

# Managing Intellectual Property™

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# HEARTBREAKING

OUR LOVE-HATE RELATIONSHIP WITH DESIGNS

LANDMARK PATENT RULING  
IN HONG KONG

HOW TO MANAGE AN ANTI-  
COUNTERFEITING TEAM

WHY YOU'VE BEEN  
DRAWING PATENTS WRONG

RECENT GERMAN TRADE  
MARK CASES EXPLAINED



## Why we love (and hate) design rights

After attending the recent INTA/AIPPI conference on “Designs: Into the Future”, **James Nurton** summarises what there is to love about designs – and also a few reasons not to love them. On the following pages, we also look in depth at the recent Trunki decision in the UK and the pending Apple v Samsung case in the United States



**D**ara Kendall, IP counsel at Procter & Gamble in Singapore, summed up both the appeal and challenge of design rights, in a presentation at the recent INTA/AIPPI conference in Singapore, attended by some 200 practitioners. Designs, she said, “protect what’s cool about your product”. That makes them highly valuable in many industries and a vital way to block competitors, and helps explain why they are growing in popularity (see charts). But her statement also highlights the frustrations in design law: how, after all, do you define and delineate what is “cool”? And how do examiners and judges go about answering that question consistently and fairly?

In an attempt to summarise these tensions, and drawing on some of the information presented at the two-day conference, Managing IP gives you five reasons to love designs – and five reasons not to do so.



### Five reasons to love designs

**1 They’re cheap**  
Applications for designs are inexpensive compared to many other IP rights, especially in those jurisdictions where there is no substantive examination. For example, the fee for a registered Community design (RCD), which covers a market of 28 countries and about 500 million people in Europe, starts at €350. The ability to protect many designs in one application makes them even cheaper. If filing internationally, the basic fee for an international application under the Hague Agreement is Sfr397, with each additional design in the same application costing just Sfr19.

**2 They can be secured fast**  
Many designers want protection quickly – because their products have short shelf-lives or they need protection against competing products. In jurisdictions where there is no examination, such as the EU, rights can be granted in a matter of weeks – or even days. Even in the US, the average pendency for design patents (from filing date to disposal) is about 20 months – but a faster decision can be obtained using the expedited Rocket Docket, where average pendency to first action is just under three months.

**3 They’re flexible**  
You can use designs for a wide variety of products: that’s why they are popular in industries as diverse as furniture, electronics and transport, and can also be a means to protect logos and product shapes. As Tracy-Gene G Durkin of Sterne Kessler Goldstein Fox explained in Singapore, one of the biggest growth areas in design patents in the US today is for graphical user interfaces (GUIs). Until recently that was, she says, “a sleepy area of law” with only one USPTO examiner assigned. Today, there are 20 examiners and the top applicants are Microsoft, Samsung and Apple. Other speakers speculated that designs rights could be vital means of protection as 3D printing becomes commonplace.

You can also do things with designs that you cannot do with

other IP rights: with skilful drafting you can show transparency and indicate unclaimed subject matter – not something that is possible with trade marks, for example.

### 4 It’s relatively easy to prepare applications

It’s important to search prior art before filing design applications, and while it can be time-consuming it need not be difficult or expensive. Many free databases are available, and it can be fruitful simply to search on Google or on relevant databases of new products to establish novelty. As Henning Hartwig of Bardehle Pagenberg explained, the EUIPO Guidelines even set out the criteria used to assess the date of a disclosure: it is reliable where there is a time stamp (such as on Wikipedia), indexing dates are given by search engines (such as by Google), a screenshot bears a given date or information on updates is available from an internet archiving service.

### 5 You can have overlapping protection

Because of the flexibility of design rights, and their low cost, a common strategy is to double up on protection. Mobile phone companies might file for a utility patent for a technical feature, and a design patent for the icons where that feature is enabled. Brand owners might use a design to secure short-term protection, while trade mark rights are sought. Much of the discussion in Singapore concerned the various cases in the EU, Switzerland, Japan and elsewhere over the Tripp Trapp chair, which have addressed patent, copyright and unfair competition issues.

These are just some of the reasons why more and more companies see the benefit of design protection. As Albert Lee of LG in South Korea said at the INTA/AIPPI conference: “We’re very keen on design rights.” Up to 2001, his company had only 135 design patents in the US; in 2015 alone it filed 469 applications, putting it third on the list of applicants.

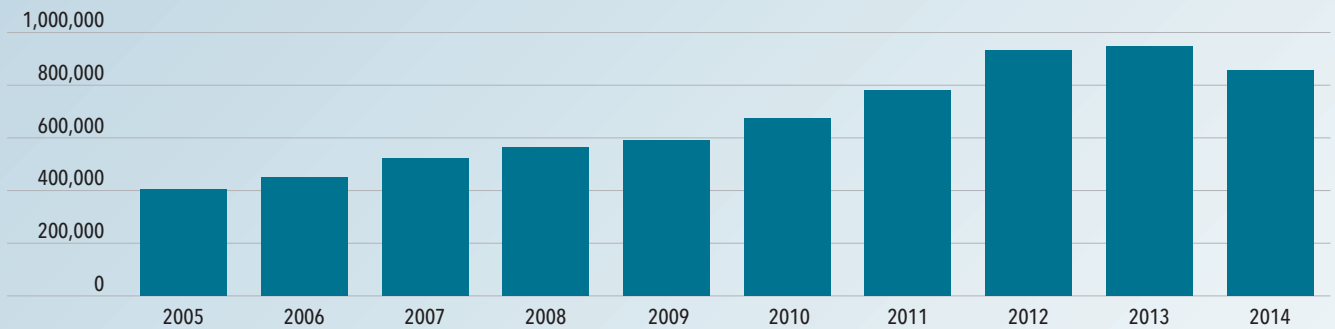
But before you go rushing to the nearest IP office with a stack of design applications, it’s worth considering five reasons why design rights might not be the answer to every IP problem.



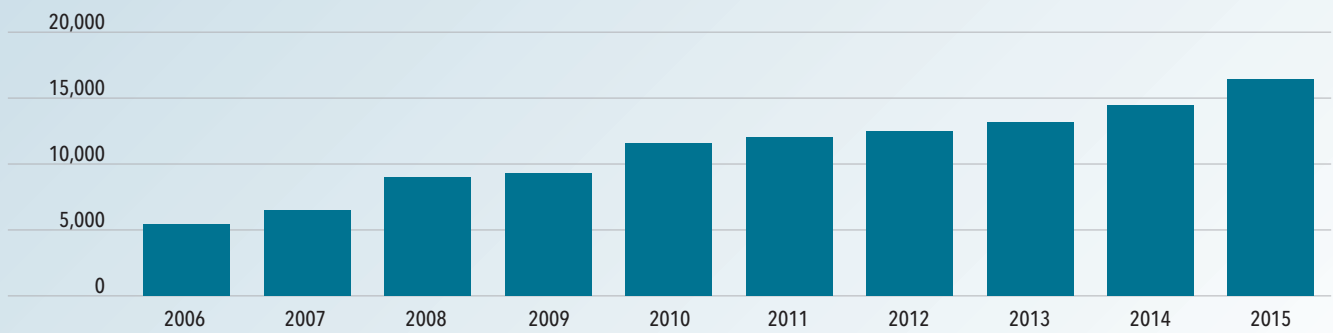
### Five reasons not to love designs

**1 Lack of harmonisation**  
Despite the attention of WIPO’s member states, design law is less harmonised than that governing any of the other major IP rights. The lack of harmonisation is exemplified by the fact that we can’t even agree what to call them: are they design patents, designs or industrial designs? Length of term varies from one jurisdiction to another, as does substantive law on issues such as the scope of protection and whether there is a grace period, and practical points such as whether a detailed written description is needed and whether multiple embodiments are allowed. Practices even differ on questions such as the meaning of surface shading or contouring (you are advised to leave them out in Japan).

## Total design applications worldwide (direct and via Hague System)



## Number of designs in Hague Agreement applications



Source: WIPO

The Hague Agreement is a useful tool for international protection, allowing up to 100 different designs in a single application, with no limit on the number of representations and the opportunity to include photos, drawings and CAD images. But even with the recent addition of Japan, Korea and the United States it only covers 65 jurisdictions – the BRIC countries (Brazil, Russia, India and China) are all outside the system. And if you are interested in non-Hague countries, you need to consider that a Hague registration could actually harm your chances: Australia, for example, is not a member and has no grace period – so a Hague registration could be novelty-destroying in that country.

### Associations emphasise designs

INTA's Design Rights Committee has 48 members and is helping to formulate INTA policy on a range of issues, said its Chair David Stone of Simmons & Simmons in the UK at the Singapore conference. The new Committee (designs was previously covered by a subcommittee) has two task forces focusing on 3D printing and the continuing EU study on the design system, which is expected to focus on the controversial spare parts issue.

Chris Carani of McAndrews, Held & Malloy in the US, who chairs AIPPI's Design Rights Committee, said it is monitoring various national, regional and WIPO developments. In addition, AIPPI delegates will debate a question on designs and functionality at this year's Congress in Milan.

### 2 Unpredictability

The lack of harmonisation contributes to the undoubted unpredictability of design law, especially when it comes to infringement. As Albert Lee of LG explained, even the standard used to assess infringement varies: in the US it is "ordinary observer"; in the EU "informed user"; in China "ordinary beholder"; in Korea, "general consumer" and in Japan "consumer".

The bad news for designers is that this means your rights may be lot less useful than you think. In the UK, even though the system is now 13 years old, no RCD has yet been held to be valid and infringed by the Court of Appeal. In the recent *Trunki* case (see box, overleaf, for a discussion) Lord Neuberger called the design of a wheeled case which looks like an animal "both original and clever" but still held it was not infringed by a copy-cat product. Even where designs are held to be infringed, there is debate about how to assess damages (see box opposite on *Apple v Samsung*).

### 3 Functionality

It's a question that is fundamental to design law in most jurisdictions: where does functionality (which is generally not protectable) end and appearance or ornamentation (which is protectable) begin? With many designs, it can be hard to tell. And, as a panel of speakers from Australia, China, Europe and the US showed, there are no easy answers to questions such as: what if parts of a design are functional? What if there are alternative ways to achieve the same function?

## US Supreme Court to hear *Samsung v Apple* design patent case

The Supreme Court will hear its first design-patent case in more than 120 years. In an order issued on March 22, the Supreme Court granted cert in *Samsung v Apple*, limited to question two of Samsung's petition.

The petition had presented two questions:

1. Where a design patent includes unprotected non-ornamental features, should a district court be required to limit that patent to its protected ornamental scope?
2. Where a design patent is applied to only a component of a product, should an award of infringer's profits be limited to those profits attributable to the component?

Samsung is appealing the \$399 million it was ordered to pay for infringing three Apple design patents covering the curved iPhone design and its display screen. This was part of the \$548 million the South Korean company in December last year agreed to pay Apple following a trial in 2012, with the caveat that it held the right to appeal at the Supreme Court.

A \$120 million award to Apple in a second case between the two companies was reversed by the Federal Circuit last month.

Samsung commented: "We welcome the Court's decision to hear our case. We thank

the many large technology companies, 37 intellectual property professors, and several groups representing small business, which have supported our position . . . The Court's review of this case can lead to a fair interpretation of patent law that will support creativity and reward innovation."

In its petition submitted by Quinn Emanuel Urquhart & Sullivan, Samsung argued that the way design patent damages are calculated is unfair and out of date. The Supreme Court had in the 19th Century considered design patent cases involving a spoon handle, a saddle and a rug.

"With the recent explosion of design patents in complex products like smartphones, the time is ripe for this Court to again take up the issue," Samsung argued in its petition. "A patented design might be the essential feature of a spoon or rug. But the same is not true of smartphones, which contain countless other features that give them remarkable functionality wholly unrelated to their design."

Samsung said the three design patents cover only specific, limited portions of a smartphone's design: a black rectangular round-cornered front face, a "substantially similar" rectangular round-cornered front face plus the surrounding rim or "bezel", and a particular colourful grid of 16 icons. "Each of these patents contains indisputably unprotected el-

ements within its overall claimed 'ornamental' design," said Samsung. "Some of those elements are not protected as 'ornamental' because they are conceptual: No one may own rectangles, round corners, the colour black or the concept of a grid of icons. And some of those elements are not protected as 'ornamental' because they are functional: Rectangular shapes and flat screens allow a user to view documents and media. Round corners make phones easier to slip into a pocket or purse. A bezel prevents the glass screen from shattering if a phone is dropped. Icons on a screen inform a user how to touch the screen to initiate various functions." Samsung said the court allowed the jury to find infringement based on similarities in overall appearance and "any perceived similarities or differences".

"Compounding this problem, the Federal Circuit allowed the jury to award Samsung's entire profits from the sale of smartphones found to contain the patented designs – here totalling \$399 million," said Samsung. "It held that Apple was 'entitled to' those entire profits no matter how little the patented design features contributed to the value of Samsung's phones. In other words, even if the patented features contributed 1% of the value of Samsung's phones, Apple gets 100% of Samsung's profits."

By Michael Loney

But we may get some answers soon: the role of functionality in relation to design protection is one of the four questions that will be discussed before and during AIPPI's Congress in Milan in September this year.

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### Dotted lines

Along with the meaning of life and the existence of God, it's one of the great mysteries: what is the significance of dotted (or broken) lines in a design registration? Common sense, supported by the authority that is the EUIPO Guidelines, suggests that they are used to disclaim protection for certain aspects of the design. But in the UK *Apple v Samsung* case (the one where Mr Justice Birss famously said that Samsung's product was "not as cool" as Apple's design) and in the parallel Dutch proceedings, it was accepted that the dotted lines should not be disregarded and in fact depicted a transparent border on the design.

It may seem like a technicality, but dotted lines are frequently used in design applications throughout the world, and until there is clarity about what they mean, there will remain uncertainty about the scope of protection and enforceability of those rights.

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### Drafting challenges

Finally, we come back to Kendall's statement, quoted at the beginning of this article. If designs protect what's cool, how do you show that on paper? The answer is, normally, with drawings – but these are never perfect. "Everybody thinks there a draftsman, but they're not," said Kendall. She urged applicants to prepare formal drawings by a professional well ahead of the application, to provide the greatest chance of success. But even with the best intentions, problems can arise – as the Trunki case showed. There, CAD drawings, which in many industries are the default means of depicting designs on paper, were found to limit protection; line drawings might have been better. Another problem that can arise is having various drawings with inconsistent views. And remember with a design application (unlike a trade mark), you only get one chance to get it right!

The optimal way of illustrating the coolness of designs is yet to be found. Until it is, you suspect that IP offices and courts will remain busy assessing questions of validity and infringement – and doing their best to find answers.

## The practical impact of the Trunki case

The UK Supreme Court's decision in the Trunki design dispute has generated debate among design law practitioners, concern in the design community and a reaction from the UK IPO. In a unanimous judgment written by Lord Neuberger on March 9, the Court affirmed Lord Justice Kitchin's conclusion that PMS International's Kiddee Case does not infringe Magmatic's registered community design (RCD) for the Trunki ride-on suitcase.

Although the Supreme Court was primarily asked to review Kitchin's criticisms of the High Court judge Mr Justice Arnold, its judgment contains points which are significant for design law and practice in the UK. In particular, it confirms the UK court's approach to the interpretation of registered designs illustrated or represented using computer-aided design (CAD) drawings or photographs, and the scope of protection of such designs.

### Drawings under scrutiny

#### CADs and photographs

The judgment highlights the importance of using an illustration most suitable for the product shape. It confirms that the scope of protection of a registered design will always be determined from its illustration. Practitioners agree Magmatic faced difficulty with its RCD infringement claim because of its CAD drawings. Patrick Wheeler, partner at Collyer Bristow, said: "The issues go back to the original application. Part of it is that they filed CAD drawings which show parts like the wheels and straps being a different colour."

The judgment serves as a warning to those who need to use CAD drawings. David Stone, partner at Simmons & Simmons, said: "The surprise from the Court of Appeal here, I think, was that it held that a grey-scale CAD of the product was not a claim only to shape, but also to surface decoration – or at least to darker wheels and luggage strap." He added: "Therefore designers will need to be especially careful when using CADs, particularly when the shading is darker on some parts than others. That now appears to have a meaning, at least in the UK."

#### Line drawings better

The Court said "a line drawing is much more likely to be interpreted as not excluding ornamentation", whereas CAD drawings or photographs would likely specify more details other than the shape.

Practitioners believe the judgment confirms that UK courts will always give line drawings a broader scope of protection than CAD drawings or photographs and that the appellate courts could have reached a different conclusion if they were faced with line drawings. In a case note, Simon Clark, partner at Berwin Leighton Paisner, explained: "Imagine you wanted a design registration to protect a new sofa design. If the image filed shows a photograph of the sofa in a particular fabric, it may well be the case that an exact copy of it in a very different fabric would not infringe. However, if a line drawing showing just the shape of the sofa was filed, it should provide protection for that shape regardless of the chosen fabric on the competing product."

This does not mean line drawings – which can also be used to show decorations – will be appropriate for all designs. But the risk of using CAD drawings, or even photographs, is that any shading or light effects will also be taken into account when interpreting the scope of protection of the registration. "It is a shame that Magmatic hadn't filed a line drawing for the product," Stone said.

The consensus is clear. As David Musker, consultant at RGC Jenkins & Co, put it: "If you want a better chance in terms of scope of protection for a shape design, use line drawings."

### The rise of ornamentation

The most important point of contention before the Court was whether the absence of ornamentation can be a feature of a registered design. Magmatic, with the support of the UK IPO, asked the Supreme Court to refer the issue to the CJEU for guidance. Clarity or confirmation was needed since the issue was also raised in the Court of Appeal's decision in the design dispute between Samsung and Apple.

Neuberger rejected the request because, in his view, the case law is clear. The judge offered his non-binding opinion: "Absence of decoration can, as a matter of principle, be a feature of a registered design." Neuberger agreed with the Court of Appeal's view that the presence or absence of decoration on the designs at issue can affect the overall impression so should be taken into account.

The judge also brought up 'minimalism' in designs, a concept Stone and Musker agree has been trending for some years now. "The Court has said that an applicant should be able to protect a minimalist design i.e. designs without much or any extra ornamentation," Musker explained. Its legal certainty worries Stone. "I'm not sure it makes good law, and I'm not sure that the Supreme Court's reliance on either *Procter & Gamble v Reckitt Benckiser* or *Samsung v Apple* is right," he said.

#### Clear, settled or neither?

But did the Supreme Court give an unequivocal ruling on this issue? Some say no. IP firm D Young & Co, in its case note, said: "The court seems to have held that surface decoration in an alleged infringement can be taken into account in some circumstances, although the limits of that remain unclear."

Musker, however, considered it settled – at least in the UK. "I think the Court was comfortable that there is already a consistent EU-wide view. You can see the Court referred to Dutch, German and CJEU General Court decisions addressing this issue," he said. This issue may well arise again in the UK but a referral is doubtful. "I don't think it will be from the UK as the Court has now settled it," Musker said.

### Global comparison test

The Supreme Court also endorsed the Court of Appeal's view that a judge should carry out a "global comparison" when dealing with certain registered designs – a view Stone said "reads dangerously like trade mark law".



### Three takeaways from Trunki

- 1 The scope of protection will be determined from the illustration of the registered design.
- 2 A trial judge will conduct a global comparison of all the designs at issue, taking into account all their features including the presence or absence of ornamentation and any colour contrasts and their contexts.
- 3 Line drawings are more likely to be afforded a broader scope of protection than other forms of illustration, such as CAD drawings.

The Court said all the features of the designs at issue should be considered and compared on a “like-for-like basis” before reaching a conclusion on overall impression. These features include colour contrasts or shading and surface decorations. Most importantly, the Supreme Court said the scope of protection “must ultimately depend on the proper interpretation of the registration in issue, and in particular of the images included in that registration”.

Musker noted an important distinction between the Supreme Court’s view and that of the Court of Appeal on how to interpret a registered design. “The Court of Appeal said it’s all about the drawings. The Supreme Court’s view is more nuanced. They said a judge should look at the drawings in their context. So every design will be read on its own facts,” he said. We understand context may include industry.

Although practitioners feel this view might exonerate copycats, it is here to stay but likely to be applied on a case-by-case basis.

### Review your filings

The fear is that this judgment may affect other design applications and registrations, both UK and

EU, illustrated using CAD drawings, including those without ornamentation. The estimate given during the Supreme Court hearing was that there are thousands of them. Musker says the decision “potentially limits the scope of any of them [registrations in CADs] which have used colours or different shades of grey” in the UK.

We understand the illustration of a registered design cannot be corrected or amended. So, an owner cannot now go back to the UK IPO or EUIPO to substitute CAD drawings for line drawings. Nevertheless, Musker believes some may still have a chance to take remedial action, but must seek professional advice as individual circumstances will vary. He explained: “If you are still within a year of first filing or disclosure it may be possible to file another application for a similar or same design in a better form, for example, line drawings. There is a 12-month grace period.”

Those who are now concerned and considering subsequent applications are warned to be aware of possible invalidity attack as Magmatic experienced. A published design application also counts as disclosure or prior art. The consensus among UK practitioners is that registered design owners or applicants should now conduct a review and take any necessary action, if it’s not already too late.

### Further office guidance expected

In its judgment the Supreme Court mentioned that applicants can seek further guidance from the IP Office if required. Office guidance is indeed helpful but not binding. One can sympathise with Magmatic because its application was filed in the early days of the RCD system when the sort of detailed Office Guidelines available today were not available. “People just didn’t yet know what to do,” said Musker.

Following the judgment the UK IPO told us it “will be providing updated guidance for UK designers”. It is unclear if this will also necessitate a change in IPO practice.

The EUIPO, on the other hand, said it will “study the judgment with great interest” but is already working with EU national offices to come up with a common practice on the graphical representation of designs. This is a development Musker welcomes. An announcement on this is expected later this year. Whether it will address the issues raised in this case remains to be seen. EUIPO’s revised Guidelines on RCDs entered into force on March 23.

By Kingsley Egbunu

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