

Costs, Litigation Keep AIA Reviews Of Design Patents Down

By **Matthew Bultman**

Law360, New York (March 16, 2017, 8:34 PM EDT) -- Even as design patents become more popular among companies and inventors looking to protect the way a product looks, the cost of America Invents Act reviews and the realities of litigation continue to make challenges to the validity of these patents a rarity at the Patent Trial and Appeal Board.

Cases involving design patents at the PTAB have noticeably been few and far between. Of the more than 6,400 petitions filed at the board since AIA reviews became available in 2012, just 41 have challenged a design patent, according to data from the PTAB's docket.

Initially, some expected these proceedings would be much more widely used by those looking to attack design patents. But the expenses involved have likely been a deterrent, according to attorneys, who noted an overall lack of hard-fought infringement lawsuits in district court.

Design patents are much less common than utility patents, which protect processes and the way products operate. To put it in perspective, the U.S. Patent and Trademark office has issued several million utility patents, while the number of design patents is in the neighborhood of 750,000.

But statistics from the USPTO show the number of applications for the latter has steadily increased over the years. In 2016, there were more than 40,000 applications submitted, which is an all-time high and up about 40 percent from 2010.

From a company's point of view, design patents can be appealing because they are often quicker and cheaper to obtain than utility patents. They also do not accrue maintenance fees once they have been granted.

"Design patents have a lot of value in a patent portfolio," said Jeremy Kriegel, a partner and prosecution practice chair at Marshall Gerstein & Borun LLP.

Attorneys said the high-profile case between Apple Inc. and Samsung Electronics Co. Ltd., which last year became the first design patent case to reach the U.S. Supreme Court in more than 100 years, also piqued the interest of some companies.

"I know within my own practice, clients that had never filed a design patent before have reached out to us and have added that to their portfolio," said Tracy-Gene Durkin, a director at Sterne Kessler Goldstein

& Fox PLLC. “I truly think the Apple-Samsung case had a lot to do with people looking at their own strategies and saying, ‘Should we be getting some of these, too?’”

Some have predicted that as design patents became more popular, the number of AIA reviews attacking the validity of those patents might also increase. But at least to this point, the number of challenges has remained relatively consistent.

Of the more than 1,680 petitions filed last fiscal year, just 16 involved design patents, USPTO data show. This number was to some extent inflated by Skechers USA Inc., which filed eight petitions in a dispute with Nike Inc. Each of the three previous years saw no more than five petitions filed.

Just looking at the number of design patents out there, one might have reasonably expected that a higher percentage would be targeted in AIA reviews. Early on, this idea was bolstered by a perception that these patents might be vulnerable to indefiniteness challenges in post-grant review at the PTAB. This stemmed from findings that a vast majority of patent office examiners’ rejections of design patent applications are based on those grounds.

But to date, just four PGR petitions have been filed against design patents. What may have been underestimated, attorneys said, is the cost to potential challengers.

It’s not unusual for a company to get five to seven patents protecting an important product. Right now, the petitioner in a standard instituted PGR is looking at upwards of \$30,000 just in USPTO fees, and that adds up quickly when you’re challenging a half-dozen or so patents.

“If there’s a lawsuit involved, then the cost of the PGR maybe makes some sense,” said Finnegan Henderson Farabow Garrett & Dunner LLP partner Elizabeth Ferrill. “But if there’s no lawsuit, that’s a pretty expensive proposition to take on when you also consider that typically in cases with important, marquee products, the patent owner may still have a patent pending at the patent office.”

And while the number of applications for design patents has risen, Ferrill said infringement cases involving those patents have remained relatively steady over the past decade or so. This perhaps explains why there have not been more challenges, particularly in the less expensive inter partes review.

“If you view IPRs as typically being tied to litigation, the fact that the [patent application] filings go up doesn’t necessarily mean that the IPRs are going to go up,” she said.

Many don’t expect to see a huge influx of these cases flooding the PTAB’s docket anytime soon. Durkin noted that even in instances where there is infringement litigation, it’s not often that someone accidentally violates a design patent.

“Very few people will fight to the death in an infringement case because oftentimes, they know they did something wrong, and they just want to move on,” she said. “Where I think it’s much easier to sort of accidentally infringe a utility patent, that doesn’t really happen in the design world.”

That’s not to say there haven’t been some notable fights over design patents at the PTAB. The Skechers cases last year, for instance, attacked the validity of several Nike design patents directed to athletic shoes. The board declined to institute review in each of those cases, and Skechers filed several new petitions in January.

More recently, the PTAB declined to institute review of a Jenny Yoo Collection Inc. patent for a convertible bridal gown that was challenged by David's Bridal Inc., which had argued, in part, that the patent was invalid as indefinite.

The end result of those cases is not uncommon. Of the 27 petitions involving design patents to reach an institution decision, the PTAB has agreed to a review in just 10 — a rate of about 37 percent. By comparison, the institution rate in utility patent cases, including those involving electrical or computer and pharmaceutical patents, is about 70 percent.

But challengers who do clear the institution hurdle seem to have good odds. To date, seven design patent cases have made it to a final decision, and in six of those, the patents have been found invalid. The exception came in January, when the PTAB upheld the validity of a Knauf Insulation Inc. patent covering the design of building insulation.

"It does seem like if you can get past institution, that you may have a pretty good shot at the patent being canceled," Ferrill said.

One quirk in these types of cases is that the PTAB doesn't have any judges who came to the board with a known specialty in design patents. This is different from other technology areas, where the judges often hear cases involving fields in which they specialize.

But attorneys said it doesn't seem to have been an issue.

"I think the board is doing a good job applying the law consistently to Federal Circuit precedent," Durkin said.

--Editing by Christine Chun and Sara Ziegler.