

## Strictly Speaking

Law360, New York (March 21, 2011) -- Recently, when the Federal Circuit has had a chance to restate the patent law as it applies to design patents, they seize the opportunity to reevaluate even long-standing precedent. A prime example is the court's 2008 decision in *Egyptian Goddess v. Swisa*, 543 F.3d 665, in which the decades-old "points-of-novelty" prong of the test for design patent infringement was tossed out.

However, in the recent decision in *Vanguard Identification Systems Inc. v. Kappos and Bank of America Corp.*, the court let stand the very high bar to prove the obviousness of a design.

The Vanguard case involves Bank of America Corp.'s 2002 design patent (D467,247) for a credit card with a magnetic strip on one surface and a hole near one of the edges. The patent actually discloses and claims five embodiments of the design. The embodiments are all identical except for placement of the hole, which varies between the bottom corners, sides and center bottom of the card. In 2004, Vanguard filed a third-party request for inter partes re-examination of the patent.

After the design was finally rejected by the patent examiner as being obvious in view of several prior art references, Bank of America appealed the rejection to the Board of Patent Appeals and Interferences in 2007. On July 31, 2009, the board issued a decision reversing the examiner's rejections and, on March 23, 2010, issued a decision denying Vanguard's request for rehearing. Vanguard then appealed to the Federal Circuit.

The main issue in the appeal was whether the board properly determined that the prior art designs applied by the patent examiner were "inadequate" to serve as proper primary references in an obviousness rejection before the U.S. Patent and Trademark Office. The Federal Circuit affirmed the board's decision without opinion.

Two prior art designs were used by the examiner as primary references to reject the design: U.S. Patent No. 6,196,594 to Keller and U.S. Patent No. 4,711,996 to Drexler. Both showed a rectangular data card with rounded corners and a magnetic strip. The data cards of Keller and Drexler, however, did not include a hole. Nonetheless, the examiner rejected the claimed card design as obvious based on either Keller or Drexler, in combination with several prior art card designs which did have a hole.

In reversing the examiner's obviousness rejection, the board concluded that Keller and Drexler were inadequate as primary references. According to the board, the presence of the hole in the claimed card design was critical to the overall appearance. Both Keller and Drexler lacked a hole, and therefore were considered inadequate primary references.

The board reached this conclusion under the obviousness standard set forth in *In re Rosen*, 673 F.2d 388 (Fed. Cir. 1982). This long-standing obviousness principle requires there be a primary reference whose visual effect as a whole is basically the same as the claimed design.

According to *In re Rosen*, the primary reference cannot be something that might be brought into existence by selecting individual features from the prior art and combining them. Such a primary reference is necessary whether a determination of obviousness is based on the primary reference alone or on the primary reference in combination with modifications suggested by other prior art designs.

In *In re Rosen*, the Federal Circuit reversed the board's determination that a design for a table was obvious in view of a design for a desk. According to the court, the prior art desk design had a different overall appearance and aesthetic appeal than the claimed table. In particular, the claimed table had a round glass top with three V-shaped legs that formed notches where they joined the table top, whereas the primary reference, a desk, had an opaque semi-circular top with three V-shaped legs, but no notches.

Secondary references teaching a circular glass top and notched v-shaped legs were combined by the examiner to reject the claimed design. According to the court, the appearance of the claimed design must be viewed as a whole and compared with something in existence — not with something that might be brought into existence by selecting individual features from various prior art designs and combining them, particularly where combining them would require them to be further modified.

The court also noted that the fundamental characteristics of the prior art desk design, such as the clean, unobstructed top surface and notched leg joints, would be destroyed if modified to become the claimed table design.

The board was not swayed by Vanguard's argument that requiring the hole to be found in the primary reference was tantamount to anticipation and would never result in a finding of obviousness. According to the board, there could be a hypothetical primary reference which gives the same visual impression as the claimed design, but which has a different card design, strip and/or hole.

Such a hypothetical design would not anticipate the patented design because it would need to be modified to achieve the patented design. The board also refused to consider Vanguard's argument that the hole was functional and cannot be relied upon to support patentability because this issue was not before the board on appeal. Though this point was disputed by Vanguard in its briefs to the Federal Circuit, the board observed that Vanguard could have proposed a specific rejection based on functionality in its request for re-examination, but chose not to.

The Vanguard case also represents the first time the Federal Circuit has reviewed a decision by the board arising out of an inter partes re-examination[1], raising the issue of the standard of review. Specifically, whether the board's determination of the inadequacy of the prior art designs should be reviewed by the court as a question of fact or a question of law. Factual determinations are deferentially reviewed by the court under the substantial evidence standard, whereas legal determinations are reviewed by the court de novo.

Because the court's decision in the Vanguard case was an affirmation without opinion, it is not clear which standard the court employed. In Bank of America's view, the board performed its own review of Keller and Drexler and disagreed with the factual findings of the examiner as to the significance of the hole of the claimed design.

Bank of America argued that the board had substantial evidence to find that Keller and Drexler were inadequate as primary references. Vanguard countered that the primary reference determination is part of the ultimate determination of obviousness, which is a legal issue reviewed de novo. Vanguard argued that the dispute is over the overall visual impression created by the claimed design, which is similar to claim construction which is reviewed de novo.

In the end, the court's affirmation leaves in place the long-standing and strict primary reference requirement for proving obviousness of a design. The decision upholding this strict "Rosen reference" approach is positive for patent holders defending a design patent against a validity challenge because the Rosen reference standard makes it harder to prove that a design is obvious. While this much is clear, the question of the standard of review will have to wait for another case.

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[1] See <http://reexamcenter.com/2011/01/vanguard-identification-sys-inc-v-kappos-federal-circuit-provides-procedural-clarity-in-its-first-decision-from-inter-partes-reexamination/>

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