Design Patents: A Cause for Concern

| Sal Nuzzo

Florida has always attracted entrepreneurs and creative thinkers. Our Florida High Tech Corridor research universities, including the Universities of Florida, Central Florida and South Florida, ranked within the top 30 universities world-wide in U.S. patents granted last year.

Businesses often rely on intellectual property to protect their new ideas and products, and the U.S. patent system has been under close review the past several years in the courts and Congress. Yet there are certain elements of patent reform, namely design patents, which are in dire need of change but are not being discussed before Congress, but instead are being dueled in court. Design patents need a closer look before they're abused to the detriment of American innovators, forcing

business operations to close because of unreasonable settlements from aggressive patent entities.

It's important to understand the differences between utility and design patents, how design patent reforms have trailed behind and, as highlighted through recent litigation, how these patents are having an impact on innovators, businesses and consumers.

Utility vs. Design Patents: Key Differences

Many startups rely on both design and utility patents to protect their intellectual property. Design patents cover ornamental designs rather than function, which is covered by utility patents.

Traditionally utility patents have dominated the U.S. Patent and Trademark Office's (USPTO) patent application queue. In 2011, Congress introduced and passed the America Invents Act (AIA), which updated transparency in the utility patent application process, creating stronger patents through third party comments and pre-grant publication.

However, due to quick advancements in technology, design patent applications and grants are on the rise, yet legislative reforms have overlooked them. In 2014, there were more than 35,000 design patent applications – a 32 percent increase from a decade earlier. Unlike utility patents, design patents do not have pre-grant publication where third parties have the opportunity to submit comments and prior art during the application process. Allowing these steps in the design patent application process would enrich the USPTO database and serve all parties, from the applicant to the USPTO to fellow innovators. An open and transparent system encourages the USPTO to grant stronger, higher quality patents that protect truly unique designs – not simply modifications to previously granted patents.

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Utility and design patents differ beyond the application and grant process. Recent interpretations of the law, as detailed further in this piece, allow infringement on design patents to be awarded total profits from the product in which the infringed patent is included. On the other hand, utility patents have reasonable royalty for infringement – rather than an infringer paying total profits, it must pay a reasonable sum based on the patents' contribution to the product as a whole.

This difference is huge, as the Apple-Samsung legal dispute illustrates.

Design Patent Litigation: Will It Lead to Reform?

Usually, tech entrepreneurs focus on function, but not in the case of some of technology's biggest names. Since 2011, Apple and Samsung have been engaged

in a multi-million dollar lawsuit over design patents, including a patent covering the iPhone's rounded rectangle shape. This is the first lawsuit of this magnitude over design patents and has the potential to set the stage for how design patents are infringed and how the damages are awarded.

A federal court – in a blow to innovation and consumer choice – ruled that because Samsung's products infringed Apple's design patents, Samsung owed Apple all of its profits for the infringing devices (the damages number is currently at $548 million though another approximately $400 million is also at issue). This decision allows for an award of total profits based on infringement of an ornamental feature, while only reasonable royalties may be available for crucial components without which a device wouldn't function.

Adding to the absurdity of this case, the U.S. Patent and Trademark Office (USPTO) recently determined two of the patents at issue in the case (one design and one utility) probably shouldn't have been awarded, and steps are being taken to invalidate them.

Even more troubling, a case like the Apple-Samsung battle could incentivize design patent trolling because an award of infringers' profits by its nature does not require the patentee to be a producing entity, and the lure of profits may drive trial lawyers to work on contingency fees in hopes of a large settlement. It could also drive companies to rush patenting ornamental designs for use as a potential offensive tool against other companies, even if they do not use the patented design themselves. Not succeeding in the marketplace? Just sue your competitor out of business.

What's Next

In terms of the Apple-Samsung dispute, Samsung has publicly stated its intentions to appeal the case to the U.S. Supreme Court. The most recent judicial action took place on October 2, when a federal court issued a stay on Samsung paying damages to Apple. This is positive news for design patents; it means the case is undergoing the full appeals process that may lead to legal interpretations and reforms this system desperately needs.

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Design patent reform will help protect the quality of design patents and innovators who use them. Florida has always been a state built on ingenuity, and our growing technology industry is the latest example. We must protect our entrepreneurs with high quality patents that don't put companies at risk of losing full profits – and potentially closing their doors – because of alleged infringement.

In Florida, we also need to protect entrepreneurs and businesses from the dangerous practices that could stem from design patent trolling and potentially

outrageous costs. Florida was one of nine states to enact antipatent trolling legislation this year, and Congress is currently reexamining patent reform; however, no legislative efforts have addressed design patents.

A More Refined Approach

Legislation may not be needed if the courts take a more refined approach on design patent remedies and interpret the statute such that form is not trumping function. The current interpretation assumes the design is relevant, but requires no proof of such and does not account for the situation in which function actually trumps form.

Innovators want to focus on creating solutions to business and societal challenges using the latest technology, not waste energy on contingency plans in case of a nonsensical design patent lawsuit. As our tech space grows and entrepreneurs continue bringing new ideas here, Florida needs to pay close attention to this issue and be prepared to address it.

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