

Legal Changes to Design Patents Post-LKQ Decision

•**Moderator:**

- Ryan M. Schneer, Managing Member, Schneer IP Law PLLC

•**Panelists:**

- Joshua Herman, Of Counsel, Greenberg Traurig, LLP
- Robert M. Isackson, Partner, Leason Ellis LLP
- Joseph V. Micali, Partner, Pryor Cashman LLP

•**Event:** NYIPLA One-Day Patent CLE Seminar

•**Date & Time:** November 7, 2024, 3:30 PM - 4:20 PM



Agenda

- Introduction to LKQ v. GM
- The Rosen/Durling Framework
- Comparison with KSR v. Teleflex
- Post-KSR Trends and Data
- Shift to the Graham Analysis
- Impact on Design Patent Practice
- Panel Discussion
- Q&A Session



Background on LKQ v. GM

- **Parties Involved:** LKQ Corporation and GM Global Technology Operations LLC
- **Issue:** Validity of GM's design patents challenged by LKQ
- **Proceedings:**
 - LKQ filed Inter Partes Review (IPR) and Post-Grant Review (PGR) petitions
 - The Patent Trial and Appeal Board's (PTAB) upheld the patents; LKQ appealed to the Federal Circuit
 - The Federal Circuit panel upheld the PTAB's decision.
 - In response, LKQ filed a motion for reconsideration and a request for an en banc rehearing, both of which were granted. Notably, seventeen amicus briefs on the merits were submitted, including those from the New York Intellectual Property Law Association (NYIPLA) and the United States, represented by the United States Patent and Trademark Office (USPTO) and the Department of Justice (DOJ).
- **Significance:**
 - Overruled the Rosen/Durling framework in design patent obviousness analysis
 - Potential shift in legal standards for assessing design patent validity
- **Citation:** *LKQ Corp. v. GM Global Tech. Operations LLC*, LLC, 102 F.4th 1280 (Fed. Cir. 2024) (*en banc*)



The Rosen/Durling Framework in Design Patents

- **Established Test for Obviousness in Design Patents:**

- **Prong I:** Identify a primary reference with design characteristics that are "basically the same" as the claimed design (*In re Rosen*, 673 F.2d 388 (C.C.P.A. 1982))

- **Prong II:** Modify the primary reference using secondary references that are "so related"

- This means that the appearance of certain ornamental features in one would suggest the application to the other (*In re Durling*, 101 F.3d 1012 (Fed. Cir. 1996))

- **Criticism:**

- Considered too rigid and potentially inconsistent with Supreme Court precedents



The Federal Circuit's Decision in LKQ v. GM

Key Holding:

- Overruled the Rosen/Durling requirements
- Adopted the Graham factors for design patent obviousness analysis

• Implications:

• Elimination of the "Basically the Same" Requirement of Rosen-Durling:

- No threshold similarity needed for primary references

• Removal of the "So Related" Requirement of same:

- Secondary references do not need to be closely related to the primary reference

• Adoption of a Flexible, Fact-Specific Approach like in *KSR Int'l Co. v. Teleflex Inc.*, 550 U.S.

398 (2007) ("KSR"), and *Graham v. John Deere Co.*, 383 U.S. 1 (1966) ("Graham"):

- Aligns design patent obviousness analysis with utility patents

Citation: *LKQ Corp. v. GM Global Tech. Operations LLC*, LLC, 102 F.4th 1280 (Fed. Cir. 2024) (*en banc*).

The Graham Analysis Applied to Design Patents

- The LKQ decision has established that the test set forth in *Graham v. John Deere Co.*, 383 U.S. 1 (1966) (“Graham”) now applies to design patents.
- **(1) Scope and Content of the Prior Art:**
 - Analogous art includes designs of the same article or similar articles (In re Glavas, 230 F.2d 447 (C.C.P.A. 1956))
- **(2) Differences Between the Prior Art and the Claimed Design:**
 - Compare visual appearances from the perspective of an ordinary designer
- **(3) Level of Ordinary Skill in the Art:**
 - Consider the knowledge of designers skilled in the relevant field
- **Secondary Considerations:**
 - Commercial success, copying, industry praise



KSR v. Teleflex: A Preview?

- **Case Overview (*KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398 (2007)):**
- **Invention:** Combination of an adjustable pedal assembly with electronic throttle control
- **Lower Courts:**
 - District Court granted summary judgment of obviousness
 - Federal Circuit reversed, applying the rigid "Teaching, Suggestion, or Motivation" (TSM) test
- **Supreme Court Decision:**
- **Holding:** The TSM test was too rigid
- **Shift:** Emphasized a flexible, functional approach to obviousness
- **Application of Graham Factors (*Graham v. John Deere Co.*, 383 U.S. 1 (1966)):**
 - Scope and content of the prior art
 - Differences between the prior art and the claims
 - Level of ordinary skill in the pertinent art
 - Secondary considerations



Analogue: Post-KSR Trends and Data for Utility Patents

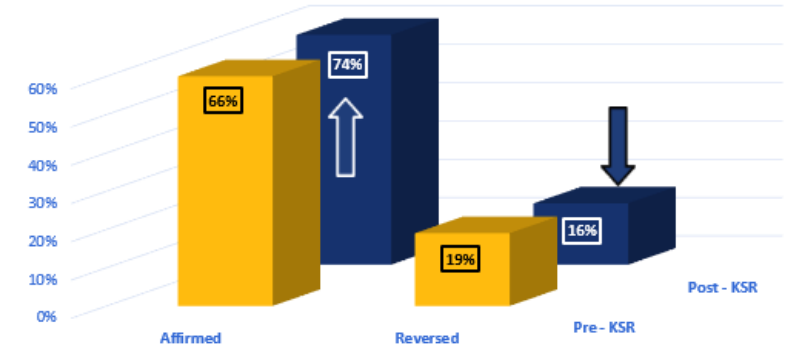
•Increased Favorability Toward Obviousness Challenges:

- **Federal Circuit's Affirmance Rates on §103 Issues (Appeals from District Courts and ITC):**
 - Pre-KSR Affirmed Obvious: 66%
 - Post-KSR Affirmed Obvious: 74%
- **Federal Circuit's Affirmance Rates on §103 Issues (Appeals from USPTO):**
 - Pre-KSR Affirmed Obvious: 81%
 - Post-KSR Affirmed Obvious: 91%
- **Source:** Jason Rantanen, "The Federal Circuit's New Obviousness Jurisprudence: An Empirical Study," 16 Stan. Tech. L. Rev. 709 (2013)

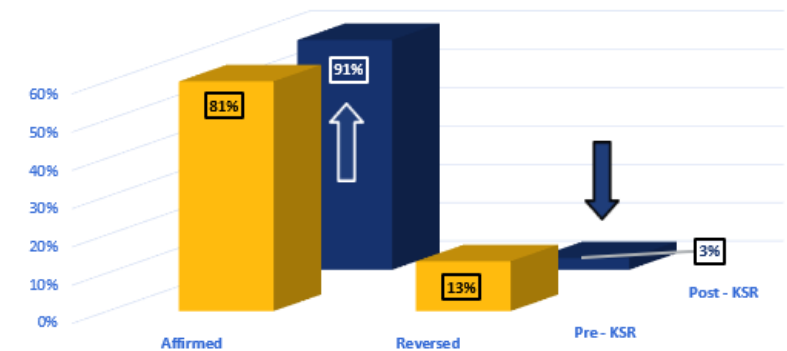
•Possible Explanations:

- **Patent Holders:**
 - More selective in enforcing patents
 - Increased settlements
- **Patent Challengers:**
 - Greater incentives to seek review
- **District Courts:**
 - More confident in concluding obviousness due to increased deference

Federal Circuit Affirmance Rates on 103 Issues
(Appeals from District Court and ITC Appeals)



Federal Circuit Affirmance Rates on 103 Issues
(Appeals from USPTO)



LKQ's Impact on Design Patent Obviousness Analysis

- **Removal of Rigid Tests:**
 - Allows for consideration of a broader range of prior art
 - Requires a more nuanced analysis of differences and similarities
- **Motivation to Combine:**
 - Must be supported by evidence without hindsight bias
 - Factors include designer's experience, market trends, and industry customs
 - Limitations regarding the “teachings” of an ordinary designer and “prosecution history” due to textual constraints of design patents.
- **Challenges for Practitioners:**
 - Need to adapt prosecution and litigation strategies
 - Greater emphasis on comprehensive prior art analysis



USPTO's Response Post-LKQ

Updated Examination Guidelines (May 22, 2024):

- Examiners instructed to apply the Graham factors without a threshold similarity requirement (“The *Graham* approach “does not use a threshold ‘similarity’ requirement”.)
- Emphasis on the knowledge of designers of ordinary skill (“[T]he design examiner should consider the knowledge of a designer of ordinary skill who designs articles of the type being examined.”)
- Ongoing study of LKQ decision for further guidance (“The USPTO is continuing to study *LKQ* in the context of existing precedent; further guidance and training will be forthcoming.”)



Practical Implications Post-LKQ

- Potential increase in obviousness rejections, but this may not occur until the United States Patent and Trademark Office (USPTO) provides guidance later this year.
- Thorough documentation and argumentation in design patent applications, will become important, but be cautious of increasing the likelihood of prosecution history estoppel.
- Expanded scope of challenges at the Patent Trial and Appeal Board (PTAB) and the International Trade Commission (ITC). However, significant changes may take time to materialize, as ITC investigations and any subsequent appeals can extend over several years.
 - Typically, ITC investigations take about 15–18 months from initiation to final determination.
 - Moreover, design patent decisions at the PTAB are rare due to stringent institution standards, and such decisions must be designated as precedential to have a broader impact.

Patent Trial and Appeal Board (PTAB)

Early Impact

- **First PTAB Application of LKQ-Graham Framework:** In *Next Step Group, Inc. v. Deckers Outdoor Corp.*, IPR2024-00525 (P.T.A.B. Aug. 6, 2024), the PTAB applied the new design patent obviousness standard established in *LKQ Corp. v. GM*, moving away from the rigid Rosen-Durling test to the flexible Graham factors analysis. This decision highlights the detailed shift to the Graham factors in design patent obviousness analysis, but in this case to uphold validity, rather than loosen the standards
- **Denial of IPR Due to Insufficient Prior Art Evidence:** The PTAB denied institution of inter partes review because the petitioner failed to prove that the cited prior art references were publicly accessible printed publications before the critical date, emphasizing the necessity of providing concrete evidence for prior art status.
- **Emphasis on Detailed Differences in Design Comparison:** The PTAB emphasized key differences between the claimed design and prior art, finding that these distinctions altered the overall visual impression and negated obviousness. This focus contrasts with the post-KSR trend in utility patents, where courts prioritize similarities and often regard differences as predictable or reasonable, leading to more findings of obviousness.
- **Practical Impact on Design Patent Practice:** This decision demonstrates the practical effects of the LKQ-Graham framework, highlighting the increased burden on petitioners to provide thorough evidence and detailed analyses, and underscores the need for practitioners to adapt their strategies in design patent prosecution and litigation under the new standard.

Questions for the Panelists

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Q&A from audience

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Conclusion

- **Key Takeaways:**
- **Significant Shift in Legal Standards:**
 - The LKQ v. GM decision marks a pivotal change in design patent obviousness analysis
 - Alignment with Utility Patent Analysis:
 - Adoption of the Graham factors introduces flexibility but also complexity
- **Need for Adaptation:**
 - Practitioners must adjust prosecution and litigation strategies accordingly to account for more detailed analysis.
- **Closing Remarks**



Questions for Legal Changes to Design Patents Post-LKQ Decision

Questions for Joshua Herman

- **Question 1:** How has your experience with USPTO examination changed following the LKQ v. GM decision?
- **Question 2:** What new challenges do applicants face under the revised obviousness standard during design patent prosecution?
- **Question 3:** How should practitioners adjust their strategies to overcome obviousness rejections in light of the Graham analysis?
- **Question 4:** Do you foresee any long-term effects on the volume or nature of design patent filings at the USPTO?

Questions for Joseph V. Micali

- **Question 1:** What impact do you expect the LKQ decision to have on the predictability of design patent prosecution outcomes?
- **Question 2:** Are there specific industries or design types that might be more significantly affected by the shift to the Graham analysis?
- **Question 3:** How can applicants effectively leverage secondary considerations to bolster their design patent applications under the new framework?
- **Question 4:** What best practices would you recommend for preparing and prosecuting design patent applications in this evolving legal landscape?
- **Question 5:** In the recent PTAB decision *Next Step Group, Inc. v. Deckers Outdoor Corp.* IPR2024-00525 (P.T.A.B. Aug. 6, 2024), the Board applied the LKQ v. GM framework for the first time and denied institution by focusing on detailed differences between the claimed design and prior art. How do you think this decision will influence the way practitioners approach obviousness arguments in design patent cases under the new Graham analysis?

Questions for Robert M. Isackson

- **Question 1:** How does the transition from the Rosen/Durling framework to the Graham analysis affect strategies in design patent litigation in the courts, the PTAB and the ITC?
- **Question 2:** What are the implications of the LKQ decision for challenging the validity of existing design patents in court?
- **Question 3:** How might this decision influence settlement negotiations or the likelihood of going to trial in design patent disputes?
- **Question 4:** What advice would you give to litigators and in-house counsel preparing for design patent cases under the new legal standard?