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Federal Circuit Opts for Ordinary Observer Test in Anticipation Cases

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It has been a little over a year since the Federal Circuit held in Egyptian Goddess v. Swisa that the ordinary observer test was the proper and only test for design patent infringement. The Federal Circuit recently furthered the sweep of this decision by holding that the same standard should be applied to the test for anticipation as well.

The case, International Seaway Trading Corp. v. Walgreens Corp., began when Seaway brought suit against Walgreens and Touchsport Footwear USA, claiming that both companies infringed its various design patents for plastic clog footwear. The district court granted summary judgment for Walgreens and Touchsport, finding that Seaway's design patents were anticipated by a prior design patent owned by Crocs, Inc. In so doing, the district court applied only the ordinary observer standard and not the "point of novelty" standard, an approach that Seaway argued was improper.

The district court based its decision on the Federal Circuit's 2008 decision in Egyptian Goddess in which the court rejected the "point of novelty" standard for determining design patent infringement and replaced it with the "ordinary observer" standard only. However, at the time, the Federal Circuit did not explicitly expand this standard to questions of validity. The court acknowledged the issue in the later case of Titan Tire Corp. v. Case New Holland, Inc., but again reserved it for a future decision.

On appeal, the Federal Circuit agreed that the ordinary observer standard was the correct and only standard to apply. For support, the court looked to the legal maxim from the 1889 Supreme Court decision of Peters v. Active Mfg. Co., which declared "[t]hat which infringes, if later, would anticipate, if earlier." The court reasoned that because the ordinary observer standard is the correct standard for infringement, it must therefore also be the correct standard for anticipation.

While on its face, the decision appears to harmonize the law for design and utility patents, what the court overlooked is that the ordinary observer test for infringement is looking for "substantial similarity," not identical designs. That is clear from the outcome in one of the oldest and most well-known design patent cases, Gorham v. White, where there were many differences between the patented and the accused design.

That distinction can also clearly be seen today in Crocs v. International Trade Commission, the most recent Federal Circuit case addressing the issue of the ordinary observer test. There, as in Gorham, the patented and accused designs are not identical copies. Although the rule "that which infringes, if later, would anticipate, if earlier" works well for literal infringement, it is less clear whether it should apply when the infringement is based on more of a doctrine of equivalents standard, as is the case with "substantial similarity." It remains to be seen how district courts and the U.S. Patent & Trademark Office will apply the “ordinary observer” standard to anticipation in light of this new decision. No examination guidelines have yet been drafted by the USPTO. However, this decision may well lead to more design patents being denied during prosecution or being declared invalid in court. With this in mind, design patent owners should be aware that the "ordinary observer" standard may prove to be a double-edged sword. When applied to issues of infringement, as in Egyptian

Goddess, it could make infringement easier to prove. On the other hand, when applied to issues of validity, as in International Seaway, it could make it easier for a patent to be declared invalid..

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