

3 Takeaways As Fed. Circ. Retains Design Patent Tests

By Ryan Davis

Law360 (January 26, 2023, 10:14 PM EST) -- The Federal Circuit has refused to discard rules that set a high bar for invalidating design patents, but attorneys say the issue is likely to spur further litigation that could upend the law in addition to creating a new obstacle for design patents challengers.

On Jan. 20, the Federal Circuit affirmed Patent Trial and Appeal Board decisions that upheld General Motors design patents. The court rejected replacement auto parts maker LKQ's claim that a 2007 U.S. Supreme Court decision implicitly overruled tests for proving that a design patent is invalid as obvious, which have been in place for decades.

Yet the court's three separate opinions include language seemingly opening the door for LKQ or other challengers to keep pressing that argument, either in appeals or a future case. Attorneys say the issue therefore bears watching closely, since discarding the longstanding test could dramatically reshape design patent law and create considerable uncertainty.

At the same time, another aspect of the decision cleared up a lingering question about design patents that attorneys say provides more ammunition for patentees to defeat invalidity challenges. Here are the key things to know about the decision.

Longstanding Rule Stays Put, For Now

The case is notable because LKQ's argument took aim at a fundamental aspect of design patent law. The court's decision means the test remains unchanged, and design patents are still difficult to challenge as obvious, but it didn't put the issue to bed.

"The design bar paid close attention to this and frankly has breathed a sigh of relief, at least for now," Tracy-Gene Durkin of Sterne Kessler Goldstein & Fox PLLC said. "But there might still be another shoe to drop, so we exhaled, but maybe not completely."

The Federal Circuit shot down LKQ's position that the high court's 2007 *KSR v. Teleflex* decision — which rejected "rigid" tests for proving that a utility patent is obvious — applies to design patents, and that obviousness tests in that area are too inflexible to survive.

The unsigned majority opinion said that *KSR* wasn't about design patents, so a Federal Circuit panel cannot overrule the design patent tests "without a clear directive from the Supreme Court." One judge filed "additional views" on that point, saying the differences between design patents and utility patents

counsel in favor of keeping the current rules.

The tests, created by a 1982 decision known as *Rosen* and a 1996 ruling known as *Durling*, hold that finding a design patent obvious requires identifying an earlier design that is "basically the same," and that the challenge fails if such a reference doesn't exist. The next step is to look at whether it was obvious for a designer to modify the earlier reference to create the patented design.

Because the test has been around so long, "it's very predictable," Durkin said. "You can counsel clients on the likelihood of either their patent being invalidated based on prior art or their ability to invalidate someone else's patent based on prior art."

However, the difficulty of finding an earlier design that is "basically the same" as the patent means that "it's not impossible, but it's a very hard test to prove," and many obviousness challenges fail, said John Evans of Jones Day.

Sarah Burstein, a professor at the Suffolk University Law School, noted that the Federal Circuit requires a very high degree of visual similarity between the reference and the claimed design, a strict application of the tests she described as "suboptimal." Yet design patents must be judged on their overall appearance, so "it probably makes sense to have this sort of safeguard, to make sure that we're looking at the design as a whole," she said.

Further Appeals Could Shake Up The Law

While LKQ's bid to discard the tests didn't succeed this time, the decision indicated several routes open to the company — which has numerous design patent disputes over its replacement parts with automakers — or other litigants to keep arguing that the tests are no longer good law. So a major change to design patent law remains a possibility.

"It's not over by any stretch of the imagination," said Perry Saidman of Perry Saidman LLC.

The Federal Circuit said it couldn't overturn the tests "as a panel" without guidance from the Supreme Court, indicating that the full court or the justices could do that. And one concurring judge said LKQ hadn't preserved the issue for appeal in this case, but suggested the tests could be seen as "precisely the type of limiting, rigid rule KSR faulted."

Evans of Jones Day noted that there are differences between design patents and utility patents, but "that said, it does seem pretty rigid" to say that the obviousness analysis can't proceed without prior art that is basically the same. That possible tension with KSR could interest the en banc Federal Circuit or the Supreme Court, he said.

If a future case does throw out the tests, it could be chaotic for design patents, potentially allowing arguments that taking elements of multiple prior art designs and combining them renders a patent obvious.

The requirement for design patent challengers to cite one earlier design that is basically the same has existed for 40 years and "everybody's relied on it, so if you do away with it, it's a blank slate," Saidman said. "Nobody will know how to analyze design patent obviousness: neither the examiners nor the litigants nor the courts. You'll have to develop a whole new case law."

If the current test gets blown up, "you'll be able to cobble together different pieces — in theory, anyway — and do more of a Frankenart approach," Burstein said.

"I suspect that what will happen is people will think it's going to be easier to invalidate design patents, but I'm not sure if that's what's going to happen, because there are so many moving pieces," and it's not clear how courts would evaluate those arguments, she said.

The current test prohibits "contrived, artificial arguments for obviousness" that are based on combining multiple earlier designs, said Chris Carani of McAndrews Held & Malloy Ltd.

"The truth is that the constituent elements of any claimed design, if you break it down to its smallest parts, can always be found in the prior art," he said. "You can find any line, any curve, any surface somewhere in the prior art. If you use that approach of picking and choosing though the prior art, it will send design patents into a tailspin."

If the test goes away, "I think all bets are off," Durkin said. "How do you apply KSR to determine obviousness in a design patent? There's no guidance on that."

Invalidity May Now Be Harder To Prove

The KSR question got the most attention, but the Federal Circuit's ultimate conclusion that LKQ hadn't shown that GM design patents are invalid provides an important new tool for patent owners that shouldn't be overlooked, attorneys say.

The appeals court issued two Patent Trial and Appeal Board decisions on different GM patents. In one of them dealing with a vehicle skid bar, the court faulted LKQ for basing its invalidity arguments on references to a design from a Chinese car, because the images didn't sufficiently show all aspects of the design, including the bottom and the sides.

The absence of those perspectives "impedes a comparison of the claimed design to the reference by any ordinary observer and is alone sufficient to support a finding of no anticipation," the court wrote. It also said that not seeing those angles of the Chinese design "amounts to a failure of proof" that GM's patent is obvious.

That's significant because many design patent challenges are based on images from the internet or other publications and don't show every angle of the earlier design, Carani said. Questions about whether such references are sufficient to prove invalidity have percolated for years, but this is the first time the Federal Circuit has clearly stated that they are not, he noted.

The holding will be frequently cited in litigation and at the patent office, and "I think the net result is it makes it more difficult to find viable prior art references," Carani said. When a challenge is based on a publication, instead of another design patent, there is now "a strong likelihood that you will not have all the views necessary for a finding of anticipation or obviousness," he added.

As more design patent challenges are based on prior art showing only a single view of a design, "this is going to become very important," Durkin said.

"That's some language that I'm going to go back to the next time I'm faced with a challenge based on a

prior art reference that doesn't show the entire claimed design," she said. "It's just a little hidden gem in the case."

Representatives of LKQ and GM did not respond to requests for comment on the decision or the next steps in the case.

The cases are LKQ Corp. et al. v. GM Global Technology Operations LLC, case numbers 22-1253 and 21-2348, in the U.S. Court of Appeals for the Federal Circuit.

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