

DESIGN PATENT LAW STAKEHOLDERS IDENTIFY TRENDS DISTINGUISHING UTILITY PATENT RULES

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Design Patent Law Stakeholders Identify Trends Distinguishing Utility Patent Rules

By Tony Dutra

2014 Design Law Symposium

Takeaway: Instant knock-offs, software application screen design, 3D printing and other trends create problems in design patent law more akin to intellectual property regimes other than utility patent protection.

Nov. 24 (BNA) -- Is design patent law at a crossroads? Stakeholders at a Nov. 21 conference in Washington, identifying points of divergence from both the statute and jurisprudence as to utility patents, asked whether Patent Act changes specific to design are required, or even whether a special scheme-similar to that adopted for boat hull designs-is necessary.

The common theme throughout the session was that the Apple v. Samsung case, to be heard by the Federal Circuit on Dec. 4, is largely responsible for exposing the differences.

Trends Creating Upheaval

The 2014 Design Law Symposium was held at George Washington University Law School before about 150 attendees. GW Law School, the Center for Intellectual Property Research at the Indiana University Maurer School of Law, and the law firms of Banner & Witcoff Ltd. and Sterne, Kessler, Goldstein & Fox PLLC hosted the event and supplied moderators for four panels.

After separate 1.5-hour discussions each on remedies, functionality and prior art, Sterne Kessler's Tracy-Gene G. Durkin and Robert S. Katz of Banner & Witcoff held a "town hall discussion" with several votes that indicated a divide among stakeholders-not only patent lawyers but industrial designers as well-in answering the question: Are changes needed?

Katz identified the most significant trends causing the stress and possible need for statutory change:

* Knock-off designs are appearing on the market as soon as the patent application is disclosed, creating a period without remedy and giving the knock-off maker early entry. The audience was evenly divided as to their support for a move to a registration system similar to copyright, a preference preferring the examination system, and those calling for a "hybrid" system of quick registration and an optional follow-up examination.

* Protection for graphical user interfaces-"temporary designs" because they do not remain constant on the screen-is driving much of the discussion. Michael Risch, professor at the Villanova University School of Law, challenged Apple's D,604,305 screen design patent, one part of the Apple v. Samsung case, to the dismay of a few audience members who defended awarded protection to GUIs.

* More vexing in the potential outcome of Apple v. Samsung is how it will affect remedies available to design patent owners. Issues include whether protection of a portion of a product can justify an injunction against the entire product, whether the damages calculation requires apportionment, and how to deal with unjoined ongoing infringement. An apportioned royalty won't stop copycats, Perry J. Saidman of Saidman Design Law, Silver Spring, Md., said. "They will just keep going. It'll be a cost of doing business."

* 3D printing adds a copyright-like "Napster problem," because the profit-making infringer creates only a digital model of the patented design and no finished product. Users are the actual copiers, and the negative publicity of copyright owners bringing infringement cases against end users is still fresh in stakeholders' minds.

* Obviousness analysis has created specific problems for courts because "design is a unitary thing," as Christopher V. Carani, McAndrews Held & Malloy Ltd., Chicago, said. That fact makes it difficult to understand exactly what a court is doing when it combines prior art references to find obviousness, according to one audience member.

And pervasive throughout the discussion was the fact that infringers come in three types-direct competitors, such as Apple and Samsung in the mobile phone market; knock-off manufacturers, more similar to generic drug makers; and downstream suppliers of patented parts, such as for automobiles.

Does Section 289 Need Tweaking?

That difference led Sarah Burstein of the University of Oklahoma College of Law, in the panel on remedies, to ask a fundamental question: "What's the point of design patents? To deter copycats, or to incentivize creative design?"

The remedies session, moderated by Katz and John Whealan, associate dean for intellectual property law at George Washington, featured a debate on interpretation of Section 289 of the Patent Act, 35 U.S.C. §289, which is specifically directed to damages for design patent infringement. Section 289 makes the infringer "liable to the owner to the extent of his total profit, but not less than \$250," in addition to "any other remedy which an owner of an infringed patent has under the provisions of this title, but he shall not twice recover the profit made from the infringement."

All participants agreed that \$250 is absurdly low, but the primary question was as to the meaning of the word "extent." Maurer Law School Professor Mark D. Janis contended that it meant the full extent of total profit should be awarded, while Whealan read it to give judicial discretion to award less than total profit.

Natalie Hanlon-Leh of Faegre Baker Daniels, Denver, tied injunction and damages issues in light of *Apple v. Samsung*, with Apple's inability to establish a causal nexus between the iPhone's design and customers' purchase decisions (223 DER A-3, 11/19/13).

That failure negates the required finding of irreparable harm for an injunction, she said, and, when design is merely one aspect of the purchase decision, causes courts to make the parallel to apportionment as applied in utility patent cases.

Consumer surveys can identify a nexus, an audience member contended. But Katz said the cost of such a survey is so high that it doesn't make economic sense to do it for a "small infringer."

Burstein, Hanlon-Leh and Janis have all filed amicus briefs in the case now before the Federal Circuit (*Apple Inc. v. Samsung Electronics Co., Ltd.*, No. 2014-1335 (Fed. Cir.) (186 DER A-31, 9/25/14).

Functionality Not Really Design Issue

Durkin of Sterne Kessler, Washington, and Richard S. Stockton of Banner & Witcoff LLP, Chicago, moderated a panel on how courts have "factored out" functional aspects of a design patent.

Risch of Villanova presented his argument in the session on GUIs and screen design, arguing that factoring out in design patent law is similar to, and as useful as, filtration in copyright law.

But Saidman insisted, "There is no such thing as a design patent that is invalid for functionality." He noted that Section 171 doesn't even use the word, and said that courts have improperly been interpreting the word it does use—"ornamental"—as "non-functional."

He said that the only true test of functionality is whether there are alternative designs that would perform the same function. If so, the patent undoubtedly is claiming to be about ornamental aspects, he said, and if not, it should be a utility patent and not a design patent.

John J. Cheek, deputy IP counsel at Caterpillar Inc., was on the panel as well, describing the peculiarities of "the parts and component landscape." The firm typically files a combination of utility and design patents on the same part, and, he said, the difficulty is in ensuring that engineers who are not industrial designers avoid using functional language.

AIA Changes to Prior Art Ignore Designs

Carani's presentation was in the panel on prior art. It further featured words of caution about the changes in Section 102 resulting from passage of the America Invents Act, which, he suggested, showed little or no awareness of problems specific to design patents.

For example, Carani said, "Don't get lulled into the idea that you have a grace period." If you show your design at a trade show, he said, and an intervenor copies the design except for one insubstantial change, it can serve as a prior art reference. The AIA assumed a claim of derivation would disqualify third-party intervening prior art, but, he said, "Good luck trying to prove derivation" in design.

Jason Du Mont, fellow at the Center for Intellectual Property Research at the Maurer School of Law, moderated the panel, which also included Elizabeth Ferrill of Finnegan, Henderson, Farabow, Garrett & Dunner LLP, Washington; Mark A. Charles, Washington-based senior counsel at Procter & Gamble Co.; and Brian E. Hanlon of the U.S. Patent and Trademark Office.

Charles's talk was perhaps the most disturbing to prospective patent applicants. He noted the problems his firm is experiencing with designs being prematurely published on the Internet, leading to "all kinds of mockups being posted on the web" that—as patent-defeating prior art—preempt additional design variations the firm is considering.

For example, Charles said, Apple already has to deal with prior art posted on social media sites "suggesting what the iPhone 8 should look like."

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