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DESIGN PATENTS

A recent ruling by the Federal Circuit affirming the Patent and Trademark Office's rejection of a design patent provides hints about the legal standard of review that should apply to appeals of inter partes reexamination invalidity determinations by the PTO's Board of Patent Appeals and Interferences.

Actions Speak Louder Than Words: Design Patents Get a Helping Hand From Federal Circuit



By CHRISTOPHER V. CARANI

Christopher V. Carani is a shareholder and design law expert at the intellectual property law firm McAndrews, Held & Malloy, Chicago.

On Jan. 24, the U.S. Court of Appeals for the Federal Circuit issued its first ever decision in an inter partes reexamination. The final ruling was delivered without a written opinion under Fed. Cir. R. 36, which allows the Federal Circuit to withhold the reasons behind its decisions.

As Rule 36 affirmances from the Federal Circuit increase in leaps and bounds, more and more cases whiz by with little to no analysis from the patent bar. This is understandable as the “opinionless” affirmances rarely lend themselves to much discussion. However, although no opinion was issued, the Federal Circuit’s recent Rule 36 affirmance of the Patent and Trademark Office’s Board of Patent Appeals and Interferences in *Vanguard Identification Systems Inc. v. Kappos*, No. 2010-1371 (Fed. Cir. Jan. 24, 2011) warrants a second look due to its unique procedural posture, and its subject matter—design patents—which currently suffer from a paucity of guidance from the Federal Circuit. Both of these points are addressed below in turn.

Federal Circuit’s Review of BPAI Decision Regarding *Inter Partes* Reexamination: Tiptoeing Into Uncharted Waters

The inter partes reexamination statutes were enacted almost 11 years ago (see 35 U.S.C. §§ 313-318), but the *Vanguard* case marks the first time that the Federal Circuit—an increasingly popular venue for parties to address patent validity issues—has reviewed a BPAI decision yielding from an inter partes reexamination.

In *Vanguard*, the requester Vanguard Identification Systems Inc., filed inter partes Reexamination No. 95/000,034, which sought to invalidate Bank of America’s design patent (D467,247). In view of the prior art, the examiner invalidated the ’247 patent concluding that it did not meet the nonobvious requirement of 35 U.S.C. § 103. On appeal, the BPAI reversed the examiner’s finding and sustained the validity of BofA’s ’247 patent. Vanguard appealed the BPAI decision to the Federal Circuit.

On appeal, the Federal Circuit was confronted with the threshold issue of what legal standard of review it should employ when reviewing a BPAI determination of invalidity from an inter partes reexamination. In other words, how much deference should the Federal Circuit give the PTO when reviewing decisions from inter partes reexamination?

This standard of review issue was one of first impression for the Federal Circuit. The issue gets at the heart of administrative law—in particular, the level of deference that the judiciary should afford decisions made by executive branch agencies.

Vanguard argued that BPAI’s erroneous conclusion that certain prior art references failed to qualify as primary references for a design patent obviousness inquiry should be reviewed under a de novo standard. Vanguard claimed that the determination of what elements of the ’247 design were integral to its overall appearance (when compared to the prior art) was akin to claim construction, which is a question of law reviewed under the de novo standard.

On the other hand, BofA and the PTO (represented by the PTO solicitor) argued that the BPAI’s decision should be reviewed under the more deferential “substantial evidence” standard because it involved determinations of factual questions such as the scope and content of the prior art, and the difference between the claimed design and the prior art.

Ultimately, the Federal Circuit sided with BofA and the solicitor’s position, and affirmed the BPAI’s reversal of the examiner’s obviousness rejection. However, because the Federal Circuit issued its decision pursuant to

Rule 36, it remains unclear which standard of review the Federal Circuit actually employed.

With this critical question unanswered, the Federal Circuit’s (increasing) use of Rule 36, while perhaps administratively efficient, does little to advance the law under our common law system, which is premised on stare decisis. Basic, yet significant questions, such as what standard of review will be employed when looking at BPAI decisions on inter partes reexaminations, should be addressed whenever the opportunities arise. Pressed for time and resources, the BPAI is undoubtedly interested to know how the Federal Circuit will approach these appeals. The BPAI, which now has a backlog of more than 20,000 pending appeals, is most certainly looking for ways to cut back its backlog. If the Federal Circuit is going to apply a de novo standard of review to inter partes reexaminations, the BPAI may be less inclined to fully explain the reasoning behind its decisions knowing that the Federal Circuit will be taking a fresh look.

While *Vanguard* leaves many questions unanswered, it does provide new information on some procedural aspects of such appeals from inter partes reexaminations. For example, it now appears that the PTO solicitor will be taking a central role in such appeals.

It should be noted that it is somewhat rare for the solicitor to be defending a BPAI decision *upholding* patentability. Typically, its role has been to defend BPAI decisions *denying* patentability. The solicitor’s active involvement in this matter shows the importance of this issue.

Further, while BofA was one of the two parties involved in the inter partes reexamination, the case caption at the Federal Circuit named PTO Director David J. Kappos as the appellee, not BofA. The Federal Circuit appears to be relying on 35 U.S.C. § 143, which states that “[i]n any *ex parte* case or any reexamination case, the Director shall submit to the court in writing the grounds for the decision of the USPTO, addressing all the issues involved in the appeal.”

With the PTO’s role apparently now being considered mandatory in such actions, practitioners may well need to adjust their approaches to appeals. Indeed, on oral argument, BofA was forced to split its time with the PTO, a co-appellee.

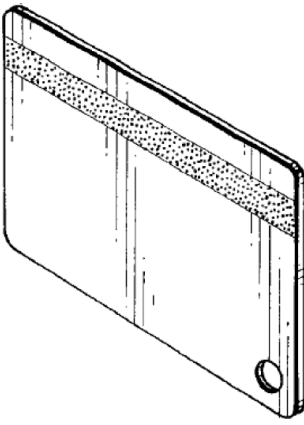
Design Patent Jurisprudence: Reading Between the Lines

The Federal Circuit’s affirmance of the BPAI decision, which thus affirmed the validity of the ’247 patent, can be interpreted as shedding light on three murky areas of design patent jurisprudence: the primary reference requirement for design patent obviousness; the role of functional features; and the validity of multiple embodiments in design patents.

Primary Reference Requirement for Design Patent Obviousness

BofA’s ’247 patent is directed to the ornamental appearance for a “Data Card.” Below is a representative image of Embodiment 1 of the ’247 patent.

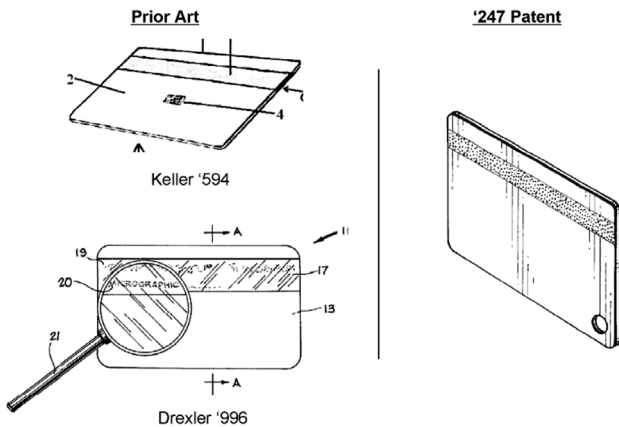
The ’247 patent claims what appears to be, in many respects, a standard credit card having a rectangular shape with about a 1 to 1.5 aspect ratio (H x W), rounded corners and a magnet strip running horizon-



tally across the width of one side. The main distinction is that it also includes a circular aperture.

In Embodiment 1, the circular aperture is located on the card's lower right-hand corner. BofA acknowledged that the '247 patent's only distinguishing design characteristic over the prior art was the addition of this circular aperture. Further, the record showed that data cards with circular apertures were disclosed in the prior art, albeit not on similar looking data cards.

Below are the asserted prior art "primary references" on the left, and the patented design on the right.



The Federal Circuit's decision hinged on whether the BPAI correctly concluded that the prior art Keller or Drexler references could *not* serve as valid primary references under *In re Rosen*, 673 F.2d 388 (C.C.P.A. 1982), which governs design patent obviousness inquiries. Under *Rosen*, a design patent cannot be invalidated on grounds of obviousness *unless* there is a design *in existence* that has "basically the same appearance" as the challenged design.

Only after a primary reference is identified can secondary references then be combined with the primary reference. The primary reference requirement of *Rosen* is unique to design patent law and not found in utility patent law. It is designed to protect against the temptation to pick and choose shapes from the prior art to arrive at the patented design. After all, at some level of abstraction, all new designs, no matter how unique, are merely comprised of preexisting shapes and forms.

In *Vanguard*, the central question was whether Keller or Drexler looked basically the same as the '247 design. Here, the BPAI held that the circular aperture of the '247 patent was a critical design feature contributing to

its overall appearance. The absence of this critical design feature in Keller and Drexler disqualified them as primary references.

By affirming the BPAI's decision, the Federal Circuit apparently agreed. This holding shows how close a prior art reference needs to be in appearance in order to serve as a primary reference.

At oral argument, there were interesting, yet unanswered, questions raised by Judges Daniel M. Friedman, Pauline Newman and Alan D. Lourie regarding the meets and bounds of the *In re Rosen* requirement. Questions such as, "Can 'the basically the same test' be met when a feature of the patented design is completely *absent* from an asserted primary reference?" and "Does it depend on how visually complex the overall patented design is?"

For example, it was argued by BofA that because the '247 design is "simple and elegant" (comprised of essentially four design elements) the complete absence of the circular aperture in the Keller and Drexler references prohibited their use as primary references. If, however, the overall design had been more visually complex, the omission of such a feature may not have had such a drastic visual effect, and thus could be used as a primary reference.

Further, Judge Friedman rhetorically asked whether a prior art reference having a triangular aperture, rather than a circular aperture, could serve as a primary reference to the '247 patent. In response to that inquiry, it would seem that whether a feature is "absent" or "modified" largely depends on what level of abstraction one uses when analyzing the designs. For example, the rounded edges of the circular aperture are technically absent from the hypothetical triangular aperture prior art.

In the end, Judge Newman, who is historically a friend of design patents, succinctly stated that the analysis depends on the overall visual impression of the relevant designs, not the presence, absence, or modification of any particular features.

Role of Functional Features in Design Patents

The Federal Circuit's affirmance can be interpreted as permitting functional features to serve as part of the basis for patentability, so long as the features are not "purely functional." BofA conceded that the circular aperture was the only design difference over the prior art data cards. According to BofA's corresponding utility patents, this circular aperture served the function of allowing a keychain to be attached to the data card.

Despite the functional nature of this feature, however, the validity of the '247 patent was upheld. Although the issue of the role of functional features is hotly debated in view of *Richardson v. Stanley Works Inc.*, 597 F.3d 1288, 37 USPQ2d 1816 (Fed. Cir. 2010) (79 PTCJ 587, 3/19/10), the Federal Circuit's precedent has made it clear that just because a feature has a function, it does not render it de jure functional (i.e., "dictated by its function").

Here, by sustaining the validity of the '247 patent (with its lone difference over the prior art), the Federal Circuit impliedly acknowledged that the circular aperture could have taken other forms (such as triangular, as suggested by Judge Friedman), and thus the feature is not dictated by its function. Accordingly, the affirmance by the Federal Circuit can be fairly interpreted as meaning that a design can be patentable over the

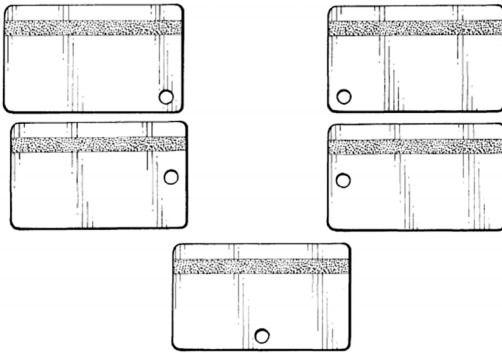
prior art, even when the *only* distinguishing feature is a functional feature, provided that it is not there for purely functional reasons.

Appropriateness of Multiple Embodiments in Design Patents

The affirmation can also be fairly interpreted as an implicit approval of design patents having multiple embodiments. While design patents can only have a single claim, they can include multiple embodiments.

Design patents with multiple embodiments arguably afford design patents broader scope than those with just a single embodiment. As shown below, the '247 patent includes five embodiments, each having a different location for the circular aperture.

Five Embodiments of '247 Patent



Indeed, during oral argument Judge Friedman posited that the presence of multiple embodiments in the '247 patent, each having a different location for the circular aperture, signaled that the circular aperture was a critical feature of the patented design. Thus, the absence of such a critical feature in Keller and Drexler disqualified them from serving as primary references.

By affirming the '247 patent, the Federal Circuit's Rule 36 decision can be viewed as an implicit approval of this claiming strategy. To date, there has been very little jurisprudence, from the Federal Circuit or otherwise, on the validity of this prosecution strategy. If the '247 patent only included Embodiment 1, it is questionable whether the patent would be perceived to encompass the other four embodiments. Thus, it can be advantageous to include multiple embodiments in the initial application.

Conclusion

Even though the Federal Circuit affirmed the examiner's obviousness rejection without issuing an opinion detailing the court's reasoning, the case can still be viewed as positive news for design patentees. Despite the lack of opinion, the Federal Circuit's *Vanguard* judgment is significant because there is very little, if any, jurisprudence concerning design patents.

This decision indicates that even the slightest variation from the prior art is sufficient to get a design patent. Regardless of the closeness of the prior art and the simplicity of the '247 patented design, the BPAI and Federal Circuit held firm on the primary reference requirement. It will be interesting to see what impact *Vanguard* will have on Group 2900 (the design patent examining core) at the PTO.

For practitioners and design patentees alike, this case is helpful in assessing how close a prior art reference needs to be in appearance in order to serve as a primary reference under *In re Rosen*. In addition, the case also can be read as affirming the legal principle that even though a feature may have a function, it does not mean that its form is dictated by its function (i.e. "purely functional"). Thus, the circular aperture (serving the function of holding a keychain) of the '247 patent was considered part of the claimed design when analyzing invalidity.

Lastly, *Vanguard* can be interpreted as approving (at least impliedly) the multiple embodiment prosecution claiming strategy.