



IDEAS ON INTELLECTUAL PROPERTY LAW



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Auto parts' aesthetic appeal doesn't invalidate design patents

Holders of design patents received some welcome news recently from a case in which some auto parts distributors sought declaratory judgment for invalidity of design patents to sell parts that were covered by a major vehicle manufacturer's designs. The U.S. Court of Appeals for the Federal Circuit decision sheds some valuable light on the type of functionality that can render a design patent invalid — and the type that won't — as well as the importance of design patents.

DISTRIBUTORS DRIVE INTO COURT

Ford Global Technologies, LLC, owns two design patents related to its F-150 series of pickup trucks, one for a vehicle hood and the other for a headlamp. Automotive Body Parts Association (ABPA) is an association of companies that distribute parts, including parts for Ford trucks.

The designs were invented by artists with Bachelor of Fine Arts degrees, who had full control and responsibility for the truck's exterior appearance and selected part designs based on aesthetic appearance.

Although engineers reviewed the final designs, no changes were made based on engineering or functional requirements.

Ford alleged infringement by several ABPA members in a complaint filed with the International Trade Commission. That case was settled after an administrative law judge ruled that the defendants' invalidity defense was unfounded.

ABPA subsequently sued Ford, seeking a declaratory judgment that the patents were invalid. The trial court entered judgment for Ford without trial, noting that the association was effectively asking it to eliminate design patents on auto parts, and ABPA appealed.

APPEAL HITS DEAD END

Design patents must cover "ornamental" designs for manufactured items, not designs dictated by function. The Federal Circuit has previously acknowledged, though, that a valid design may include some functional elements.



Nonetheless, the court here said, if a particular design is essential to the use of the item, it can't be the subject of a design patent. The court also emphasized the presence of alternative designs to achieve the function of the manufactured item.

ABPA argued (without evidence) that consumers seeking replacement parts prefer hoods and headlamps that restore their vehicles' original appearance — so designs that are aesthetically compatible with those vehicles have a functional benefit. Thus, it asserted, Ford's designs were functional because they matched the F-150 truck. The court, however, held that the aesthetic appeal of a design to consumers isn't enough to make the design functional, even in the context of a consumer preference for a design that matches.

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TRADEMARKS VS. PATENTS

ABPA also urged the Federal Circuit to borrow the principle of “aesthetic functionality” from trademark law. Courts have explained that a party can't use trademark protection to prevent its competitors from using important product ingredients. For example, the U.S. Supreme Court has noted that trademark protection for a particular color might not be available if the color served a significant non-trademark function.

The court declined to become the first to apply aesthetic functionality to design patents. It pointed out that trademarks and design patents serve different purposes and are subject to different laws.

A trademark promotes competition by giving its holder a perpetual monopoly on a mark that identifies the source of goods. A company can't trademark aesthetic features that aren't associated with a particular producer or that have value to consumers other than identification.

EXHAUSTION AND REPAIR DOCTRINE ARGUMENTS FAIL, TOO

The plaintiff in *Automotive Body Parts Ass'n v. Ford Global Techs., LLC* (see main article) also tried to persuade the U.S. Court of Appeals for the Federal Circuit to expand the doctrines of exhaustion and repair to design patents. Both are defenses to patent infringement.

Patent exhaustion occurs when a patentee sells its patented item. After the sale, the patentee loses the right to control the use or disposition of its invention. Automotive Body Parts Association (ABPA) claimed the sale of a truck exhausts any design patents embodied in it, allowing use of the designs for replacement parts for those trucks. But the court found exhaustion applies only to items sold by, or with the authorization of, the patentee. And Ford didn't authorize ABPA members' sales.

The repair doctrine recognizes that the authorized sale of a patented item transfers the right to repair the item. ABPA contended that purchasers of trucks are licensed to repair them using replacement parts that embody the patented designs. The court disagreed, finding that using the designs without authorization constitutes infringement.

Design patents, by contrast, give their owners exclusive rights to a particular aesthetic for a limited period of time. The considerations behind the aesthetic functionality doctrine in trademark law, the court concluded, “simply do not apply to design patents.”

THE WHOLE ISN'T BIGGER THAN THE PARTS

In this case, rather than patenting its design only on the whole truck, Ford obtained distinct patents for the hood and headlamp. Thus, among other things, the Federal Circuit's ruling illustrates the importance of securing individual design patents on a product's replacement parts, in addition to patenting the design of the product as a whole. ■

Beyond words

Federal Circuit faults PTAB's written description analysis

The Patent Trial and Appeal Board (PTAB) doesn't always get it right. This was demonstrated once again in a case where the U.S. Court of Appeals for the Federal Circuit found that the board had improperly failed to consider some vital factors when evaluating whether a patent application contained the requisite written description of the invention.

A QUESTION OF PLASTICITY

Global IP Holdings LLC owns a patent on carpeted automotive vehicle load floors that have sandwich-type composite panels with cellular cores. The patent describes the load floors as including thermoplastic materials. Global filed a reissue application seeking to broaden the patent's coverage. In particular, it replaced the term "thermoplastic" with "plastic."

The U.S. Patent and Trademark Office's rules for reissue applications require an inventor to provide an oath or declaration specifically identifying the error relied on as the basis for reissue. The load floor's inventor filed a declaration explaining that, at the time of the invention, he was aware of the use of plastics other than thermoplastics for the

composite panel. He also cited other evidence of the use of thermoset plastics, rather than thermoplastics, in vehicle load floors. The examiner, however, rejected the broadened claims, finding that they claimed "new matter."

The written description requirement is met when the patent specification clearly allows people in the field to recognize that the inventor "invented what is claimed" in the patent.

The PTAB affirmed, rejecting Global's argument that the type of plastic used wasn't critical to the invention and that plastics other than thermoplastics were predictable options. The PTAB found that the description of the invention in the patent specification was insufficient, "regardless of the predictability of the results of substituting alternatives, or the actual criticality of thermoplastics in the overall invention." Global appealed to the Federal Circuit.

REJECTION OF PTAB'S RIGIDITY

The Federal Circuit began its review by explaining that the written description requirement is met when the patent specification clearly allows people in the field to recognize that the inventor "invented what is claimed" in the patent. According to the court, the test is met if the patent specification reasonably conveys to people knowledgeable in the relevant field that the inventor had possession of the invention as of the filing date.



The level of detail required to satisfy the written description requirement, the court said, varies depending on the nature and scope of the patent claims and the complexity and predictability of the relevant technology. Therefore, the Federal Circuit found that the PTAB had erred by finding that the predictability of submitting generic plastics for thermoplastics wasn't relevant to the written description requirement.

In addition, the court noted that it had held in a previous case that the criticality, or importance, of an unclaimed patent limitation can be relevant to the written description inquiry. Patent limitations define the breadth of the claimed invention.

The earlier case involved a patent application that required a metal tip with a tapered shape. The patent owner in that case filed a reissue application to cover both tapered and nontapered tips. The PTAB rejected the application because the only tips disclosed in

the original application were tapered. But the court found that the broadened claims merely omitted an unnecessary limitation that had restricted one element of the invention to the exact and noncritical shape disclosed in the original patent.

The Federal Circuit here held that, in some cases, the criticality or importance of the expressly disclosed "species" (such as thermoplastics) may be relevant to whether an inventor had possession of the claimed "genus" (such as plastics) that includes that species.

THE CASE BOUNCES BACK

Although the appellate court vacated the PTAB's decision, it declined Global's request to find that the plastic limitation wasn't critical to the invention. Instead, the Federal Circuit sent the case back to the PTAB to address the relevant factors, including predictability and criticality, and determine whether the written description requirement was satisfied. ▣

Actual consumer confusion irrelevant in trademark profits determination

It's easy to understand why willful infringement deserves a harsher punishment than nonwillful infringement. But it's not always so easy to understand the type of conduct that gives rise to the level of "willful." The U.S. Court of Appeals for the Second Circuit has provided some helpful guidance on this issue, as well as the evidence required to justify an award of the infringer's profits.

BRANDS DO BATTLE

Reflex Performance Resources Inc., a related entity of 4 Pillar Dynasty (Pillar), designs and sells women's activewear online under the registered trademark "Velocity." New York & Company (NY&C) is

a specialty women's apparel retailer with hundreds of retail stores across the country. It sells branded clothing through its stores and website.

Reflex and 4 Pillar sued NY&C, alleging that NY&C's use of the name "NY&C Velocity" for an NY&C line of women's active wear infringed the "Velocity" trademark. At trial, NY&C presented no evidence or testimony, despite focusing heavily in its opening statement on the expected testimony of two witnesses on the company's decision to use the "NY&C Velocity" name.

The jury found willful infringement by NY&C, and the court awarded almost \$1.8 million in damages — the



amount of NY&C's gross profits from its "NY&C Velocity" line. NY&C appealed.

"BLATANT" INFRINGEMENT SUPPORTS PROFIT DISGORGEMENT

NY&C claimed that the trial court had erred in concluding that the plaintiffs had presented sufficient evidence of willfulness. The trial court based its finding on:

- NY&C's failure to stop selling the allegedly infringing goods after the lawsuit was filed,
- NY&C's failure to call the witnesses it had represented would testify, and
- Its determination that NY&C's use of the word "Velocity" was, on its face, a blatant infringement.

On appeal, NY&C contended that its decision not to cease selling the products after litigation began didn't support an inference of willful infringement. It also claimed that the decision not to call the witnesses was simply a strategic one, made because it didn't believe the plaintiffs had proven willfulness.

The Second Circuit acknowledged that these arguments had "some force." Nonetheless, it couldn't conclude that the trial court's finding — which reflected the unanimous determination of an advisory jury and was made after witnessing the trial — was clearly wrong.

The court noted that NY&C had provided no evidence explaining or justifying its failure to stop selling the infringing clothing after receiving actual notice of the allegations. Instead, the company's argument at trial focused on the purported weakness of the Velocity mark and attacking the credibility and business practices of one of Reflex's owners.

The court further found that the trial court could draw an adverse inference from NY&C's failure to call its witnesses. In light of its reasonable determination that the infringement was blatant, the trial court could permissibly infer that the witnesses' testimony would have been less than credible.

NY&C also contended that an award of an infringer's profits requires proof of actual consumer confusion. The appellate court pointed to a previous decision and firmly reiterated that "in our Circuit, a plaintiff need not establish actual consumer confusion to recover lost profits under the Lanham Act." The Eighth and Ninth Circuits have reached the same conclusion.

A CAVEAT ON CONFUSION

Bear in mind that, while actual consumer confusion isn't relevant to a profits award based on a deterrence rationale, it's not irrelevant altogether. As the court emphasized, actual confusion is a critical factor when determining whether infringement occurred in the first place. □

Third Circuit rejects copyright presumption in favor of permanent injunctions

After securing a copyright infringement verdict, it should be easier to obtain a permanent injunction against the infringing party, right? Not so in several jurisdictions. The U.S. Court of Appeals for the Third Circuit has now made it harder for copyright holders to get injunctive relief, even after prevailing in court.

THE PLOT THICKENS

Vernon Hill, the longtime CEO of Commerce Bank, co-authored a manuscript in 2007, while still a bank employee. He left Commerce a few months before TD Bank purchased it.

After Hill published a book in 2012, TD Bank sued him, alleging that he had infringed the never-published manuscript he'd co-authored while still at Commerce. The trial court found that the bank owned the copyright under a letter of agreement and that Hill's book irreparably violated the bank's "right to not use the copyright." A year later, based on evidence that Hill continued to promote his book, the court issued a permanent injunction blocking him from publishing, marketing, distributing or selling the book. Hill challenged the injunction in the Third Circuit.

COURT CLOSES BOOK ON PRESUMPTION

Winning an infringement verdict alone isn't enough to secure a permanent injunction against the infringer. The party also must show that it will suffer irreparable injury without such an injunction against infringement.

The Court of Appeals refused to accept the trial court's "sweeping conclusions" regarding irreparable injury, which it said would justify the issuance of an injunction in every copyright case. Instead, courts should issue such relief only if the party

seeking it shows it's warranted under the particular circumstances.

The appellate court conceded that it had, in the past, applied a presumption of irreparable harm if a copyright holder established the essential elements of infringement or a reasonable likelihood of success in court. In 2006, though, the U.S. Supreme Court rejected the presumption of irreparable harm in patent infringement cases, prompting several other federal courts of appeal to reconsider, and reject, the presumption in the copyright context.

Winning an infringement verdict alone isn't enough to secure a permanent injunction against the infringer.

DON'T BANK ON AN INJUNCTION

Going forward, owners of patents, copyrights and trademarks that seek permanent injunctions against infringers can't rely on courts placing what the Court of Appeals called a "thumb on the scales" in favor of injunctive relief. Rather than inquiring only whether good reason exists not to issue an injunction, courts will require proof of injury. **▣**





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