



## TRADEMARK NEWS

### U.S. SUPREME COURT FINDS GENERIC TERMS MAY BE PROTECTABLE AS TRADEMARKS

On June 30, 2020, the U.S. Supreme Court decided that generic terms for products or services may become protectable as trademarks if consumers recognize them as such. In *United States Patent and Trademark Office v. Booking.com*, the Supreme Court was asked to decide whether “Booking.com” was eligible for registration as a trademark with the U.S. Patent and Trademark Office (“USPTO”). It was not disputed that “booking” was a generic term that described hotel registration services. Nonetheless, the hotel reservation website Booking.com applied to register the “Booking.com” name as a trademark with the USPTO. Under U.S. trademark law (and the law of most other countries) a generic term, *i.e.* the general name for a class or category of products or services, is not eligible for federal trademark registration.

The Trademark Examiner refused to register the Booking.com mark because it was considered a generic term for hotel reservation services, and the addition of the top-level domain “.com” did not render it protectable. The Examiner reasoned that the combination of a generic word and “.com” is still generic. That refusal was appealed by Booking.com to the USPTO’s Trademark Trial and Appeal Board (“TTAB”). Like the Examiner, the TTAB concluded that the term “Booking.com” is generic for the hotel reservation services at issue, and is therefore unregistrable. “Booking,” the TTAB observed, means making travel reservations, and “.com” identifies a commercial website. Therefore, the TTAB ruled that “customers would understand the term Booking.com primarily to refer to an online reservation service for travel, tours and lodgings.”

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Unsatisfied with that result, Booking.com sought review of the TTAB's decision by the U.S. District Court for the Eastern District of Virginia. During that proceeding, Booking.com was allowed to present new evidence that consumers actually perceived the "Booking.com" name to be a brand name for a particular hotel reservation business, rather than a generic term for an entire class of services. Based largely on that new evidence, the District Court concluded that "Booking.com," unlike the term "booking" alone, does not refer to a genus for an entire class of services, but rather, it is descriptive of services involving "booking" available on the internet at that domain name. The District Court also found that "Booking.com" had acquired distinctiveness as a trademark because it had developed a "secondary meaning" for hotel reservation services among consumers, so that it met the legal requirements for registration as a trademark. The UPTO appealed the District Court's ruling to the U.S. Court of Appeals for the Federal Circuit. The Federal Circuit agreed with the District Court and rejected the USPTO's argument that the combination of ".com" with a generic term like "booking" is *always* a generic term that cannot be a protectable trademark.

The USPTO then filed a petition for certiorari with the U.S. Supreme Court. In its decision, the Supreme Court noted that a generic term names a "class" of goods or services, rather than any particular feature or exemplification of the class. For purposes of determining whether a compound term such as "Booking.com" meets the distinctiveness requirement for a protectable trademark, the term's meaning as a whole must be considered, not its individual parts in isolation. Finally, the Supreme Court noted that the relevant meaning that a term has is the meaning that it has to consumers, particularly with respect to the ability that a term has to distinguish goods and serves in commerce, which is the function of a trademark. Guarding a trademark against use by others, the Court explained, "secure[s] to the owner of the mark the goodwill" of her business and "protect[s] the ability of consumers to distinguish among competing producers."

Based on these general principles, the Supreme Court considered whether "Booking.com" is generic based on whether that term, taken as a whole, identifies to consumers the general class of online hotel reservation services. By way of example, the Supreme Court noted that if "Booking.com" were a generic term, consumers might be expected to understand Travelocity (another such service) to be a "Booking.com." Similarly, if a consumer, searching for a trusted source of on-line hotel

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reservation services would ask a frequent traveler to name her favorite “Booking.com” provider, then it would be considered a generic term. At the Supreme Court, the USPTO admitted that consumers do not perceive the term “Booking.com” in that way. But the USPTO did not concede that this meant that “Booking.com” was a protectable trademark. Instead, the USPTO argued that terms like “Booking.com” were always ineligible for registration regardless of specific evidence of consumer perception. That is, they were always generic terms, and it did not matter whether consumers believed that they referred to a particular business or source of goods and services. The USPTO reasoned that when a generic term is combined with a generic top-level domain such as “.com,” the resulting combination is generic. Therefore, every “generic.com” term is generic and not protectable as a trademark.

The Supreme Court rejected the USPTO’s arguments and declined to adopt a strict rule that would exclude registration of “generic.com” marks. The USPTO had argued that adding “.com” to a generic term would be the same as adding the descriptor “Company” or “Inc.” to a generic term. According to the USPTO, which was relying on an older Supreme Court decision, adding such a descriptor would “convey no additional meaning that would distinguish one provider’s services from those of other providers.” However, the Supreme Court disagreed, reasoning that a “generic.com” term might also convey to consumers a source-identifying characteristic, such as an association with a particular website. Since only one entity can occupy a particular Internet domain name at a time, “[a] consumer who is familiar with that aspect of the domain-name system can infer that Booking.com refers to *some* specific entity.” Therefore, consumers could understand that a particular “generic.com” term would describe the corresponding website or identify the website’s owner. Therefore, the Supreme Court found that a “generic.com” term could be capable of identifying the source of particular goods or services, and thus be protectable as a trademark.

The USPTO also argued the general principle that “no matter how much money and effort the user of a generic term has poured into promoting the sale of its merchandise ... it cannot deprive competing manufacturers of the product of the right to call the article by its name.” However, the Supreme Court noted that this principle assumes that a generic term is at issue, which “Booking.com” was not. However, in making these rulings, the Supreme Court did not adopt a rule that all “generic.com” terms are nongeneric and thus are thus protectable. Instead, the Supreme Court held that whether a given “generic.com” term is protectable as a trademark depends on whether consumers in fact perceive that term as the name of a broad class of goods or services (which would not be protectable as a trademark), or as a term that is capable of distinguishing among members of the class (which could be protectable).

In making its ruling, the Supreme Court also noted that evidence of whether a “generic.com” term can be a protectable trademark can include not only consumer surveys, but also dictionaries, usage by consumers and competitors, and any other source of evidence bearing on how consumers perceive a term’s meaning. The Court pointed out that although surveys can be helpful evidence of consumer perception, they require care in their design and interpretation. The Court also cautioned that difficult questions may be presented when a term has multiple concurrent meanings to consumers, or a meaning that has changed over time, such as where terms are used as a generic name by some, but are used as a trademark by others.

Finally, the Supreme Court addressed the USPTO’s concerns that granting trademark protection to a term like “Booking.com” would hinder competitors from using generic terms such as “booking” to describe

their services, or from adopting similar domain names like “ebooking.com” or “hotel-booking.com.” The Court noted that there was no evidence that other competing on-line hotel reservation services needed to call their services “Booking.com” in order to be commercially competitive. The Court also downplayed the USPTO’s concerns, arguing that trademarks that incorporate generic terms were “weaker” and are entitled to a narrower scope of protection, so that there may not be a “likelihood of confusion” found between “Booking.com” and other variations on the use of that the term.“

The Supreme Court’s decision in *Booking.com* makes a substantial contribution to the case law regarding trademark protection in the United States. Importantly, the Court clarified that otherwise generic terms could become protectable and registrable trademarks, if they function as trademarks to distinguish one producer’s goods or services from those of others in the minds of consumers. This principle would presumably apply to all potentially generic terms, not just those which are attached to an internet domain name, although it may be easier in most instances to prove that such domain name marks have acquiring distinctiveness in the minds of consumers since by their nature they can have only one source.

However, the Court also suggested that such trademarks would begin their lives with a weak and narrow scope of protection, which might not allow their owners to prevent others from using variations of the generic term in their own trademarks. But since the Court determined that such marks may acquire distinctiveness in order to be protectable, it should also be the case that over time their owners may strengthen their scope of protection through extensive use, promotion and sale of products or services under them, so that those marks may command broad protection in certain cases.

Based on the Court’s ruling, it would be reasonable to anticipate that it will result in an increase in the filing of applications to register domain name trademarks that include common terms that may be considered generic on their own. Such applicants should anticipate that Trademark Examiners will still initially refuse to register those marks because they include a generic term. But applicants will now be able to rely on the *Booking.com* decision to present evidence that consumers recognize the mark as a trademark that is protectable in order to overcome such refusals. This should open up opportunities for current and future users of names that contain common terms to register them with the USPTO.

## DESIGN PATENT NEWS

### **U.S. COURT OF APPEALS FOR THE FEDERAL CIRCUIT FINDS THAT U.S. DESIGN PATENT FOR A CHALK PENCIL TOY WAS NOT INFRINGED**

On May 14, 2020, the U.S. Court of Appeals for the Federal Circuit held in *Lanard Toys Ltd. v. Dolgencorp, LLC*, Appeal No. 2019-1781, that a U.S. design patent which claimed the ornamental design for a chalk holder was not infringed by a competitor’s chalk holder product. Lanard owned U.S. Patent No. D671,167, which claimed the ornamental design for a chalk holder in the shape of a standard pencil, as shown in FIG. 1:

**D167 patent  
(Fig. 1)**



Lanard sold an embodiment of the patented design known as the Lanard Chalk Pencil to national distributors and retailers such as Dolgencorp LLC and Toys-R-Us. Lanard's competitor, Ja-Ru, then used the Lanard Chalk Pencil as a reference sample to design its own chalk holder, which also had the shape and visual appearance of a standard pencil:

**Ja-Ru Product**



Lanard's customers Dolgencorp and Toys-R-Us both stopped purchasing chalk holders from Lanard and began purchasing Ja-Ru's chalk holder, presumably because it was less expensive. Lanard then filed a lawsuit against Ja-Ru, Dolgencorp and Toys-R-Us in the U.S. District Court for the District of New Jersey, which was later transferred to the U.S. District Court for the Middle District of Florida.

After completing discovery in the case, the defendants filed a motion for summary judgment against Lanard, arguing that the Ja-Ru chalk holder did not infringe the '167 Patent. The District Court granted the defendants' motion, finding that there was no genuine issue of material fact that Ja-Ru's product does not infringe the '167 Patent. Lanard then appealed the District Court's ruling to the U.S. Court of Appeals for the Federal Circuit.

The Federal Circuit began its analysis of the design patent infringement issue by noting that whether a design patent is infringed is a two-part test: (1) the Court first construes the claim to determine its meaning and scope; and (2) the fact finder (either the Court or a Jury) then compares the properly construed claim to the accused design. When comparing the patented design and the accused design, the "ordinary observer" test is applied—*i.e.*, infringement is found "[i]f, in the eye of an ordinary observer, giving such attention as a purchaser usually gives, two designs are substantially the same, if the resemblance is such as to deceive such an observer, inducing him to purchase one supposing it to be the other." The infringement analysis must compare the accused infringing product to the patented design shown in the drawings of the design patent, not to a commercial embodiment of the patented design that the patent owner may sell.

Lanard asserted three arguments on appeal for why the District Court committed reversible error when it granted summary judgment of noninfringement. Lanard argued first that the District Court erred in its interpretation of the design claim of the '167 Patent by eliminating elements of the design based on the fact that they were functional and lacked novelty. Regarding claim construction, the Court noted that it has instructed District Courts that design patents "typically are claimed as shown in drawings," but that it can be helpful to "distinguish[] between those features of the claimed design that are ornamental and those that are purely functional." Only ornamental features of a design may be patented. Where a design includes both functional and non-functional elements, the scope of the claim must be construed in order to identify the non-functional aspects of the design as shown in the patent." In the case of the '167 Patent, the Federal Circuit found that the District Court had properly applied these claim construction directives.

The District Court began its claim construction analysis by reproducing the five exemplary figures from the patent and noting its reliance on those drawings. The District Court then clarified the scope of the protected subject matter by considering the functional features of the design, as well as the functional purpose of the writing utensil as a whole, including its proportions. In particular, the District Court considered the functionality of the "conical tapered piece," "elongated body," "ferrule," "eraser," as well as "the design's functional purpose as a writing utensil," "the general thickness of the design," and "the circular opening at the tapered end"). The District Court also acknowledged the ornamental aspects of each functional element, including "the columnar shape of the eraser, the specific grooved appearance of the ferrule, the smooth surface and straight taper of the conical piece, and the specific proportional size of these elements in relation to each other.

The District Court next considered the various features of the claimed design as they relate to the

accused design and the prior art. The District Court considered numerous prior art references that were either printed on the face of the '167 Patent or identified by the defendants, which were all directed to the shape and design of a pencil. Based on that, the District Court concluded that “the overall appearance of Lanard’s design is distinct from this prior art only in the precise proportions of its various elements in relation to each other, the size and ornamentation of the ferrule, and the particular size and shape of the conical tapered end.”

In its second challenge to the District Court’s ruling, Lanard argued that the District Court erred in its infringement analysis by conducting an element-by-element comparison rather than comparing the overall visual appearances of the two designs. With respect to design patent infringement, the Federal Circuit noted that the “ordinary observer” test requires the fact finder to “compar[e] similarities in overall designs, not similarities of ornamental features in isolation.” But, while the “ordinary observer” test is not an element-by-element comparison, it also does not ignore the reality that designs can, and often do, have both functional and ornamental aspects. Under the “ordinary observer” test, a Court must consider the ornamental features and analyze how they impact the overall design. The Federal Circuit confirmed that that is what the District Court did in this case.

In comparing the overall design of the patent with the overall design of the Ja-Ra product, the District Court necessarily considered how the ornamental differences in each element would impact the ordinary observer’s perception of the overall designs. The Federal Circuit noted that the District Court expressly considered Lanard’s argument that the differences were “inconsequential” to the overall designs, but the Court rejected that argument for failure to properly place the ornamental aspects of the design in the proper context. According to the Federal Circuit, the District Court refocused its analysis on the correct context—the impact of the ornamental differences on the overall design—and concluded that “the differences between the patented and accused design take on greater significance.” *Id.* On that basis, the Federal Circuit concluded that the District Court struck the correct balance of considering the ornamental aspects of the design while remaining focused on how an ordinary observer would view the overall design.

Finally, the Federal Circuit rejected Lanard’s argument that the District Court had improperly used the “point of novelty” test that had been previously overruled. Instead, the Federal Circuit commented favorably that the District Court properly considered the patented design and the accused infringing design in the context of the prior art, which is different from the discarded “point of novelty” test. According to the Court, when the differences between the claimed and accused design are viewed in light of the prior art, the attention of the hypothetical ordinary observer will be drawn to those aspects of the claimed design that differ from the prior art. And when the claimed design is close to the prior art designs, small differences between the accused design and the claimed design are likely to be important to the eye of the hypothetical ordinary observer.

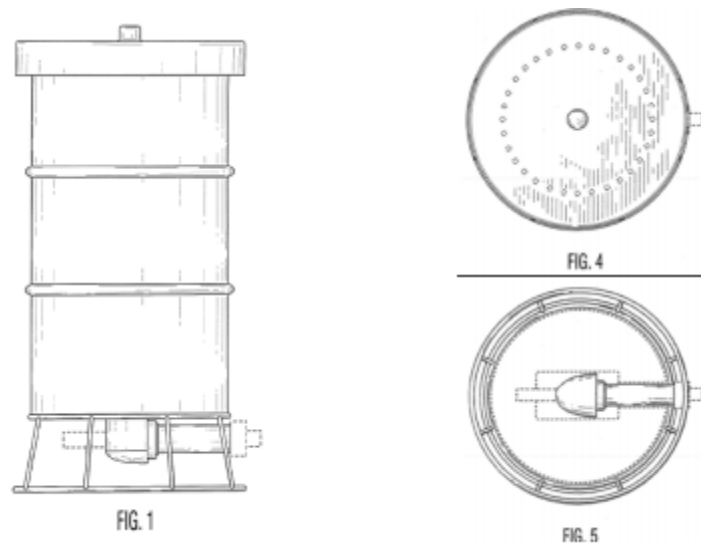
Here, as a matter of claim construction, the District Court undoubtedly considered the points of novelty of the patented design over the prior art, and the Court placed those points of novelty in context by considering that those points of novelty would draw “the attention of the ordinary observer.” However, none of the prior art that the District Court considered included chalk holders, only pencils and other designs that looked like pencils. Ultimately, according to the Federal Circuit, the District Court correctly found that those novel ornamental features were too visually different in the patented design and the accused design to support

a finding of design patent infringement. As a result, the Federal Circuit held that the District Court did not commit error in granting summary judgment of noninfringement.

The Federal Circuit's decision in *Lanard Toys* thus provides a useful tutorial on how to apply the individual elements of a legally correct design patent claim construction and infringement analysis to the facts of a particular case in order to arrive at a proper result. Of further note is the fact that although both the patented design and the accused infringing product were chalk holders, none of the prior art references that were reviewed by the Courts were directed to chalk holders, only pencils and pencil-shaped objects. This raises a critical question regarding what the relevant prior art to a patented design should be. Is it any design which looks like the claimed design, or is it the prior art in the field identified by the design claim, in this case is a chalk holder? The Federal Circuit did not directly address that issue in *Lanard Toys*, and it failed to question the lack of chalk-holder prior art. The Court also did not place significance on the fact that the patented and accused designs both had visually similar chalk holder features. That was not considered a major distinction with the prior art. The ultimate answer to those question may have a substantial impact on the scope of protection that may be given to design patents in the future.

### FEDERAL CIRCUIT UPHOLDS JURY VERDICT OF WILLFUL DESIGN PATENT INFRINGEMENT

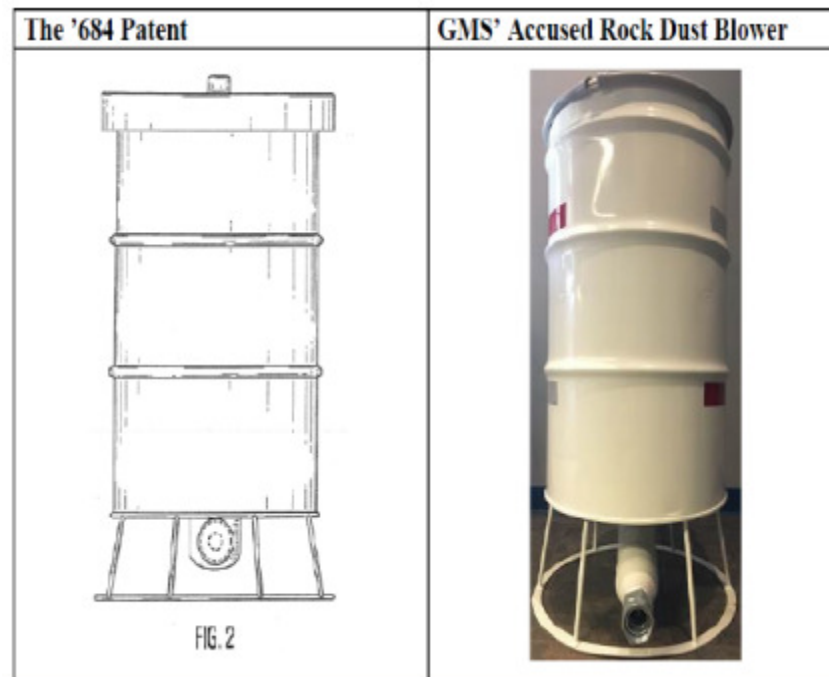
On March 16, 2020, the U.S. Court of Appeals for the Federal Circuit in *Hafco Foundary Machine Co., Inc. v. GMS Mine Repair and Maintenance, Inc.*, Appeal No. 2018-1904 (Fed. Cir. March 16, 2020) affirmed a jury verdict of willful design patent infringement. Plaintiff Hafco owned U.S. Patent No. D681,684 for a "Rock Dust Blower." The design of the rock dust blower is shown in the following drawing figures from the '684 Patent.



That device is used to distribute rock dust in areas such as coal mines, where rock dust is applied to the mine's interior surfaces, in order to control the explosive hazards of coal dust. Hafco developed and manufactured this rock dust blower, and contracted with Pioneer Conveyor LLC, an affiliate of GMS Mine Repair and



Maintenance, Inc. (together “GMS”), to distribute it to mining customers. Hafco later terminated this arrangement, citing GMS’ poor performance. GMS then produced a rock dust blower of its own for sale to mining customers. In response, Hafco sued GMS for infringement of the ’684 patent. A comparison of the patented design and the GMS design discloses their visual similarities:



After a full trial, the jury found GMS liable for willful infringement, and awarded damages of \$123,650. The district court entered judgment on the verdict. After losing several post-trial motions which challenged the jury’s verdict, GMS appealed to the Federal Circuit.

On appeal, GMS argued that it was entitled to a judgment of noninfringement, and in the alternative, that it was entitled to a new trial on the issue of infringement due to errors of law allegedly committed by the District Court with respect to the jury instructions. According to the civil trial rules in the U.S., the Judge must instruct the jury regarding the proper legal standards that must be applied to the facts in order for the jury to properly render a verdict on all issues that are tried. Prior to trial, GMS had argued to the District Court that the design claim of the ’684 Patent should be interpreted to exclude all functional elements of the rock dust blower design. In its proposed jury instruction on that issue, GMS included an instruction that stated “[w]here a design contains both functional and non-functional elements, a design patent protects only the non-functional aspects of the design as shown in the patent drawings, if there are any such nonfunctional aspects.” This instruction was not included in the final jury instructions, and GMS neither objected to the jury instructions that were given, nor presented evidence on the functional aspects of the ’684 patent at trial. In its post-trial motions, GMS did not argue that the functional aspects of the claimed design should have been excluded from the infringement analysis, or that it was prevented from making this argument at trial.

On appeal, GMS argued for the first time that, when certain functional and prior art aspects of the ’684 Patent are excluded, the design of its rock dust blower does not infringe the claimed design of the ’684

Patent as a matter of law. Because GMS never made this non-infringement argument at the district court, nor presented relevant evidence on the functional or prior art aspects of the '684 Patent to the Jury, the Federal Circuit determined that GMS had not preserved this argument for appeal, so that it would not be considered on appeal.

With respect to the jury instructions that the District Court used to instruct the jury, they included the elements necessary for finding design patent infringement:

#### Infringement - Generally

Patent law gives the owner of a valid patent the right to exclude others from making, using, offering to sell or selling the patented design within the United States during the term of the patent. Any person or business entity that has engaged in any of those acts without the patent owner's permission infringes the patent. Here, Hafco alleges that GMS' rock dust blower infringes the '684 design patent. You have heard evidence about both Hafco's commercial rock dust blower and GMS' accused rock dust blower. However, in deciding the issue of infringement, you may not compare GMS' rock dust blower to Hafco's commercial rock dust blower. Rather, you must only compare GMS' accused rock dust blower to the '684 design patent when making your decision regarding infringement.

#### Direct Infringement

To determine infringement, you must compare the overall appearances of GMS' accused design to the design claimed in the Hafco '684 Patent. If you find that, by a preponderance of evidence, the overall appearance of GMS' accused rock dust blower is substantially the same as the overall appearance of Hafco's claimed design, then you must find that the accused design infringes the Hafco '684 design patent.

Two designs are substantially the same if, in the eye of an ordinary observer, giving such attention as a purchaser usually gives, the resemblance between the two designs is such as to deceive such an observer, inducing him to purchase one supposing it to be the other. An ordinary observer is a person who buys and uses the product at issue. You do not need, however, to find that any purchasers actually were deceived or confused by the appearance of the GMS rock dust blower.

In conducting this analysis, keep in mind that minor differences between the patented and accused designs should not prevent a finding of infringement. In weighing your decision, you should consider any perceived similarities or differences.

When evaluating designs, be it the claimed design, accused design, or prior art designs, you should always focus on the overall appearance of the design, and not individual features. While these guidelines may be helpful to your analysis, please keep in mind that the sole test for infringement is whether you believe that the overall appearance of the accused GMS rock dust blower design is substantially the same as the overall appearance of Hafco's '684 design patent. If you find by a preponderance of the evidence that GMS' accused rock dust blower is substantially the same as the '684 design patent, then you must find that the accused GMS product infringes the Hafco '684 design patent.

GMS argued on appeal that those jury instructions were incorrect in two respects: 1) that the instructions did not accurately and completely describe the legal test for infringement; and 2) that the jury should have been instructed “that the hypothetical ordinary purchaser is to view the patented and accused designs in the context of the prior art.”

In response to GMS’ arguments, the Federal Circuit noted that in order to challenge a jury instruction, it must be established that “(1) the district court erred; (2) the error is plain; (3) the error affects substantial rights; and (4) . . . the error seriously affects the fairness, integrity or public reputation of judicial proceedings.” In order to preserve the issues related to the jury instruction, GMS must have made a timely objection to the presence or absence of an instruction during the trial proceeding at the District Court, and the correct instruction must have been offered and rejected by the Court. The rules of civil trial practice also provide that a Court may consider a “plain error” in the instructions that has not been preserved if the error affects “substantial rights.”

GMS acknowledged that it did not make a proper objection to the district court’s jury instructions at trial. However, GMS nonetheless argued that since the jury instructions were incorrect in their statement of the law, GMS is entitled to a new trial. Infringement of a design patent is determined from the viewpoint of the ordinary observer, comparing the patented design with the accused article’s overall appearance. The jury instructions that the District Court provided define the ordinary observer as “a person who buys and uses the product at issue.” GMS made no objection to this definition. Although GMS now argued that “GMS’ rights were substantially affected by the District Court’s failure to include a complete description of the ordinary purchaser,” there was no request made for such an instruction at trial, or any explanation by GMS regarding why the instruction was incorrect. GMS also argued that the jury should have been instructed that “small differences between the accused and the claimed design” will avoid infringement, but such an instruction was not requested at the trial. Even if it was, the Federal Circuit noted that it would not have been correct, because the patented and accused designs need not be identical in order for design patent infringement to be found. The jury was correctly instructed that the question is how the ordinary observer would view the article as a whole.

With respect to the differences between the patented design and the prior art, GMS argued that the jury should have been instructed to “familiarize yourself with each of the prior art designs that have been brought to your attention.” However, GMS never presented any prior art to the jury. The closest thing that GMS did to offering prior art was to argue that a 55-gallon drum (which resembles the container vessel feature in the ‘684 Patent) is a standard size. GMS also failed to submit a jury instruction regarding the prior art. Given that there was no prior art introduced at trial, no attempt by GMS to introduce the prior art, and no proposed jury instruction on this issue, the Federal Circuit found that the purported exclusion of this prior art instruction cannot be error. Accordingly, GMS was not granted a new trial.

The Federal Circuit’s decision in *Hafco* thus emphasized once again that if a party to a patent infringement litigation would like to argue on appeal that there were errors in a jury instruction, it must make its objections to the relevant portions of the jury instructions to the District Court prior to trial, it must present evidence that would support a jury verdict in its favor based on the correct instruction, and it must propose to the District Court particular language for the jury instructions that it believes are proper prior to the jury being instructed as well. Failure to do those things will most likely result in a waiver of those arguments on appeal so that the

Court of Appeals will not consider them. Failure to do so at trial may also result in a negative jury verdict as well. In addition, the *Hafco* decision is notable because it provides an example of a jury instruction on the issue of design patent infringement which has been considered sufficient by the Federal Circuit. Therefore, design patent owners who are preparing a case for trial should consider the language of that infringement instruction, and conform to it as much as the facts of the case allow, in order to avoid challenges to the infringement jury instruction on appeal.

### **U.S. DISTRICT COURT DISMISSES PATENT OWNER'S CLAIM FOR INDUCED DESIGN PATENT INFRINGEMENT**

On March 16, 2020, the U.S. District Court for the Northern District of California, in *Five Star Gourmet Foods, Inc. v. Fresh Express, Inc.*, Case No. 19-CV-05611 (Slip Op)(N.D. Cal. 2020), dismissed a patent owner's complaint that an accused infringer induced others to infringe a U.S. design patent. Plaintiff Five Star filed a complaint against the defendants for infringing U.S. Patent Nos. 698,665 and 698,666, which are directed to compartmented plastic containers used for food packaging, particularly ingredients for a garden salad. Five Star alleged that defendant Fresh Express directly infringed the '665 and '666 Patents by making and selling competing salad containers, and it alleged that defendant Proseal induced Fresh Express to infringe those patents because it supplied machinery and tool sets to Fresh Express which were necessary to seal the salad container products. Plaintiff Five Star had previously allowed Fresh Express personnel to tour its production plant and learn about how it produces salad container products. Five Star alleges that Fresh Express used the knowledge gained from that prior cooperation to copy every aspect of Five Star's patented salad container product in violation of nondisclosure agreements.

Proseal filed a motion to dismiss Five Star's claim for induced design patent infringement for failure to properly state a valid legal claim under Rule 12(b)(6) of the Federal Rules of Civil Procedure. Under U.S. Patent Law, a design patent may be either directly or indirectly infringed. Direct infringement occurs when a party makes, uses, sells or offers to sell a product which incorporates the patented design. Indirect infringement may include instances where an infringer induces a third party to commit acts of design patent infringement, or contributes to the design patent infringement of another. Proseal had long been Five Star's supplier for packaging machinery that seals its salad container products. Five Star alleged that Fresh Express convinced Proseal to sell to Fresh Express similar packaging machinery, as well as create a manufacturing tool set for making the salad container product that is virtually identical to the tool set used for Five Star's packaging equipment. Five Star argued that this allowed Fresh Express to make packaging that is indistinguishable from Five Star's.

In order to proceed with its claim for induced patent infringement, Five Star was required to plead facts in its complaint that met all of the requirements of 35 U.S.C. § 271(b), which provides that "[w]hoever actively induces infringement of a patent shall be liable as an infringer." According to Section 271(b): "To prove inducement of infringement, the patentee must [ ] show that the accused inducer took an affirmative act to encourage infringement with the knowledge that the induced acts constitute patent infringement." This means that Five Star must demonstrate that: "(1) a third party directly infringed the asserted claims of the ... patents; (2) [defendant] induced those infringing acts; and (3) [defendant] knew the acts it induced constituted

infringement.” According to the District Court, to satisfy the knowledge requirement, either actual knowledge of the infringement or willful blindness to the infringement is required. Under the decisions of the U.S. Court of Appeals for the Federal Circuit, willful blindness is a high standard, requiring that the alleged inducer (1) subjectively believe that there is a high probability that a fact exists and (2) take deliberate actions to avoid learning of that fact.

Regarding the first element of a claim for induced patent infringement, Five Star properly alleged in the complaint that Fresh Express directly infringed Five Star’s design patents by making and selling ornamentally similar salad containers. The second element of a claim for induced design patent infringement required the Court to determine whether the accused inducer took an affirmative act to encourage infringement. Proseal argued that no affirmative act to encourage infringement took place because its supply of the machines and tool sets demonstrated legal business activity, and it did not alter its business arrangements with either Fresh Express or Five Star, which it characterized as inaction rather than an affirmative act. Therefore, Proseal argued that it cannot be held liable under an inducement of patent infringement theory for failing to prevent a third-party from infringing. Plaintiff Five Star argued that the affirmative act was to supply the tools necessary for Fresh Express to make and sell a product that infringes Five Star’s design patents. The District Court determined that Proseal had taken an affirmative step because it manufactured and shipped a product that supported Fresh Express’ alleged infringement of Five Star’s design patents. That was sufficient to demonstrate an affirmative act because the machines sold by Proseal are not general purpose machines, but are instead custom made to each customer’s requirements and specifications after close consultations with the customer. Therefore, Proseal was not considered a neutral reseller of the machines.

Regarding Proseal’s knowledge that its sales of specialized machines to Fresh Express constituted infringement, Five Star argued that there were specific discussions between executives at Proseal and Five Star. However, Five Star did not describe any facts relating to the nature of those discussions. Five Star’s remaining allegations in the complaint concerning Proseal’s knowledge were entirely conclusory, and not supported by specific facts. For example, Five Star alleged that “Fresh Express convinced Proseal to sell them similar equipment” and “Proseal provided the machinery and tool sets with the express intention of aiding Fresh Express in its patent infringement.” The District Court found that those allegations do not address factual circumstances concerning knowledge of inducement. As a result, the District Court concluded that although Proseal may have committed affirmative acts by supplying machinery and tool sets to Fresh Express, without factual allegations of knowledge (or willful blindness), Five Star only demonstrated that Proseal was carrying on normal business activities. Therefore, the District Court dismissed Five Star’s claim action for active inducement of design patent infringement that was asserted against Proseal.

The Court’s decision in *Five Star* thus provides a rare example where the owner of U.S. design patents asserts a claim for direct infringement against one defendant, and a claim for indirect infringement – in this case based on inducement – against another defendant. This case is also instructive regarding how the U.S. federal courts may apply the legal standards for induced patent infringement under Section 271(b) to cases involving design patents. Although it may not be difficult for the patent owner in a particular case to find affirmative acts of inducement of design patent infringement, it may be much more difficult to allege specific facts which would demonstrate that the inducement defendant actually knew, had reason to know, or was willfully

blind to whether its actions constituted infringement. If the District Court in *Five Star* is representative, simply including generalized “place holder” allegations in the complaint regarding the defendant’s knowledge, hoping to be given the opportunity later to take discovery to uncover evidence of the defendant’s actual knowledge, may not be enough to avoid a motion to dismiss and keep the case from being thrown out of federal court. Therefore, owners of design patents must make additional efforts to uncover specific facts of the inducement defendant’s knowledge that may be included in the complaint in order to be safe from a motion to dismiss.

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