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Is Federal Circuit on the verge of upending harmonious co-existence between design patents and utility patents?

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July 31, 2023 7:37 AM PDT · Updated 22 days ago

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Commentary

Attorney Analysis from Westlaw Today, a part of Thomson Reuters.

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July 31, 2023 - Design patents and utility patents have co-existed in harmony — each staying in its own lane, covering its own subject matter — for over 180 years. The U.S. Patent Act was enacted in 1790, and the first U.S. utility patent was issued on July 31, 1790. The utility patent was issued to Samuel Hopkins for a process for making potash, an ingredient used in fertilizer. It was signed by President George Washington.

Fifty-two years later — in 1842 — Congress passed a statute providing for the grant of patents covering new and original designs. The first U.S. design patent was issued later that year on Nov. 9, 1842. The design patent was issued to George Bruce for a new font.

For the 181 years since then, the two types of patents have developed on parallel, yet distinct courses. While both types of patents allow their holders to exclude others from using their ideas without their permission during the life of the patent, they have developed several differences. For example, differences between the two types of patents include the length of their exclusionary period, the cost of obtaining and maintaining them, what they cover (the appearance or look of something versus its function), the analysis used to determine whether someone is infringing them, and — importantly for this article — the analysis used to determine whether they are obvious.

Now the harmonic co-existence enjoyed for nearly two centuries by design patents and utility patents may be on the verge of extinction. For the first time in over five years, the U.S. Court of Appeals for the Federal Circuit will be hearing a patent case en banc — and not just any patent case. It is a case that questions whether the obviousness analysis applied to design patents should be merged with — or changed in view of — the analysis applied to utility patents.

The case is LKQ Corporation v. GM Global Technology Operations LLC. It is an appeal from an inter partes review proceeding brought by LKQ challenging GM's design patent.

LKQ was once a licensed repair part vendor for GM. But after renewal negotiations fell through in early 2022, GM informed LKQ that the parts LKQ was selling were no longer licensed and therefore infringed GM's design patent. In response, LKQ sought to invalidate GM's auto fender design patent in an inter partes review.

The U.S. Patent Trial and Appeal Board (PTAB) ruled in GM's favor — finding that LKQ had not shown that the patent was obvious. LKQ appealed to the Federal Circuit. LKQ argued that the U.S. Supreme Court's decision in KSR International Co. v. Teleflex Inc., 550 U.S. 398 (2007) — a case involving the obviousness analysis for utility patents — should apply to design patents.

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In particular, LKQ argued that the currently applied obviousness standard for design patents (which the PTAB applied in the LKQ's IPR) is inappropriate and should more closely parallel the obviousness standard used for utility patents. In an opinion issued on Jan. 20, 2023, the Federal Circuit rejected LKQ's argument and affirmed the PTAB's finding. But, on June 30, 2023, the full Federal Circuit agreed to hear the case en banc and consider whether the design patent obviousness analysis requires modification.

The current test for design patent obviousness is based on In re: Rosen (a CCPA (Court of Customs and Patent Appeals) decision from 1982) and Durling v. Spectrum Furniture (a Federal Circuit decision from 1996). Under the current test, for a challenger to invalidate a design patent claim based on obviousness, the challenger must satisfy a two-step test.

First, the challenger must show there is a single primary reference which has "characteristics [that are] 'basically the same' as the claimed design." Second, the challenger must show that the gap between the primary reference and the claimed design can be bridged by one or more secondary references. These references must be related enough in appearance to the claimed design that "an ordinary designer would have modified the primary reference to create a design with the same overall visual appearance as the claimed design."

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This, according to LKQ, stands in sharp contrast to the more flexible standard for obviousness of utility patents — a standard that LKQ argues should apply to all patents, regardless of type. In 2007, the U.S. Supreme Court in KSR rejected the strict function-way-result test the Federal Circuit had been applying in determining obviousness of utility patent claims.KSR held that an ordinarily skilled inventor could look beyond the field of the problem trying to be solved to create a unique solution. The Court stated that obviousness inquiries should use "an expansive and flexible approach" rather than "a rigid rule."

The case currently before the Federal Circuit (and the eventual en banc decision) could dramatically change the design patent landscape — in a myriad of unknown and unpredictable ways. GM (and those opposed to changes to the obviousness analysis) argue that there is no reason to overturn decades of established case law on obviousness in design patents based on a KSR decision that pertained only to utility patents (with a different purpose and different coverage).

The current two-step design patent obviousness test has been applied for over two and a half decades and provides a high degree of certainty for all parties involved. Those arguing against applying KSR to design patents see no reason to change a design patent obviousness test that is well understood by both courts and litigants.

So the fate of issued, pending, and yet-to-be-filed design patents waits in the wings as the Federal Circuit considers whether to change the design patent obviousness analysis — either to that of utility patents (as modified in KSR) or to some other (yet to be defined) standard. In addition to added unpredictability, a change in the test would likely also raise litigation costs as litigants and courts grapple to understand and apply a new obviousness standard.

And — perhaps most concerning — if the Federal Circuit modifies the obviousness analysis for design patents to be more aligned with the analysis applied to utility patents, what else will one day be merged between the two? The infringement analysis? The lifetime of the patent? The very purpose and scope of their coverage?

Perhaps recognizing the importance of this case — particularly to current and future design patent holders — the Federal Circuit has asked for feedback from the government and issued an open call for amici, in addition to briefing from the parties. The oral argument is not yet scheduled.

Regardless of the outcome — whether the Federal Circuit's decision confirms (or evaporates) the parallel yet distinct trajectories of design and utility patents — the case will have widespread impact on the patent community.

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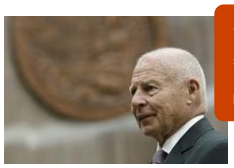

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