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## WRITTEN COMMENTS THE PROTECTION OF INDUSTRIAL DESIGNS

Submitted in response to the Notice dated May 28, 2008.

To: External Affairs  
Director of the U.S. Patent & Trademark Office

From: Patricia E. Hong<sup>†</sup>

Date: July 15, 2008

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The U.S. Patent & Trademark Office (PTO) is to be commended for collecting comments and attending and hosting meetings regarding this issue. These comments are submitted in response to the Notice dated May 28, 2008, and after consideration of the presentations given during the June 16, 2008, meeting at the PTO as part of its Design Patent Listening Tour.

### **I. Amendment to 35 U.S.C. §271, H.R. 5638**

On March 13, 2008, H.R. 5638 was introduced into Congress with the support of the insurance industry and non-OEM crash parts manufacturers which have organized themselves under the umbrella of the Quality Parts Coalition. The bill proposes to amend 35 U.S.C. §271 by adding the following subsection:

(j) It shall not be an act of infringement to make, use, offer to sell, or sell within the United States or import into the United States any article of manufacture that itself constitutes a component part of another article of manufacture, if the sole purpose of the component part is for the repair of the article of manufacture of which it is a part so as to restore its original appearance.

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<sup>†</sup> *The views expressed herein are the author's alone, and should not be imputed to Plumsea Law Group, LLC or any of its clients. Patricia E. Hong has been a registered patent attorney for fifteen years, and operates a specialized design patent program as part of her practice. She has served as Chair, Division V – Professionalism and Section Relations, the American Bar Association Section of Intellectual Property Law (ABA IPL), 2007-2008. Previously she served as Chair, Committee 412 - Industrial Designs, ABA IPL from 2004-2005, and again from 2005-2006.*

## II. The Genesis of H.R. 5638 and Context

### A. Background

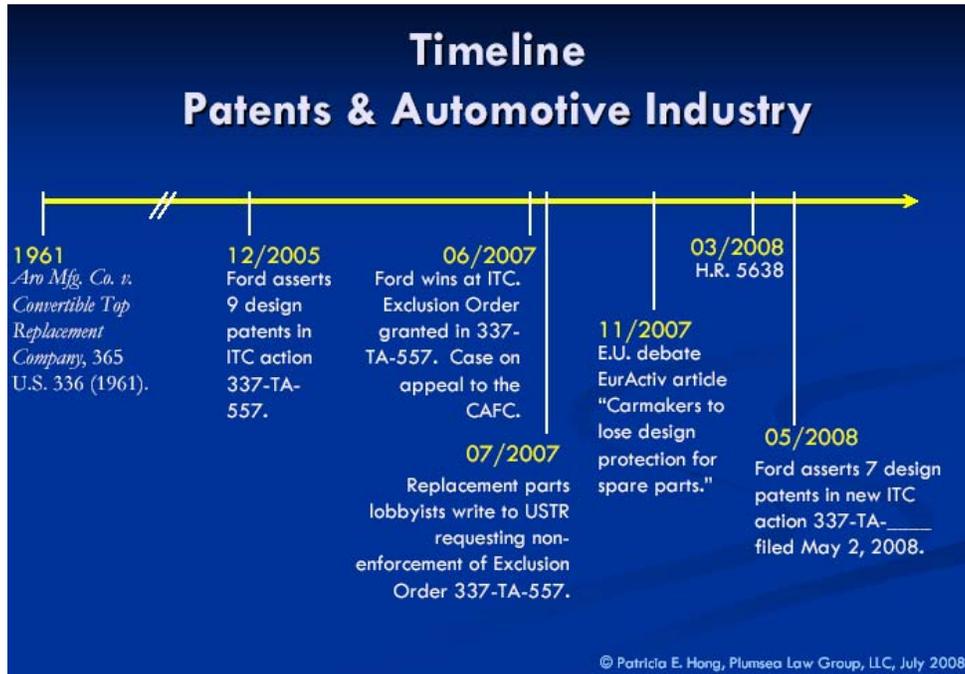
The latest battle in the 40+ year war between automakers, the original equipment makers (OEMs), and collision parts manufacturers (non-OEMs) began in earnest in 2005 when Ford filed an ITC action asserting design patents directed to elements of its popular F-150 pick-up truck. This patent war between the OEMs and non-OEMs started in the courts in the 1950's and culminated in the family of U.S. Supreme Court cases beginning with *Aro Mfg. Co. v. Convertible Top Replacement Company*, 365 U.S. 336 (1961). The *Aro* cases and their progeny have all related to utility patents and whether a patented product could be repaired without infringement. A full legal history of the repair / reconstruction doctrines is beyond the scope of these comments. It may be sufficient to summarize by stating in general that the original purchaser from the patentee has the license to make repairs to a patented product as long those repairs do not amount to a reconstruction of the product. The non-OEMs have always been allied with the insurance industry which also has an economic interest in the cost of automotive repairs and crash parts.

Ford, by making design patents the focus of this long history of case law, has given rise to another chapter in this ongoing debate. In June 2007, the ITC decided 337-ITC-557 in Ford's favor and issued an Exclusion Order blocking importation of products that infringe the Ford design patents. One month later, in July 2007, a group of insurance industry organizations wrote a letter to the US Trade Representative requesting non-enforcement of the Exclusion Order. This action was despite having testified during the ITC proceedings, and having their concerns heard by the ITC judge. An appeal to the Court of Appeals for the Federal Circuit is currently pending. Less than one year later, in March 2008, H.R. 5638 was introduced in response to the ITC decision. The infringers have organized themselves and have started carrying the banner of "patent reform."

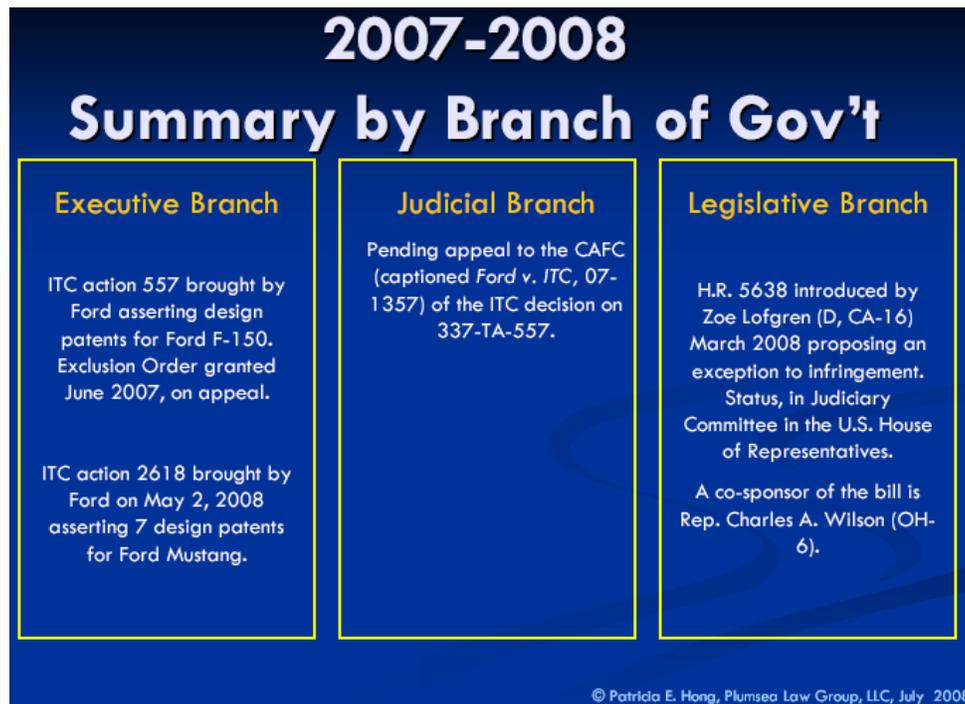
On the heels of its victory, Ford filed another ITC action in the ITC in May 2008 asserting design patents directed to parts of its redesigned Mustang.

## B. Timeline and Summary by Branch of Government

A timeline is included here to provide a visual chronology.



In the last few years, this war between the OEMs and the non-OEMs has now expanded into more fronts than the courts, which had been their traditional battleground. A graphical summary of the developments by branch of government is illustrative.



### **III. H.R. 5638 Proponents' Arguments**

#### **A. Proponents assert economics benefits of non-OEM replacement parts.**

The main argument of the proponents of H.R. 5638 is that of cost. They argue that non-OEM replacement parts are an economic alternative to OEM parts and help keep the cost of parts down to save the consumer money. They also argue that consumers should be able to choose between OEM and non-OEM alternatives.

It can be argued that market forces will always be a check on the prices the OEM automakers charge for their replacement parts. Consumers consider the cost of repairs when making a vehicle purchase decision, and this pressure will be a factor in the prices that OEMs can charge.

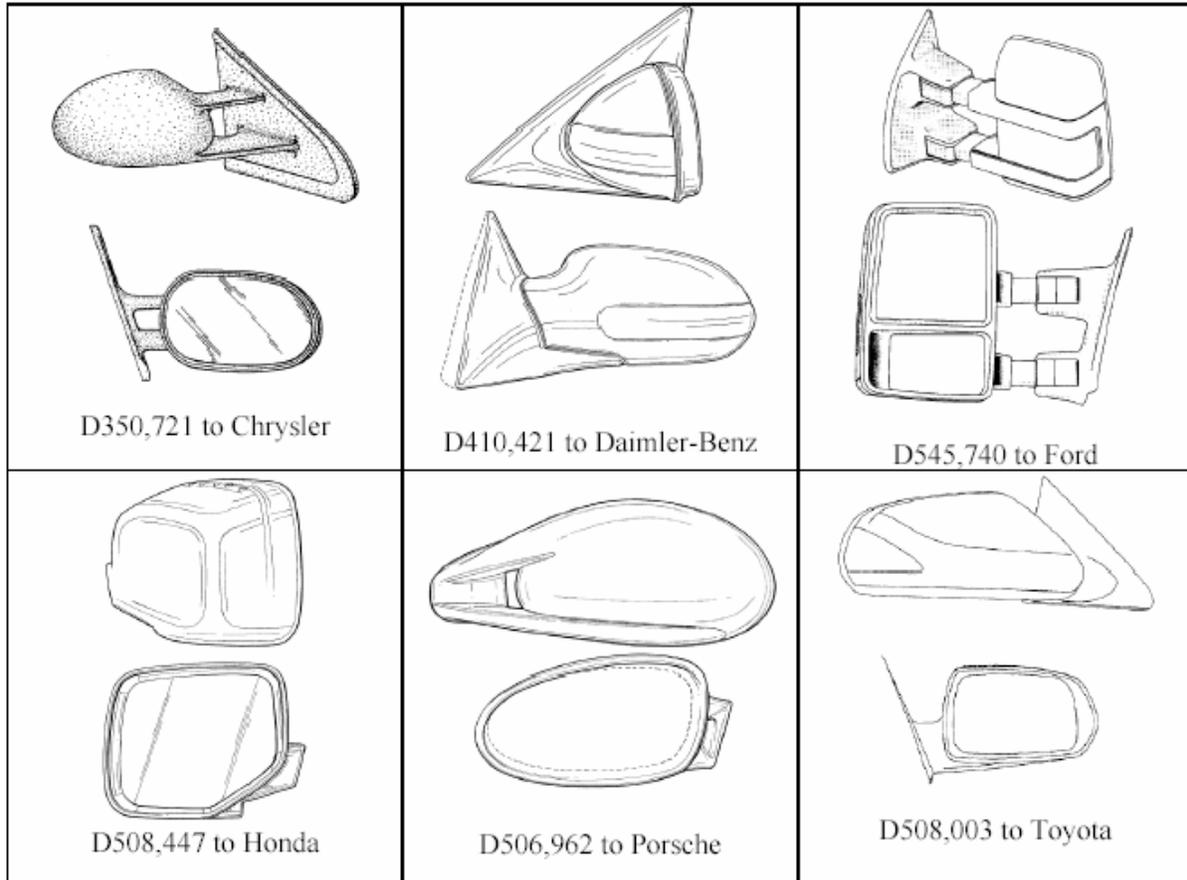
If the cost of patented replacement parts is higher, that is the cost of innovation. The patent system rewards innovation by granting a right to exclude others. Obviously excluding others for a limited time will drive prices higher. That is simply how the system works.

One of the points made by George Gilbert of Ford Motor Company at the June 16, 2008 meeting, is that the non-OEM crash part makers only supply a small fraction of the parts needed to repair vehicles after collisions. The parts they supply happen to be those most often damaged so that there is a high volume in their sales. The proponents' argument that they want to keep prices down and give consumers a choice is limited to only the parts for which they can make a profit.

#### **B. Proponents assert that automotive replacement parts are not unique.**

A proponent of H.R. 5638 at the June 16, 2008 meeting took the position that automotive replacement parts are not unique. Another proponent took the position that the PTO "rubber stamps" design patents for automotive parts. Both of these positions reveal a willful disregard, an alarming ignorance or complete disingenuousness of the investment made by automakers in the design of their products, and the patent process itself. Since the non-OEMs who support H.R. 5638 copy the parts that are design patented, they are very aware of how different the parts are in appearance.

One replacement part that serves as an example of how styling differences provide markedly different appearances is a vehicle side mirror. The following table is populated with a sampling of six design patents directed to side mirrors.



As evidenced here, a side mirror can embody a myriad of styles. All of these design patented mirrors are not mere byproducts of their function, rather these are the works of creative industrial designers and engineers. As such, they should be and are subject to design patent protection in the U.S.

**C. Proponents wrongly assert that consumers cannot repair without infringing.**

Firstly, permissible repair of a patented product does not constitute patent infringement. For example, if a design patented bumper is damaged in a collision, a body shop that returns that

bumper to its original appearance would not be liable for infringement. Under current law, however, if the bumper were replaced with an identical one supplied by a non-OEM, patent infringement arises. This is because replacement of the entire part is not repair of the part itself. H.R. 5638 proposes to protect the non-OEM from infringement in this type of replacement scenario.

Secondly, the non-OEMs are free to make any replacement part, as long as the part does not infringe design patents. For example, in the mirror example above, the non-OEMs may make and sell mirrors that are functionally suitable, as long as they don't have the same ornamental appearance as a mirror that is design patented. As seen in the table, there are dozens or hundreds of possible styles of mirrors, and any manufacturer is free to create a non-infringing style of their own.

#### **D. Proponents wrongly assert patent exhaustion.**

Generally stated, the patent exhaustion doctrine or first sale doctrine states that a patentee's exclusive right ends at the first sale of patented product. That is, if the patentee authorized the unrestricted first sale of the article, the patentee's exclusive rights are exhausted, and the patentee is not a stakeholder in any subsequent sale or licensing of that same article.

One proponent of H.R. 5638 who presented at the June 16, 2008, meeting tried to invoke this doctrine for automotive replacements parts. This was an erroneous application of the patent exhaustion principle since replacement parts are by definition not the same article as the one first sold.

For example, returning to the mirrors in the table, when Porsche sold the vehicle that includes the mirror shown in D506,962, Porsche's patent rights in the mirror that is attached to the vehicle were exhausted with the first sale. If the first vehicle owner takes that mirror off of the vehicle and resells it to another, Porsche would not have a remedy as its patent rights in that particular mirror were exhausted. If, however, a non-OEM copies the design and produces a new mirror that infringes the one shown in D506,962, the copyist is liable for patent infringement and Porsche has a viable infringement claim. This is because Porsche never sold the mirror to the

copyist. The safe harbor of patent exhaustion is not available to a copyist who never made an unrestricted purchase of the product.

#### **IV. The Deleterious Effects of H.R. 5638**

##### **A. Carving out an exception to infringement for one industry will have a snowball effect.**

The proponents of H.R. 5638 provide no reason other than economic for why this exception to infringement should be made. They also provide no reasons why their industry is so different from others that non-OEMs should have free reign to infringe the patents of the automakers.

Based on how the proponents have framed their arguments, conceptually, the most analogous industries to the automotive industries are the medical device and pharmaceutical industries. This analogy is based on their argument that the insurance industry bears the direct cost of replacement parts, and that the consumer is affected indirectly. In both medical devices and drugs, insurance companies bear the most of the direct cost of the goods with consumers/patients affected indirectly. As such, would it make any sense to provide an exception for patent infringement for non-OEMs to make replacement parts that infringe patents to parts of medical instruments, cardiac stents, prosthetics, catheters, etc.? Would it make any sense to provide an exception for patent infringement for generic drug companies to sell drugs that infringe patents before the patents expire?

If the logic of H.R. 5638 supporters were followed, then medical device and drug patents should not be enforced because of the cost savings to consumers, freedom of choice and helpfulness to mankind. There is little regard for the investment, research, development and design of patented products.

If H.R. 5638 passes in any form, it will not be long before generic drug makers, non-OEM medical device makers, and others organize to introduce bills that propose exceptions for patent infringement for their respective industries. Allowing for an exception in this instance will have a snowball affect on other industries. If the generic drug makers have to wait for drug patents to

expire before they can make their sales, then the non-OEM auto parts makers should have to do the same. If the generic drug makers must challenge the validity of a drug patent in court or through established administrative channels, then the non-OEM auto parts makers should have to do the same.

**B. The language of H.R. 5638 is problematic.**

The language of H.R. 5638 is problematic for at least two reasons: breadth and ambiguity.

First, the language is overly broad. Although the proponents assert that H.R. 5638 relates to the automotive industry and to design patents and assert that it is only intended to be small, limited exception to infringement, there is no such limiting language in the bill. Many presenters at the June 16, 2008 meeting commented on the breadth of the bill: how it encompasses utility patents, and is not limited to any particular industry. When pressed on the issue, Mr. Jack Gills of the Consumer Federal of America who presented at the June 16, 2008 meeting had to admit that he disagreed with the wording of H.R. 5638. The language of H.R. 5638 is problematic even for one of its ardent supporters.

Second, the language of the bill is ambiguous. One example is what is the determination of “sole purpose”? Who will decide what the “sole purpose” is? What if a part, such as any vehicle mirror in the table above, has a very important functional purpose, that of providing a rear view, that is not necessarily tied to its ornamental appearance? Is it then outside of proposed section (j) because it has a dual purpose? That is, is it exempt from the exception? What if a part, such as a design patented vehicle bumper, also has a very important functional aspect such as absorbing the impact of a collision to protect the vehicle from damage? Does the bumper then also fall outside of proposed section (j) because it has another purpose? Is it too exempt from the exception?

Another example of ambiguity is whether the bill can be read to enforce design patents against other some parts of the auto industry, and not others. For example, can design patents be enforced against other OEMs but not against non-OEM replacement parts makers?

**C. Passage of H.R. 5638 in any form will weaken the U.S. patent system.**

Passage of H.R. 5638 in any form to provide for an exception to infringement will weaken the patent system, and stifle innovation. Patentees are motivated to innovate, re-design and keep the marketplace active with new designs and ideas because they have the ability to exclude others for a limited time from selling infringing products. To the innovator goes the spoils. This is what makes for a robust market, and offers consumers wider choices in products. Some proponents of H.R. 5638 point to similar measures afoot in the European Union and Australia as reasons the United States should follow. This argument is a fair-weather one at this point. If the EU and Australia decided to side with patent owners, there is no doubt the proponents of H.R. 5638 would be urging the United States to make its own policy decision and not follow any other country/region.

**V. Proven Ways to Avoid Infringement or Challenge Design Patents**

**A. Do not infringe by designing around the patents.**

The most obvious way to avoid patent infringement is to simply take the precautions most companies do and ensure that there is no infringement. In other words, design around patents. As the scope of design patents has been narrowed by the courts recently, this is not a difficult proposition. As so many have commented, anyone is free to make any replacement part for the market, as long as it doesn't infringe a valid design patent.

**B. Challenge a design patent by participating in Ex Parte Reexamination.**

If a non-OEM is concerned about the scope of a design patent, it has available a third party challenge that is carried out in the administrative arena of the PTO without resorting to the judiciary. Ex parte reexamination has been possible since 1981 and the PTO grants the great majority of reexamination requests as raising substantial new questions of patentability. During the June 16, 2008, meeting some proponents of H.R. 5638 implied that the PTO grants patents without a full search of the prior art. This is a scurrilous charge and one that they could not

support with any examples. Fortunately for them, there is an established procedure by which anyone can bring prior art relevant to patentability to the attention of the PTO and have the references considered and a patent reexamined. The Ex parte reexamination is an avenue that all proponents of H.R. 5638 could avail themselves of to deal with those patents which they believe to be too broad in scope. This approach would be preferable to legislating a governmental taking of the property of patent owners without just compensation.

**C. Patent invalidity as a defense to infringement or declaratory judgment for invalidity.**

Another well established avenue for challenging the validity of any patent that a company has been charged with infringing is to plead and show invalidity as a defense. The same proofs could be used to obtain declaratory relief in the same vein depending on the litigants' circumstances. These are well litigated avenues with an established body of case law to guide a party seeking to invalidate a patent. If any proponent of H.R. 5638 has been threatened with a lawsuit or has been sued, an invalidity contest in court is a proper avenue to try to escape a finding of infringement. Like reexamination, this has the advantage of addressing each patent in question, and not call into question the enforceability of an entire class of patents in a particular industry.

**VI. Conclusion**

In summary, H.R. 5638 is ill-conceived, ambiguously worded, and the result of lobbying by would-be infringers who want a free pass to copy the patented designs of OEM automakers. As introduced, H.R. 5638 extends to any and all products and industries in which a patented component is replaceable on another article. Both design and utility patents are implicated in the current language. Passage of H.R. 5638 in any form would be detrimental and serve no interests other than those of the insurance industry and copyists.