

March 19, 2010

Re: Written Statement for Committee on the Judiciary
“Design Patents and Auto Replacement Parts”
Hearing – March 22, 2010 – Rayburn House Office Building,
Room 2141, 3:30 pm

Chairman Conyers, Ranking Member Smith, and members of the Committee:

My name is Perry Saidman, and I am a native Washingtonian. In addition to my work as a law professor teaching design law at G.W. Law School, and my work on design rights committees of many professional organizations, I am a patent attorney in private practice primarily in the area of design patent law. It is fairly well known that I represent clients who obtain and enforce their design patents against knock-offs and infringers. Although I am not giving testimony today as a representative of any of my clients, I do know that my views on this subject align with the views of at least some of my clients. For example, my client Caterpillar Inc. recognizes the importance of the subject of this hearing and has sponsored several hours of my time over the past few days to prepare my testimony. However, neither Caterpillar nor any of my clients requested or had any editorial involvement in my testimony today.

I first want to give a little background about design patents, how they differ from utility patents, and what an applicant must go through in order to obtain the grant of a design patent from the United States Patent & Trademark Office (USPTO).

A design patent protects only the outward appearance of a product, as shown in the figures of the design patent. Unlike a utility patent, a design patent does not protect the function or structure of the product – only how it looks. In other words, a design patent protects the appearance of a product without regard to how it works, and a utility patent protects how a product works without regard to how it looks. Although it is possible to obtain a design patent and a utility

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patent on the same product, they protect distinctly different things about that product.

Title 35 of the U.S. Code sets forth the requirements for obtaining both a design patent and a utility patent. Many of the statutory requirements are the same for both types of patents, but there are a few requirements that are exclusive to design patents because of their unique nature.

An industrial designer who seeks a design patent has to file an application with the USPTO. The application must contain a set of drawings that illustrate the design that the applicant wishes to protect, along with a brief description of the drawings, and a short claim that essentially says “I claim what is shown in the drawings”.

The USPTO assigns the application to a design patent examiner who is very familiar with products of the type being claimed by the applicant. The design patent examiner conducts a search of the prior art - all designs previously patented or published - to make sure the applicant’s claimed design meets the basic statutory requirements of being novel, non-obvious, and not dictated solely by function. These statutory requirements are found in Title 35 of the U.S. Code, particularly 35 U.S.C. 102, 103, 112, and 171. The latter section, 35 U.S.C. 171, is exclusive to design patents, while the remaining three sections - 102, 103 and 112 - apply to utility patents as well.

Only upon meeting these statutory requirements does the examiner allow the application, and the design patent then is allowed to issue.

As a result of having been examined, the issued design patent carries a presumption of validity (35 U.S.C. 282), and later in litigation an accused infringer can only prove invalidity by the high standard of clear and convincing evidence.

However, the most common defense in a design patent infringement suit is not that the patent is invalid, but that the patent is not infringed. That is, an accused infringer most frequently takes the position in litigation that the accused product does not look substantially the same as the patented design.



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I explain all of this to underscore the pernicious effect of the pending legislation – H.R. 3059. This bill does not say that design patents for repair parts are invalid. Nor does it say that they cannot be infringed. Indeed, there can be no argument that the design patents covering auto repair parts are not infringed because the knock-offs look identical to the patented designs. Therefore, what this bill proposes is that valid and infringed design patents be rendered unenforceable. These are design patents that have been applied for, examined by skilled and qualified USPTO design patent examiners who have determined that the claimed design is novel, non-obvious, and non-functional, and then issued.

And why are we even discussing a bill that proposes this remarkable result? We are here because the proponents of this bill lost a hard fought design patent infringement lawsuit covering auto repair parts, and can no longer make, use, sell or import their knock-offs in the United States.

So, having been adjudicated as an infringer of validly issued U.S. design patents, these companies are asking Congress to carve out an exception to the design patent law for auto repair parts, and render valid design patents covering such parts unenforceable.

Why is this such a bad idea? Because it will encourage every industry that loses a design patent lawsuit to petition the Congress to do the very same thing: to carve out an exception to their industry so that their infringement will not be actionable, so that they can continue to make, use, sell and import their infringing products without fear of liability to the design patent owner.

The main argument of the proponents of this legislation seems to be that consumers will greatly benefit from the abolishment of design patent protection for auto repair parts, because the resulting competition will create lower prices for the parts. Of course, the insurance companies are on board because they will make more money if they can buy auto repair parts more cheaply than they do now. Will they pass their savings on to their policy holders, or to their shareholders?



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The trouble with this argument – open and free competition in patented products will result in lower prices – is that it’s true for every patented product made. There is almost no industry whose products or services will not cost less with increased competition. This argument, therefore, is much broader than an argument that design patents should not be permitted for auto repair parts. It’s essentially an argument that patents should be abolished, because patents allow the owner to monopolize a product and therefore reduce competition.

But open and free competition in patented products is an oxymoron: the U.S. Supreme Court has frequently stated that patents are a well-recognized exception to an open and competitive marketplace, an exception that has strong roots in public policy to encourage innovation and reward inventors/designers. For example, here are the words of Justice O’Connor speaking for a unanimous Court in *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, (1989):

The novelty and non-obviousness requirements of patentability embody a congressional understanding, implicit in the Patent Clause itself, that free exploitation of ideas will be the rule, to which the protection of a federal patent is the exception. *Id.* at 151.

The policy behind granting design patents – an incentive and reward to encourage innovation and investment in new designs – would be completely undercut by rendering those design patents unenforceable in the name of open competition and lower prices. In accordance with the U.S. Constitution, a design patent is granted for a limited time, after which it expires, and anyone is then free to make, use or sell the patented design.

This law would set a bad precedent. There is no law on the books that exempts a particular industry or class of patentable designs for protection. The designers and companies who avail themselves of design patents invest substantial sums into research and development of new, non-obvious and non-functional designs. Let’s start with the very creative and innovative designers, who draw on many factors, such as their experience, market conditions, design trends, and consumer data, to conceive a design in a particular field. During the design



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process, several different design concepts will often be the subject of focus groups to determine which one evokes the best response from consumers. It is very expensive to develop the chosen design, e.g., engineer a suitable mold, and make sure the resulting product can be manufactured at a reasonable cost. It is therefore not uncommon for some designs to be subject to research and development for several years. Even then, there is no guarantee that any given design will be a commercial success.

In contrast to this, there are companies in the knock-off business, who incur none of these substantial design and development costs. They lie in wait for a design to achieve commercial success. Then, seeing a ready and proven market created by the original designer, the knock-off companies simply copy the original using the most inexpensive methods possible. Their goal is not to contribute to innovation; their goal is to copy and undercut the originator’s market.

But many of these knock-off companies are clever. They almost never copy a design exactly; rather, they make a few changes, differences in detail, which they believe will avoid design patent infringement.

The reality is that design patents are rarely used against legitimate competitors, because legitimate competitors design their own products, and do so with the intent of distinguishing their product designs from those of others. In fact, the major use of design patents is to stop knock-offs, to prevent outright copying and theft of original designs. It is simply unfair to those who make large investments in creating new designs to allow them to be knocked-off with impunity.

And yet, this proposal would legalize literal infringement, rendering design patents useless against the most pernicious form of copying – literal knock-offs.

In addition, the theory behind this bill could be applied to other products that are subject to repair and replacement, similar to auto repair parts. Consider razors and razor blades. For example, Gillette’s competitors might argue that it is not fair for Gillette to monopolize the secondary market in blades after they have sold the



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original razor. If you own a Gillette razor, they would argue, you have no choice but to buy replacement blades that fit the razor. Now Gillette is known for being a very innovative company, and it comes out with new razor models (similar to car makers) that require new and improved blades to fit. Why aren't the insurance companies also concerned about the monopolization of the secondary market in razor blades? The reason is that razors and razor blades are not insured, and thus don't affect the bottom line of insurance companies.

Similar arguments can be made for pens and pen refills, drills and drill bits, printers and ink cartridges, cell phones and batteries, computers, cables and peripheral devices, and medical equipment and supplies. All of these industries are rife with replacement/repair parts issues, and consumers might well benefit from elimination of all design patents on these parts, which could increase competition and reduce the cost of the parts.

Perhaps insurance companies will next target patents on pharmaceuticals. If those were done away with, or rendered unenforceable, the insurance companies would save enormous amounts of money, as would consumers, by quicker access to low cost generic brands. But if this is done, will the pharmaceutical companies have the incentive to invest in research, development, trials and testing of new drugs?

If consumer advocacy groups are to be consistent in their arguments, the logical extension is to do away with patent protection altogether. Then, there would be open and free competition in all products, which could bring down the cost to consumers.

If each knock-off industry that lost a design patent lawsuit formed a coalition that lobbied Congress to exclude their knock-offs from design patent enforcement, we would be having hearings like this one every week.



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Passage of this bill would be a dangerous precedent because it would encourage other companies and industries that specialize in knock-offs to try and do exactly the same thing.

In other words, my overriding concern is: where do you stop?

This unwarranted diminishment in the value of a design patent should not be given countenance. It must be seen it for what it truly is: to give knock-off companies a free ride on the coattails of legitimate designers.

Very truly yours,

Perry J. Saidman

perry.saidman@designlawgroup.com