

INTELLECTUAL PROPERTY LITIGATION

BY LEWIS R. CLAYTON

'Ornamental Nail Buffer' Begets Design Patent Issues

Design patents, which protect purely "ornamental" (as compared to functional) design elements and are severely limited in scope to the particular design claimed, might be considered poor relations of utility patents, which cover useful articles or processes.

Although the present law of design patents traces back at least 135 years to *Gorham v. White*, 81 U.S. 511 (1871), the U.S. Court of Appeals for the Federal Circuit has issued just a handful of design patent opinions. But a case concerning the design of an "ornamental nail buffer" has convinced the Federal Circuit to convene the en banc court to consider an array of basic questions of design patent law. *Egyptian Goddess, Inc. v. Swisa, Inc.*, 498 F.3d 1354 (Fed. Cir. 2007), reh'g en banc gtd, 2007 WL 4179111 (Fed. Cir. Nov. 26, 2007).

'Point of Novelty' Test

Plaintiff Egyptian Goddess (EGI) owns a design patent on a four-sided nail buffer with a square cross-section and rounded corners. Unlike prior art nail buffers, EGI's patented design includes abrasive pads on only three of its four sides. Defendant Swisa's nail buffer design, also square, has raised pads on each side. Under *Gorham*, to establish infringement of a design patent, plaintiff must show that the defendant's product and the patented design appear "substantially the same" to the eye of a hypothetical "ordinary observer." In addition, Federal Circuit cases beginning with *Litton Systems v. Whirlpool Corp.*, 728 F.2d 1423 (Fed. Cir. 1984), have imposed the additional requirement that, no matter how similar the accused design, it must also



"appropriate the novelty in the patented device which distinguishes it from the prior art." This "point of novelty" test insures that a design that is substantially similar to an ordinary observer merely because it uses elements (or combinations of elements) found in the prior art does not infringe.

Applying that test, the *Egyptian Goddess* district court granted summary judgment of non-infringement. It found that the EGI device's only point of novelty, addition of a fourth side without a pad, was not present in Swisa's four-pad buffer.

A split Federal Circuit panel affirmed, agreeing that the point-of-novelty requirement was not satisfied. Writing for the majority, Judge Kimberly A. Moore found that, where a design patent combines "individually known design elements," as almost all of them will, the patent's "point of novelty" must itself be a "nontrivial advance over the prior art." In other words, even if the design considered as a whole is nonobvious, the point of novelty itself must also be significantly different from the prior art.

Judge Timothy B. Dyk's vigorous dissent argued, among other objections, that this holding forces patentees to provide affirmative proof of nonobviousness during the infringement analysis. Doing so, the dissent asserted, transgresses the fundamental rule that the defendant bears the burden of showing obviousness, and must do so with clear and convincing evidence. In addition,

according to the dissent, the majority improperly focused the obviousness inquiry only on the particular point of novelty, not on the overall design: "It is difficult enough to assess whether an overall design would have been obvious; it is almost impossible to determine whether a particular design feature represents a substantial or trivial advance over the prior art."

The ruling has attracted critical amicus briefs echoing the arguments of the dissent from the American Intellectual Property Law Association and apparel manufacturer Nike, which claims to be one of the largest holders of U.S. design patents. The amici argue that the "nontrivial advance" test would make it nearly impossible to enforce many design patents.

The order granting rehearing indicates that the Court of Appeals wishes to go well beyond the particular issues debated by the panel and consider the law of design patent infringement from the ground up. The parties are directed to address questions including whether "point of novelty" is an appropriate test for design patent infringement at all, and, if so, who should bear the burden of making such a showing, whether more than one "point of novelty" can be found, and whether the "overall appearance" of a design can qualify as a "point of novelty." The order also asks whether claim construction should apply to design patents (current law requires it), and, if so, what role claim construction should play in infringement analysis. Clearly, the law of design patents is in for something of a redesign itself.

Trademarks

In a ruling sympathetic to principles of parody, the Fourth Circuit Court of Appeals sustained summary judgment dismissing Louis Vuitton's trademark infringement and dilution claims directed against dog chew toys that poke fun at Vuitton's world famous trademarks. *Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC*, 507 F.3d 252 (4th Cir. 2007). Louis Vuitton, a leading producer of luxury goods marketed through its own stores and in-store boutiques,

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is best known for its handbags and luggage, and also sells a limited selection of “luxury pet accessories.” Defendant Haute Diggity Dog sells, primarily through pet stores, a line of pet chew toys and beds whose names parody luxury goods. These include Chewnel No. 5, Dog Perignonn, Sniffany & Co., and the subject of the suit, a Chewy Vuitton dog chew toy that resembles a miniature handbag. These products, the court noted, present “haute couture as an object for casual canine destruction.” Vuitton’s infringement claim was dismissed for lack of likelihood of confusion. As a successful parody, the chew toy “deliberately conjures up” the Vuitton marks, but also “communicates that it is not the [Vuitton] product.” For similar reasons, the claim of dilution by blurring was dismissed: the parody uses similar, but distinguishable marks, and does not diminish the ability of Vuitton’s marks to identify a unique product source. The parody “separated itself” from the Vuitton marks, “in order to make fun of them.” Finally, a dilution by tarnishment claim was dismissed as Vuitton presented no evidence of harm to the reputation of its marks.

K&N Engineering, Inc. v. Bulat, 2007 WL 4394416 (9th Cir. Dec. 18, 2007), decided an issue of statutory construction germane to trademark counterfeiting claims, holding that an award of statutory damages for counterfeiting under §35(c) of the Lanham Act precludes an award of attorney’s fees under the statute. Section 35(c) allows a counterfeiting plaintiff to recover, in lieu of actual damages and profits, statutory damages of between \$500 and \$100,000 per mark, or up to \$1 million per mark for willful infringement. Under §35(b), a counterfeiting plaintiff can alternatively recover three times actual damages plus attorney’s fees. Noting that §(c) says nothing about fees, and §(b), which provides for fees, applies only when actual damages are sought, the court found that the statutory language barred an award of fees where statutory damages are assessed. While the text clearly supports that result, it is hard to know whether Congress truly intended that outcome.

Some courts have held that plaintiff in a trademark case must establish that the defendant acted willfully in order to recover an award of defendant’s profits. An accused infringer may defend a willfulness charge by showing that it relied on advice of counsel, provided that advice is “competent.” *adidas-America, Inc. v. Payless Shoesource, Inc.*, 2007 WL 4482201 (D. Or. Dec. 21, 2007), where a district court found that Payless’ reliance on opinions of counsel was insufficient to justify summary judgment dismissing a willfulness claim, considered the requirements of a competent opinion. Looking to the exacting standards of a patent infringement opinion, the *adidas* court criticized the opinions

received by Payless because they did not consider in detail each of the products at issue, did not discuss each of the factors the Ninth Circuit uses to determine likelihood of confusion, failed to consider evidence of Payless’ intent, and indicated no significant effort to determine whether consumers were actually confused. In addition, many of the opinions were received after litigation began, weakening Payless’ argument that it relied on them, and indicating that the opinions were simply designed to “bolster” a willfulness defense. *adidas* can be read as a caution to potential trademark defendants to pay attention to the careful preparation of pre-suit infringement opinions.

The ‘point of novelty’ test insures that a design that is similar to an ordinary observer merely because it uses elements found in prior art does not infringe. Applying that test, the ‘Egyptian Goddess’ district court granted summary judgment of noninfringement.

Copyright

Leadsinger, Inc. v. BMG Music Publishing, 2008 WL 36630 (9th Cir. Jan. 2, 2008), considered an issue of first impression for the Ninth Circuit: how the Copyright Act applies to karaoke devices, machines that display lyrics in real time as a song plays so that users can sing along. Leadsinger obtained a compulsory license under §115 of the Copyright Act, allowing it to distribute copies (phonorecords) of musical works. The Court of Appeals held, however, that Leadsinger’s karaoke device was an audiovisual work, not a phonorecord, because it displayed synchronized lyrics, and that a §115 compulsory license does not authorize creation of audiovisual works or allow Leadsinger to reprint lyrics in booklets sold with its device. Leadsinger therefore needed to negotiate a synchronization license to display images of song lyrics along with recorded music. The court also rejected Leadsinger’s fair-use argument, which was based in part on the allegation that music publishers rarely require a print license when record companies wish to reprint lyrics in connection with nonkaraoke recordings.

In *In re Literary Works in Electronic Databases Copyright Litigation*, 2007 WL 4197413 (2d Cir. Nov. 29, 2007), a divided Second Circuit panel rejected the settlement of a large copyright class action, holding that the trial court lacked jurisdiction to certify a class including holders of unregistered copyrights. The plain-

tiff class, consisting mostly of freelance writers who contracted to provide content for print media, claimed that defendants infringed their copyrights by distributing those works electronically. Plaintiffs’ liability claims were validated by *New York Times v. Tasini*, 533 U.S. 483 (2001), which held that §201(c) of the Copyright Act does not permit publishers of collective works to reproduce the contributions of freelance authors electronically. The panel majority found that §411(a) of the act, which requires registration of a work before suit is brought, acts as a jurisdictional bar rather than simply a claim-processing rule, requiring that “each class member’s claim arise from a registered copyright.” Judge Vaughn Walker, dissenting, concluded that §411(a) is “a mandatory prerequisite to the accrual of a cause of action for damages, but not a prerequisite to the possession of constitutional standing,” so that the district court had power to certify a class and approve a settlement.

Patents

Under §102(b) of the Patent Act, a patent is invalid if the claimed invention was described in a printed publication more than one year prior to filing of an application. In *SRI Int’l, Inc. v. Internet Security Systems, Inc.*, 2008 WL 68679 (Fed. Cir. Jan. 8, 2008), the Court of Appeals reversed and remanded a summary judgment of invalidity, finding questions of fact concerning the public availability of a key academic paper discussing cyber security. “Public accessibility” is the “touchstone” in determining whether a reference is a printed publication under the statute. More than a year before the application, the paper in question was e-mailed by the inventor to the chairman of a professional symposium and, to facilitate peer review, a backup copy made available for seven days on an FTP server maintained by the patent owner. Finding questions of fact concerning public accessibility, the Court of Appeals noted that the FTP server did not include an index or other search tools necessary to locate the paper, that only the symposium chairman and the inventor knew it had been posted and that the evidence did not indicate an intent to publicize the material.

The dissent would have sustained summary judgment of invalidity, stressing that the paper was “available to anyone” through the Internet, that the server on which it appeared was well-known as an information source in the field, and that those skilled in the art are “computer savvy.”