

# Lawyer Insights

## What's At Stake In Pending Fed. Circ. Design Patent Test Case

By Larry DeMeo

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What makes a design patent obvious? Earlier this month, oral argument at the U.S. Court of Appeals for the Federal Circuit in the closely watched case of LKQ Corp. v. GM Global Technology Operations LLC explored this critical question.

The answer to this question has ramifications in any industry where ornamental design is an important and valuable property — including fashion, jewelry design or, in this case, automotive, to name just a few.

The balance between fostering innovation and protecting intellectual property rights is crucial in all those industries.

The decision in LKQ could set a precedent that affects this balance, influencing how design patents are examined, issued and interpreted across various sectors that rely on unique designs to differentiate their products in the marketplace.

In the case currently under consideration by the Federal Circuit, for example, an aftermarket auto parts supplier wants a flexible approach to be applied by the patent office so that GM's design is rendered obvious, allowing LKQ to sell aftermarket bumpers.

### Origin of the Dispute

The dispute between LKQ and GM Global arose over a design patent held by GM for a vehicle fender. The conflict began when LKQ, an auto parts maker, sought to challenge the validity of GM's design patent after its licensing agreement expired, and GM threatened to sue LKQ partners for infringement.

LKQ contended that GM's patent was invalid as obvious, citing two earlier designs that allegedly created the same visual impression as GM's patented design. This argument was presented initially to the Patent Trial and Appeal Board and a U.S. Patent and Trademark Office tribunal, which ruled in favor of GM. A three-judge panel at the Federal Circuit, which hears all patent appeals, affirmed this decision.

However, the case gained further attention when the Federal Circuit agreed to rehear the case en banc, marking its first full-court rehearing in a patent case since 2018. The argument followed earlier this month.

The most interesting question presented is whether the U.S. Supreme Court's 2007 *KSR International Co. v. Teleflex Inc.* decision, which altered the standard for determining utility patent obviousness, also overruled the long-standing standard for determining design patent obviousness.<sup>1</sup>

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### The Fundamental Difference Between Design and Utility Patents

The key difference between design and utility patents lies in what they protect: Design patents cover the visual aesthetics of a product, while utility patents cover the functional aspects of inventions.

More specifically, utility patents typically last 20 years from the application date and cover new and useful processes, machines, manufactures or compositions of matter, or any new and useful improvements. In other words, they protect how an article is used and works.

In contrast, design patents last for 15 years from the grant date and protect an object's ornamental design, appearance or aesthetic features. To obtain a design patent, the design must be nonfunctional and be new, original, and visible on the product. For example, in the case before the Federal Circuit, GM sought to patent the design — the overall look and feel — of a car's front bumper panel.

### The Rosen/Durling Obviousness Standard in Place for Design Patents

The long-standing standard for determining the obviousness of design patents arises from the application of two cases: the 1982 *In re: Rosen* decision in the U.S. Court of Customs and Appeals<sup>2</sup> and the Federal Circuit's 1996 *Durling v. Spectrum Furniture Co. Inc.* decision.<sup>3</sup> Judge Leonard P. Stark nicely summarized that standard in the Jan. 20, 2023, per curiam opinion of the three-judge panel of the Federal Circuit:

For design patent obviousness, *Durling* outlines a two-step analysis. First, it must be determined whether a primary reference, also known as a Rosen reference, exists with characteristics "basically the same" as the claimed design by discerning the visual impression of the design as a whole. Second, if a satisfactory primary reference exists, the court must consider whether an ordinary designer would have modified the primary reference to create a design with the same overall visual appearance as the claimed design. This test safeguards against a challenger picking and choosing features from multiple references to create something entirely new, fundamentally changing the overall visual impression of the original designs.<sup>4</sup>

In sum, when determining whether a design patent is obvious, one starts with a primary Rosen reference that is "basically the same" as the patent design. If there is such a primary Rosen reference, one then determines "whether an ordinary designer would have modified the primary reference to create a design with the same overall visual appearance as the claimed design."<sup>5</sup>

When making the determination in step two of this *Durling* test, it is essential to define the scope of prior art that an ordinary designer would be expected to consider. Until now, consideration has only been given to secondary prior art references "so related" to the primary Rosen reference that "the appearance of certain ornamental features in one would suggest the application of those features to the other."<sup>6</sup> The central point of dispute now before the Federal Circuit is whether this standard is too narrow.

### Why LKQ Argues Rosen/Durling Standard Should Change

When addressing the obviousness standard for utility patents in *KSR* in 2007, the Supreme Court rejected the "rigid, mandatory formula" in the Federal Circuit's then-applicable "teaching suggestion motivation" requirement, determining that the teaching suggestion motivation standard improperly limited the obviousness inquiry. Therefore, the Supreme Court in *KSR* set a more flexible approach to obviousness and the required motivation to combine prior art teachings.<sup>7</sup>

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LKQ argues that the Rosen/Durling "so related" test for determining design patent obviousness is analogously inflexible and rigid and was, therefore, implicitly overruled by the Supreme Court in KSR.

### Impressions From the Oral Argument

The application of obviousness principles to design patents has long been considered one of the most vexing problems in patent law.<sup>8</sup> It is no surprise, therefore, that this case has captured the attention of legal experts, industry leaders and innovators alike.

The Federal Circuit's decision will likely influence how design patents are obtained, enforced and challenged. It will affect not only patent holders and potential infringers but also the broader ecosystem of innovation. Those effects could be manifold.

#### 1. Encouraging or Discouraging Innovation

If the Federal Circuit decides to retain the Rosen/Durling framework with its relatively higher threshold for proving obviousness, it would continue to provide strong protection for design patents.

This could encourage companies to invest in and prioritize design innovation, knowing that their designs are less likely to be challenged as obvious. Conversely, adopting a more flexible KSR-inspired approach could lower the bar for challenging design patents as obvious, potentially discouraging investment in design innovation due to the increased risk of patent invalidation.

#### 2. Impact on Competition

Introducing a more flexible and less certain standard for obviousness could foster a more competitive market in design-heavy industries by limiting the ability of companies to secure broad design patent protection. Narrower allowed patents, in turn, could open space for a flourishing of designs and innovation.

#### 3. Influence on Patent Quality

Adjusting the obviousness standard could affect the quality of design patents issued by the USPTO. A higher bar for non-obviousness could lead to the issuance of fewer but stronger patents, which might be more defensible in litigation. In contrast, a lower bar could increase the number of design patents granted but potentially reduce their individual strength, possibly leading to more disputes over patent validity.

#### 4. Costs of Enforcement and Defense

The standard for obviousness directly affects the costs associated with enforcing and defending design patents. A more stringent standard could lead to more expensive and complex litigation, as parties may need to invest more in expert testimony and comparative analysis of designs.

### Final Thoughts

A more flexible standard could streamline some aspects of litigation but might also increase the volume of challenges to patent validity, potentially increasing overall litigation in the field.

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The en banc court took the arguments presented, which affect these critical issues, very seriously. The panel, clearly wrestling with the competing needs for certainty in the law and flexibility in arriving at apparently just outcomes, actively asked pointed questions throughout.

That spirit of examination began almost immediately when Chief Federal Circuit Judge Kimberly Moore quickly posed a question to LKQ's counsel:

If we were to conclude that the Rosen/Durling test should be overturned for the reasons that you gave, do you agree that there should nonetheless be an analogous arts test to assessing what is the scope and content of the prior art as exists in the utility patent context?

After counsel agreed "absolutely," Judge Moore expressed concern that no brief in the case educated the court on what that standard should be.

That exchange summarized the tone of the hearing: The court is open to the idea that KSR requires more flexibility in determining obviousness in the context of design patents, but is concerned about how to do so without opening the door to absolute uncertainty.

As the American Intellectual Property Law Association said in its amicus brief:

The Rosen-Durling framework has been used with relative ease and predictability to assess the patentability of hundreds of thousands of designs patents, many of which are active today. Eliminating or modifying the framework would cause unnecessary uncertainty in an otherwise settled and reasonably well-functioning area of the law.<sup>9</sup>

We will have to wait to see how the court resolves the tension between this appeal to legal certainty and the flexibility arguably required by KSR.

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### Notes

1. 550 U.S. 398, 419 (2007).
2. 673 F.2d 388 (C.C.P.A. 1982).
3. 101 F.3d 100 (Fed. Cir. 1996).
4. LKQ Corp. v. GM Glob. Tech. Operations LLC , No. 2021-2348, 2023 WL 328228, at \*4 (Fed.Cir. Jan. 20, 2023), rehearing en banc granted, opinion vacated, 71 F.4th 1383 (Fed. Cir. 2023) 2023WL 328228. (Internal citation omitted.)
5. Id.
6. Durling, 101 F.3d at 103.
7. KSR, 550 U.S. at 420–22.
8. See, e.g., In re Nalbandian, 661 F.2d 1214, 1216 and 1219 (CCPA 1981).
9. American Intellectual Property Law Association, Brief of Amicus Curiae American Intellectual Property Law Association in Support of Neither Party, LKQ Corp. v. GM Global Technology Operations LLC, No. 2021-2348 (Fed. Cir. Aug. 31. 2023).

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