Board erred in ascribing no weight to ClassCo’s evidence of objective indicia of nonobviousness.

The ClassCo patent describes systems and methods through which incoming telephone calls are audibly identified and the called party is allowed to accept or reject the call before the telephone company has connected the two parties together. The claimed device is a telephone system having a single speaker that conveys data from different sources.

In the *inter partes* reexamination of ClassCo’s patent, the Board affirmed the examiner’s rejection of the claims as obvious over the prior art. The Board found that one of the prior art references disclosed all but one of the elements (an audio transducer) of the representative claim of the patent and looked to a second prior art for that teaching. The Board found that the second prior art disclosed an audio transducer (i.e. speaker) that produces audio from tonal ringing and from caller voice signals. The Board found that one of ordinary skill in the art would have been motivated to combine the prior art and develop a telephone system having a single speaker that conveys data from different sources. The Board also considered ClassCo’s evidence of objective indicia of nonobviousness but concluded that the evidence merited no weight in the obviousness inquiry. ClassCo presented evidence of praise, long-felt need, and commercial success relating to its commercial products and licensing efforts. The Board found that “each piece of evidence had no nexus to the merits of the claimed invention,” and accorded this evidence no weight.

On appeal, the Court reviewed the Board’s obviousness determination de novo. ClassCo contended the Board did not correctly apply *KSR*, because, according to ClassCo, “[a] basic characteristic of a *KSR* combination is that it only unites old elements ‘with no change in their respective functions.’” The Court disagreed and concluded that modifying the prior art in light of its teachings would have resulted in the predictable result of the use of a speaker in the telephone system that produces audio derived from any of voice signals, identity information or tonal ringing call-alerting. The Court rejected ClassCo’s rigid interpretation of *KSR*, which interpretation the Court characterized as limiting “a person of ordinary skill ... [to] combinations of a puzzle element A with a perfectly fitting puzzle element B.” The Court clarified that *KSR* requires a flexible approach and found that the Board applied *KSR* correctly in finding that the prior art combination yielded predictable results.

The Court did agree with ClassCo, however, that the Board erred in dismissing some of the objective evidence of nonobviousness.

The Court clarified that the proponent, ClassCo here, bears the burden of establishing a nexus between the evidence of nonobviousness and the merits of the

claimed invention. The Court agreed with the Board that evidence of praise that described features of ClassCo's device that were known in the art did not establish a nexus between that praise and the merits of the claimed invention. The Court described news release that praised ClassCo's voice capable caller ID unit as an example of properly discounted evidence and pointed to the prior art in the prosecution history that taught this feature.

On the other hand, the Court found the Board erred in dismissing evidence of praise related to features of ClassCo's device, like the single speaker used to announce both a caller's identity and the telephone call, that were not available in the prior art.

The Court also found the Board erred in finding that the "the claims were not commensurate in scope with the praised features." The Court explained that the Board should have afforded the evidence of praise of the novel features at least some weight, with the amount of weight depending upon "the degree of the connection between the features presented in evidence and the elements recited in the claims"

Next, the Court found that the Board erred in its method of determining whether a nexus existed between ClassCo's claims and ClassCo's commercial success evidence. The Board's conclusion was that there was no nexus between the claims and the commercial success evidence because the claims did not define a feature used to show market share of ClassCo's product. (The claims lacked the limitation of being "capable of audible announcement based on Caller ID" and that was a feature of the defined market.) The Court explained that a proper analysis "require[s] consideration of whether 'the marketed product embodies the claimed features,'" and if so, then the "nexus is presumed and the burden shifts to the party asserting obviousness to present evidence to rebut the presumed nexus." The Court found that ClassCo, as the proponent of the nexus, made that showing, and therefore the Board erred in not according the commercial success evidence "some weight."

The Court also found that substantial evidence supported the Board's finding that ClassCo's evidence was insufficient to show that the licenses were a result of the claimed invention on appeal.

Finally, the Court agreed with the Board's construction of "identity information," based upon the plain claim language, the specification, and claim differentiation in view of claim 2, as meaning "something that identifies, such a name that identifies a phone number as a particular person." The Court refused to import additional limitations into the term "identity information" and did not further limit (as argued by ClassCo) "identity information" to identity information to be stored in "a particular section of a particular memory element."

In view of the Court's finding that there was substantial evidence to support the Board's conclusion that the claims under reexamination were unpatentable, the Court affirmed.