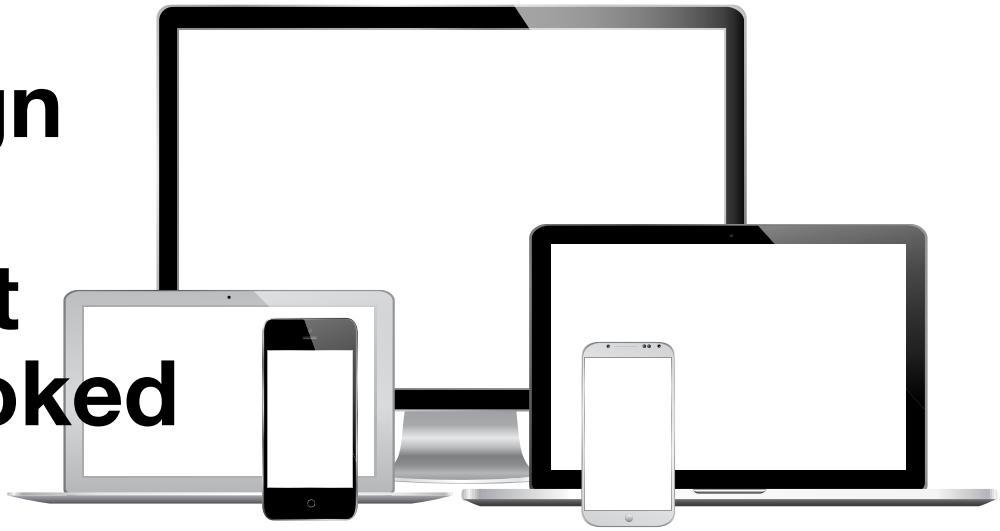
Why design patents should not be overlooked



A flurry of court activity has brought design patents into sharper focus. **Mandy Adams** and **Steven Wood** investigate whether they offer any advantages over utility patents

Thanks to *Apple v Samsung*, design patents garnered increased attention in 2015, which was an eventful year in the world of design patent law. Key US Court of Appeals for the Federal Circuit (CAFC) decisions focused on the first appeal of the first design patent invalidation under *inter partes* review (IPR), damages and functionality versus ornamentality. Further, a notable district court decision focused on design patent infringement liability in an e-commerce setting. These decisions illustrate that design patents are of increasing importance and offer many advantages over utility patents.

The first design patent inter partes review appeal was upheld

In April 2014, the Patent Trial and Appeal Board (PTAB) issued a final written decision that invalidated the sole claim of patent number D617,465 in the *Luv N' Care v Munchkin IPR*.[1] In April 2015, the Federal Circuit affirmed the PTAB's final written decision under Fed Cir R 36, without a published opinion.[2]

The PTAB's decision is instructive on the written description requirements for priority application support. The priority application (here, a utility application) must provide adequate disclosure for what is claimed in the drawings of the design patent. Here, support for the claimed bottle spout shape was at issue. The PTAB noted that the spout shape in the priority application did "not identify the specific shape of the spout claimed in the design or otherwise reasonably convey to those skilled in the art that the inventor had possession of the claimed design".[3] Thus, the PTAB found this written description inadequate to support the priority claim. This was critical because the earlier priority date was needed to overcome the invalidating prior art.

The PTAB's decision is also insightful on the requirements for claim amendments, which in design patents are drawing amendments. As a rule, amendments in an IPR are not allowed to broaden the scope of the issued claims. Here, the PTAB cited *Thermalloy v Aavid Eng'g*, stating that "a new claim is enlarged if it includes within its scope any subject matter that would not have infringed the original".[4] The PTAB denied the claim amendment because certain aspects enlarged the scope of the claim even though other aspects narrowed the claim. Thus, even if a claim amendment has narrowing language, the amendment is improper if it has any broadening aspects.

More appeals of design patent PTAB decisions are expected in the future because the number of IPR petitions for design patents have increased each year since the implementation of the America Invents Act in 2012, even though the number of design patent district court cases has remained fairly steady since 2008.[5]

Two damages statutes are available for design patent infringement

Design patent owners can recover damages under either of two damages statutes for infringement. Under 35 USC § 289, a patent owner can recover total profits from the sale of articles infringing the claimed design or $250. Under 35 USC § 284, a patent owner can recover lost profits or a reasonable royalty.

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Last May, in *Apple v Samsung*, the CAFC upheld an award of $929m in damages, the majority of which was total profit recovery under § 289 for infringement of three design patents.[6] This unique damages statute for design patents was not well known until the *Apple* case's significant press coverage helped elevate it into the spotlight. Additionally, the *Apple* case demonstrated that design patents provide broad coverage and infringement can be found, even if the claimed design and accused articles are not exactly alike. For example, the Samsung phone's Android-based home screen was held to infringe Apple's iOS home screen (patent number D604,305). Even with noticeable differences between these screens there were key similarities that were pivotal in the infringement decision.

Last September, in *Nordock v Systems*, the Federal Circuit brought to light the different damages options, as total profits are not necessarily greater than lost profits or even a reasonable royalty. Nordock appealed

a district court decision that awarded a reasonable royalty after the jury indicated that Systems' profits were zero. The court remanded the case for a proper damages analysis, stating that "only where § 289 damages are not sought, or are less than would be recoverable under § 284, is an award of § 284 damages appropriate".[7] This case illustrates the importance of evaluating all possible damages options for design patent infringement.

Design patent claims are limited to ornamental aspects of the design only

Last August, in *Ethicon Endo-Surgery v Covidien*, the CAFC reversed a finding of invalidity and upheld a grant of no infringement because the design and accused product were plainly dissimilar.[8] This case turned on what aspects of the claimed design are ornamental versus functional, which is important because the scope of design patent's claim is limited to only ornamental aspects of the design. Also, alternative designs are considered in the analysis because if alternative designs achieve the same function for the same article to which a design is applied, then the design is likely ornamental. See below.

Patent No D661,804, Fig 1 Covidien's accused product

The *Ethicon* decision provided two additional holdings. First, it clarified the *Egyptian Goddess* rule[9] regarding comparison to the prior art. Ethicon argued that its claimed designs and the accused products were not plainly dissimilar and that a comparison to the prior art was required. The Federal Circuit noted that "comparing the claimed and accused designs with the prior art is beneficial only when the claimed and accused designs are not plainly dissimilar" and "because the district court found the non-functional, ornamental aspects of the claimed and accused designs to be plainly dissimilar, it did not need to compare the claimed and accused designs with the prior art". Secondly, the court clarified that an ordinary observer is not an expert but "one of 'ordinary acuteness' who is a 'principal purchaser' of the underlying articles with the claimed design". Ethicon argued that an ordinary observer is a surgeon using shears, but the district court found that it was the entity managing the surgical device purchases. On appeal, the Federal Circuit found that Ethicon did not provide evidence regarding how the infringement analysis would differ if a surgeon were the ordinary observer and then declined to further elaborate on the proper definition.

Does selling products from third-party vendors give rise to infringement liability?

The district court decision in *Milo & Gabby v Amazon.com* focuses on infringement related to selling products on the internet.[10] This is an important topic in today's world of e-commerce and is applicable both to design patents (as in this case) and utility patents. The plaintiff made a direct infringement allegation against Amazon serving as an internet retail service website that enabled a third-party vendor to sell and distribute the accused products. The court denied summary judgment of no infringement because it found material facts in dispute, namely that the website displays the price and allows a buyer to choose a quantity and conclude the purchase.[11] It remains to be seen whether Amazon's selling of products from third-party providers can directly infringe a design patent within the meaning of 35 USC § 271.

Takeaways

At half the filing cost of utility patents and with no maintenance fees, design patents are considerably cheaper, typically issue faster – with a 15-month average pendency – and have fewer prior art rejections during examination than utility patents. Further, design patents have a unique damages provision available that offers an option in addition to 'traditional' patent damages, as highlighted by the *Apple* and *Nordock* cases. Also, as shown in *Ethicon*, determining the claim scope of design patents uses the unique test of determining ornamentality versus functionality.

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Key takeaways are that design patents are worth considering for patent protection and that when asserting a design patent all damages options should be considered to maximise potential recovery. Further, it is important to understand design patent claim scope analysis when assessing infringement and invalidity.

Footnotes

1. No IPR2013-00072 (Paper No. 28).
2. *Luv N' Care Ltd v Munchkin, Inc*, 599 Fed App'x 958 (Fed Cir 2015).
3. No IPR2013-00072 (Paper No 28) at 8.
4. Id at 14 (citing 121 F3d 691, 692 (Fed Cir 1997)).
5. Source: Docket Navigator Analytics, www.docketnavigator.com, accessed 31 Dec 2015.
6. 786 F3d 983, 1001 (Fed Cir 2015).
7. 803 F3d 1344, 1357 (Fed Cir 2015).
8. 796 F3d 1312, 1314 (Fed Cir 2015).
9. In *Egyptian Goddess, Inc v Swisa, Inc*, the CAFC clarified the standards for design patent infringement.
10. Case No C13-1932RSM, 2015 US Dist. LEXIS 92890, at *4 (WD Wash 16 July 2015).
11. Id at *34-*35.

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