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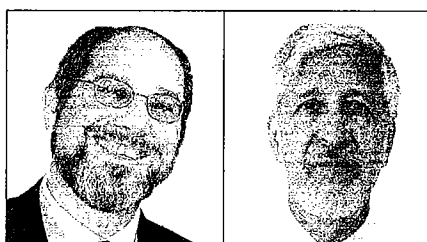
### *Design Patents Take Center Stage in the Federal Circuit*

Design patents constitute a relatively small part of most patent lawyers' practices; however, they are among the most valuable forms of intellectual property protection that many clients can obtain. Particularly in the fashion, jewelry and furniture industry, design patents offer a very cost-effective means to protect against look-alikes, whether the result of independent creation or copying.

#### Scope of Rights

The scope of rights afforded by a patent on a design is similar to the patent rights that are afforded to utility inventions such as pharmaceuticals, lasers, software and automobile catalysts, although both the duration of protection and the requirements to obtain these two types of patents are somewhat different. For example, while utility patents last for 20 years from the date of filing of an application,<sup>1</sup> design patents last only for 14 years from issuance.<sup>2</sup> Furthermore, while utility patents are issued for new, useful and nonobvious inventions,<sup>3</sup> design patents are issued for new, original and ornamental designs of articles of manufacture.<sup>4</sup> Finally, and perhaps of particular significance to a client attempting to procure a design patent, the work, and thus cost, required to prepare and prosecute a design patent are significantly less than for a utility patent.

As most patent lawyers appreciate, design patents are sought and issued much less frequently than the more traditional utility patents. For example, over 6 million utility patents have issued to date while only approximately 500,000 design patents have been issued. The relatively low frequency of



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issuance of design patents takes them out of the routine practice of most patent practitioners and has led these types of patents to be the subject of fewer litigations. This in turn has led to less development of design patent jurisprudence by the courts. However, for both the client who owns or is planning to apply for a design patent, as well as the attorney who either routinely or for the first time finds himself or herself counseling a client on issues pertaining to design patents, it is important to keep abreast of recent developments in this area of law.

Recently, in *Bernhardt v. Collezione*, 04-1024 (Oct. 20, 2004), the U.S. Court of Appeals for the Federal Circuit provided district courts with three significant guidelines on how to approach design patent cases that should facilitate the administration of these cases.

Under *Bernhardt*: (1) district courts' findings of invalidity due to anticipation or obviousness, as well as of infringement, should include separate formal findings under both the ordinary observer test and point of novelty test; (2) the issue of when premarketing activities constitute public uses may be industry-specific and does not necessarily turn on the issue of whether a confidentiality agreement is present; and (3) there is now a clear minimum amount of evidence that a design patent holder must submit in order to satisfy the point of novelty standard for infringement.

#### 'Bernhardt v. Collezione'

*Bernhardt v. Collezione* was a litigation over six design patents directed to furniture. Bernhardt, the plaintiff, is a furniture manufacturer, and through its intellectual property licensing unit, owned the patents at issue. Collezione, the defendant, is a company that imports and sells furniture at relatively low prices.

Bernhardt participated in the International Home Furnishing Market, which is held twice a year, and one month before the event, Bernhardt organized a "pre-market" exhibition, at which it showcased its new designs to its key customers and to representatives from an industry newspaper. The purpose of the pre-market event was threefold: to demonstrate the concepts of the furniture collections under development; to gauge customer reaction; and to increase customer demand. The new designs took the form of mock-ups, prototypes, drawings and other exemplars, and representative pieces were shown.

The persons who were permitted to attend the pre-market event were not required to execute any type of confidentiality agreement. However, Bernhardt did keep some control over who had access to the event. For example, Bernhardt maintained an invitation list of the persons who attended, required identification to be shown at two different points, required a security escort in order to enter the showroom, had sales representatives escort the persons around the showroom, and prohibited attendees from taking pictures or bringing anything into the showroom.

At a Sept. 19, 1999 pre-market event, Bernhardt showcased a planned line of furniture. The designs, with some modifications were later adopted in one of Bernhardt's collections and were the subject of the design patents-in-suit. Collezione asserted that the pre-market event was a public use and, thus, invalidated four of the patents under 35 USC §102(b). Collezione also

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asserted that the patents were not infringed. The district court found for Collezione on both issues. On appeal, the Federal Circuit vacated and remanded.

### District Court Analysis

The Federal Circuit held that the district court's analysis was problematic in the following three ways: (1) the district court applied the wrong standard in determining whether a prior use was invalidating; (2) the district court applied the wrong standard in determining whether a prior disclosure was a "public" use; and (3) the district court assigned an incorrect burden with respect to establishing whether the accused infringing products appropriated the point of novelty of the patented designs.

• *First*, the Federal Circuit addressed the standards to analyze whether there is invalidity due to prior public use. The appellate court reemphasized well-established case law that in order to invalidate a design patent for prior public use a court must compare the claim and prior use, employing both the ordinary observer and the point of novelty tests.

The ordinary observer test provides:

if, in the eye of an ordinary observer, giving such attention as a purchaser usually gives, two designs are substantially the same, if the resemblance is such as to deceive such an observer, inducing him to purchase one supposing it to be the other, the first one patented is infringed by the other.<sup>5</sup>

In contrast, the point of novelty test requires proof that the accused design appropriates the novelty that distinguishes the patent design from the prior art.<sup>6</sup>

The appellate court then held that despite the district court's finding of facts of similarity between the claims and the previously disclosed articles, in the absence of the explicit application of both of these tests, the district court needed to reanalyze whether there was in fact a prior public use. Thus, going forward, litigants should ask the district court to make separate and explicit findings of the applications of both the ordinary observer test and point of novelty tests.

• *Second*, the Federal Circuit then addressed the issue of what it means to be "public" within the context of a public use that can invalidate a patent. The Federal Circuit again held that the district court did not apply the correct standard.

The court further held that the test of whether a use is public is based on the totality of the circumstances and listed a number of factors to consider, including:

- (1) how the circumstances comport with the policies of the public use bar, including
- (a) discouraging the removal of inventions from the public domain that the public justifiably comes to believe are

freely available,

(b) prohibiting an extension of the period for exploiting the invention, and

(c) favoring prompt and widespread disclosure of inventions;

(2) the nature of the activity that occurred in public;

(3) the public access to and knowledge of the public use; and

(4) whether there was any confidentiality obligation imposed on persons who observed the use.

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*The patent holder said that in its industry a lack of confidentiality agreement was not significant, noting a wide understanding that pre-market attendees were not to reveal designs.*

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As with the issue of whether the displayed furniture anticipated the claimed inventions, the Federal Circuit noted that the district court failed to consider the appropriate factors. Most notably, the Federal Circuit held that the district court placed too much weight on the absence of a confidentiality agreement and should have considered the business circumstances under which the pre-market event took place. The Federal Circuit repeatedly emphasized that although the presence of a confidentiality agreement is significant, it is not determinative.

One lesson for your future cases is that the patent holder made a case that within its industry the absence of a confidentiality agreement was not particularly significant. The patent holder noted that there was already an industrywide understanding that pre-market attendees were to hold in confidence the designs that they viewed and that market conditions were sufficient forces to encourage attendees to keep the information confidential.

The Federal Circuit did not make the ultimate finding, but it did direct the district court to consider more fully these additional issues that the patentee raised. This approach based on an industry confidentiality standard, although not limited to determining whether design patents are invalid due to a prior public use, is particularly relevant in industries in which designers seek customer feedback prior to finalizing their products, and the IP world may find this issue becoming increasingly important.

• *Third*, the Federal Circuit held that the district court applied an incorrect standard for

what evidence must be presented to prove infringement under the "point of novelty test." The appellate court recognized that it had not previously announced a clear standard, which would now be to require the patentee "[to] introduce into evidence, at a minimum, the design patent at issue, its prosecution history, and the relevant prior art references cited in the prosecution history; and ... [to] present, in some form, its contentions as to points of novelty." As guidance, the court announced that the contentions may be made in proposed findings of facts, and the patent may, though is not obligated to, produce additional evidence such as expert testimony.

This standard is not particularly high. However, it does require the owner of a design patent to at least provide the court with a road map for finding that the infringing product meets the points of novelty. Consequently, the trial court should have an easier time outlining its point of novelty analysis. It will be a question of litigation strategy, whether, once these contentions are provided, a patent holder should believe that its case is sufficiently clear, and do no more.

### Conclusion

These three developments in design patent jurisprudence, may make design patent litigation more uniform in the district courts. First, all courts are now advised to articulate clearly their analysis of invalidity and infringement issues under both the ordinary observer and the point of novelty tests. Second, in the absence of a confidentiality agreement, courts are allowed and will expect to be asked to consider industry standards to determine whether a use is public, which may be important for utility patents as well. Finally, patent holders will have to provide a road map of their theories of infringement under the point of novelty analysis, which will assist the trier of fact in fulfilling its duty to articulate whether the standard was met.

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1. 35 USC §154.

2. 35 USC §173.

3. 35 USC §§ 101, 102, 103.

4. 35 USC §171.

5. *Contessa Food Products, Inc. v. Conagra, Inc.*, 282 F3d 1370, 1377 (Fed. Cir. 2002) (quoting *Gorham Co. v. White*, 81 US (14 Wall.) 511, 528, 20 L. Ed. 731 (1871)).

6. *Id.*