

18-1613

United States Court of Appeals for the Federal Circuit

AUTOMOTIVE BODY PARTS ASSOCIATION,

Plaintiff-Appellant,

v.

FORD GLOBAL TECHNOLOGIES, LLC.,

Defendant-Appellee,

APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE
EASTERN DISTRICT OF MICHIGAN IN CASE NO. 2:15-CV-10137
JUDGE LAURIE J. MICHELSON

CORRECTED BRIEF FOR THE APPELLANT

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April 27, 2018

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

Automotive Body Parts Association v. Ford Global Technologies, LLC
18-1613

CERTIFICATE OF INTEREST

Counsel for Plaintiff-Appellant certifies the following:

1. The full name of every party or amicus represented by me is:

Automotive Body Parts Association

2. The real name of the real party in interest (if the party named in the caption is not the real party in interest) represented by me is:

None

3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the party or amicus curiae represented by me are:

None

4. The names of all law firms and the partners or associates that appeared for the party or amicus now represented by me in the trial court or agency or are expected to appear in this court (and who have not or will not enter an appearance in this case) are:

CARDELLI LANFEAR, P.C., Thomas G. Cardelli

5. Pursuant to Federal Circuit Rule 47.5, Appellant states as follows:

(a) A Petition for Writ of Mandamus was filed previously in this case titled *In re: Automotive Body Parts Association, Petitioner*, 2015-156. An order issued November 17, 2015 denying the petition. The composition of the panel was Judge Lourie, Judge Dyk, and Judge Hughes, order by Judge Dyk. The order is nonprecedential and unreported.

(b) The title and number of any case known to counsel to be pending in this or any other court that will directly affect or be directly affected by this court's decision in the pending appeal:

(1) *New World International, Inc., and National Auto Parts, Inc., v. Ford Global Technologies, LLC and Ford Motor Company*; 17-1956, pending in the United States Court of Appeals for Federal Circuit (combined petition for panel rehearing and rehearing en banc filed April 26, 2018).

(2) *Ford Global Technologies, LLC v. New World International, Inc., et al.*, case number 3:17-cv-03201, pending in the United States District Court for the Northern District of Texas.

April 27, 2018

/s/ Robert G. Oake, Jr.

Robert G. Oake, Jr.

Attorney for Plaintiff-Appellant

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STATEMENT OF RELATED CASES

Pursuant to Federal Circuit Rule 47.5, Appellant states as follows:

(a) A petition for writ of mandamus was filed previously in this case titled *In re: Automotive Body Parts Association, Petitioner*, 2015-156. An order issued November 17, 2015 denying the petition. The composition of the panel was Judge Lourie, Judge Dyk, and Judge Hughes, order by Judge Dyk. The order is nonprecedential and unreported.

(b) The title and number of any case known to counsel to be pending in this or any other court that will directly affect or be directly affected by this court's decision in the pending appeal:

(1) *New World International, Inc., and National Auto Parts, Inc., v. Ford Global Technologies, LLC and Ford Motor Company*; 17-1956, pending in the United States Court of Appeals for Federal Circuit (combined petition for panel rehearing and rehearing en banc filed April 26, 2018).

(2) *Ford Global Technologies, LLC v. New World International, Inc., et al.*, case number 3:17-cv-03201, pending in the United States District Court for the Northern District of Texas.

JURISDICTION

Appellant and Plaintiff below, Automotive Body Parts Association (APBA), appeals from an order entered February 20, 2018 (Appx93-117) denying ABPA's motion for summary judgment (Appx1021-1022) in the United States District Court for the Eastern District of Michigan in *Automotive Body Parts Association v. Ford Global Technologies, LLC*, Civil Action No. 2:15-cv-10137, and a final judgment (Appx91) entered February 23, 2018 in the same action in favor of Ford Global Technologies, LLC (FGTL). The District Court entered the final judgment pursuant to Federal Rule of Civil Procedure 56.

The determinations set forth above became final for the purposes of appeal when the district court entered final judgment on February 23, 2018 (Appx91). Pursuant to Federal Rule of Civil Procedure 4(a)(1)(A), ABPA filed a Notice of Appeal on February 23, 2018 (Appx2415-2416).

This Court has jurisdiction under 28 U.S.C. § 1295(a)(1), granting it exclusive jurisdiction over final determinations of a district court if the jurisdiction of that court was based, in whole or in part, on 28 U.S.C. § 1338. The District Court of the Eastern District of Michigan had subject matter jurisdiction over this action under 28 U.S.C. § 1338(a), as the action arose under Title 35.

STATEMENT OF THE ISSUES

(1) Whether the district court erred in denying ABPA's motion for summary judgment, which argued that Design Patents D489,299 and D501,685 are invalid under 35 U.S.C. § 171 because the claimed designs are functional and therefore not ornamental.

(2) Whether the district court erred in granting summary judgment for FGTL under Fed. R. Civ. P. 56(f)(1) by holding that Design Patents D489,299 and D501,685 are not invalid under 35 U.S.C. § 171 because the claimed designs are not functional and therefore ornamental.

(3) Whether the district court erred in denying ABPA's motion for summary judgment, which argued that Design Patents D489,299 and D501,685 are unenforceable under the patent exhaustion doctrine and associated doctrines of repair and implied license.

(4) Whether the district court erred in granting summary judgment for FGTL under Fed. R. Civ. P. 56(f)(1) by holding that Design Patents D489,299 and D501,685 are enforceable and not exhausted under the patent exhaustion doctrine and associated doctrines of repair and implied license.

STATEMENT OF THE CASE

ABPA sued FGTL for a declaration of patent invalidity, unenforceability, and non-infringement in the Eastern District of Texas, Civil Action No. 4:13-cv-705 (Appx119). FGTL filed a motion to dismiss for lack of standing (Appx194), which was denied (Appx970-978). FGTL filed a motion to transfer venue under 28 U.S.C. § 1404(a) to the Eastern District of Michigan. (Appx123). ABPA filed an amended complaint (Appx979-985) and FGTL answered. (Appx986-996). FGTL's motion to transfer venue was granted. (Appx997-1010).

ABPA filed a motion for summary judgment regarding functionality, patent exhaustion, repair, and implied license (Appx1021-1022), FGTL opposed (Appx1228), and ABPA replied (Appx1476). The Court requested briefing on whether the case was moot (Appx1485) and the parties responded (Appx135). FGTL filed a motion to dismiss the case as moot (Appx1522), ABPA responded (Appx1565), and FGTL replied (Appx1780). The Court ordered supplemental briefing on mootness (Appx1801) and the parties responded (Appx1803, Appx1890). The Court denied FGTL's motion to dismiss the case as moot, denied ABPA's motion for summary judgment, and provided notice to ABPA that the Court was intending to enter judgment in favor of FGTL pursuant to Rule 56(f)(1) (Appx93-117). ABPA responded to the Notice. (Appx2146-2150). Summary Judgment was granted for FGTL on the issues of functionality, patent

exhaustion, repair, and implied license under Federal Rule of Civil Procedure 56. (Appx91). ABPA timely filed a Notice of Appeal (Appx2415-2416). This appeal followed.

STATEMENT OF FACTS

Ford Motor Company (hereinafter “Ford”) is a manufacturer and seller of, *inter alia*, automobiles and automotive parts. (Appx1058). Ford designed, manufactured, and sold the F-150 Pickup Truck in the United States. (Appx1085, Appx1062-1064). Ford Global Technologies LLC (FGTL) is a subsidiary of Ford Motor Company. FGTL owns and manages the intellectual property of Ford. (Appx1058). FGTL is the owner of United States Design Patent D489,299 ("Exterior of Vehicle Hood") (“the ‘299 Patent”) (Appx174-182) and D501,685 (Vehicle Head Lamp) (“the ‘685 Patent”) (Appx183-193).

Since the Ford F-150 Truck (F-150) must be designed before it is built and sold, the design decisions that go into making the F-150 all are completed before the F-150 Truck is built and purchased. A model of the F-150 is built with a hood and a headlamp embodying what FGTL alleges are designs claimed in the ‘299 Patent and the ‘685 Patent. Once the hood and headlamp are designed for installation on the original vehicle, no additional design work is needed to design repair parts that match the original design.

F-150 Trucks sometimes are involved in collisions and need repair. (Appx1089-1090). It is important and necessary to match the appearance of the repair part with the original pre-collision part on the vehicle so that the vehicle is returned back to its original condition and appearance. (Appx1089-1090). The

only role that design plays in an owner's decision to buy such a part is that the design must match the design of the original part to return the vehicle back to its original condition and appearance. (Appx1089-1090). Vehicle repair parts such as a Ford F-150 hood and headlamp ultimately are sold to, and the repairs are performed on behalf of, the owner of the Ford vehicle being repaired. (Appx1088). Most vehicle repairs are paid for by an insurance company and the insurance company usually has an obligation under the insurance policy to pay for repair that restores the damaged vehicle to its pre-loss condition, i.e., operational safety, function, and appearance. (Appx1090).

ABPA is a non-profit corporation organized and existing under the laws of the State of Texas. ABPA members, including New World International, Inc. (New World) distribute aftermarket repair parts in the automotive collision repair trade. (Appx1200).

New World purchases repair parts from a manufacturer or distributor and then sells it to a person or entity needing the parts for repair of the Ford F-150 or Mustang. (Appx1200). The person or entity purchasing the repair part from New World may be, for example, the owner of the vehicle or a repair facility. (Appx1200-1201). The repair parts are always sold for the purpose of repairing the vehicles and are never sold for any other purpose. (Appx1201). The repair parts are not sold to reconstruct an essentially new vehicle. Rather, the repair parts are

sold to repair a vehicle. (Appx1201). If damage to a F-150 Truck, Mustang, or other vehicle is so extensive that essentially a new vehicle has to be reconstructed, the vehicle will not be repaired. That is because the cost of the reconstruction will greatly exceed the cost of purchasing another F-150 Truck, Mustang, or other vehicle. (Appx1201).

SUMMARY OF ARGUMENT

(1) The '299 and '685 design patents are invalid because they are functional and therefore not ornamental. The claimed designs are functional because they are dictated by function and not a matter of concern either during F-150 purchase or when purchased for F-150 repair. The subject patents are dictated by function because the claimed designs are sold as a combination with other F-150 parts, the designs are dictated by their need to mate and match with the overall appearance of the F-150 when sold, and the designs are dictated by their need to bring the F-150 back to its original appearance when purchased as a repair/replacement part.

This is a “mate and match” case because the subject claimed designs allegedly are embodied in parts sold as a combination with other parts when the F-150 is initially sold. In mate and match cases, such as a combination key and lock interface design or a printer and printer cartridge design, this Court’s inquiry into functionality does not focus on the initial design process, but rather after the combination has been designed. Since the subject patent designs must be designed a certain way to work with the combination, there are no decorative design choices to be made.

The function of the claimed designs includes their appearance, or “aesthetic functionality.” It is appropriate to consider aesthetic functionality when determining whether the subject designs are functional because the ultimate issue

is whether there are alternative designs that allow a conscious design choice to be made. If no conscious design choices are made, then it should not matter whether the lack of choice is due to mechanical or so called "utilitarian" factors, or whether the lack of choices is due to appearance. Further, when a design is the result of functional necessity and not the result of decorative design choices, granting a design patent to such a function-dictated design does not serve the purpose of promoting the decorative arts. The aesthetic functionality doctrine is accepted in trademark law, and there are good reasons to accept it in design patent law as well.

The subject claimed designs are not a matter of concern because since the functionality focus is on the mate and match combination, the initial F-150 purchaser only wants the claimed designs to mate and match with the rest of the combination. Further, the subject claimed designs are not a matter of concern when repair/replacement parts are being purchased because the purchaser only is concerned that the parts match the appearance of the original parts and the parts can be purchased by part number.

Alternatively, since there are two markets for parts embodying the subject designs (the initial sales market for the F-150 and the repair/replacement market), this Court can adopt the principle in trademark law that the design can be considered ornamental and valid in the initial sales market, but functional and unenforceable in the repair/replacement market.

(2) The claimed designs allegedly are embodied in the F-150 when it is sold. Therefore, the authorized sale of the F-150 exhausts the claimed designs and creates an implied license allowing the purchaser to repair the F-150 by purchasing repair/replacement parts that allegedly embody the claimed designs. The rule in utility patent law that an article cannot be repaired by replacing a separately patented component part does not apply in design patent law because, unlike utility patent law, a patented design may be embodied in both a parent article of manufacture and one of its component parts.

A F-150 purchaser has a reasonable expectation that the implied license includes a right to repair the F-150 free from any threat of design patent infringement allegations due to the circumstances of the sale. Neither Ford nor FGTL place any restrictions on the implied license and the hood and headlamp are not marked with design patent numbers. Based on this reasonable expectation, and FGTL's lack of action or notice to dissuade this reasonable expectation, the scope of the implied license extends to repairing the F-150 with the repair/replacement parts allegedly embodying the claimed designs. Finally, since the owner of the F-150 has an implied license to repair the F-150, the owner also has "have made" rights that shields the manufacture of the repair part and all members of the distribution chain from liability for patent infringement.

STANDARDS OF REVIEW

This Court applies the law of the regional circuit when reviewing a district court's grant of summary judgment. *See Classen Immunotherapies, Inc. v. Elan Pharm., Inc.*, 786 F.3d 892, 896 (Fed. Cir. 2015). The Sixth Circuit reviews a district court's grant of summary judgment de novo. *Therma-Scan, Inc. v. Thermoscan, Inc.*, 295 F.3d 623, 629 (6th Cir. 2002). Summary judgment is appropriate if "the movant shows that there is no genuine dispute as to any material fact and the movant is entitled to judgment as a matter of law." Fed. R. Civ. P. 56(a).

Invalidity due to functionality is an affirmative defense to a claim of infringement of a design patent, and must be proved by the party asserting the defense by clear and convincing evidence. *L.A. Gear, Inc. v. Thom McAn Shoe Co.*, 988 F.2d 1117, 1123 (Fed. Cir. 1993).

Patent exhaustion is an affirmative defense that ABPA must prove by a preponderance of the evidence. *Jazz Photo Corp. v. U.S.*, 439 F.3d 1344, 1350 (Fed. Cir. 2006). Preponderance of the evidence in civil actions means "the greater weight of evidence, evidence which is more convincing than the evidence which is offered in opposition to it." *Hale v. Dep't of Transp., Fed. Aviation Admin.*, 772 F.2d 882, 885 (Fed. Cir. 1985). ABPA may carry its burden of proving patent exhaustion based on circumstantial evidence. *Jazz Photo*, 439 F. 3d at 1351.

ARGUMENT

I. THE SUBJECT DESIGN PATENTS ARE INVALID BECAUSE THEY ARE FUNCTIONAL AND THEREFORE NOT ORNAMENTAL

A. Introduction

ABPA's argument for why the subject design patents are not ornamental will begin with a discussion of general legal principles. Functionality factors developed in case law will be discussed and applied. The facts will be analyzed in light of *Best Lock Corp. v. Ilco Unican Corp.*, 94 F.3d 1563 (Fed Cir. 1996), which is a case involving mate and match principles where this Court invalidated a key blade design patent based on functionality. The argument then will explain why the District Court erred in holding that the subject design patents were not functional and not invalid. The argument will conclude with an alternative argument that does not invalidate the design patents based on functionality, but rather renders them unenforceable against repair/replacement parts.

B. General Legal Principles - Ornamental and Functionality

The current design patent statute, 35 U.S.C. § 171, provides in relevant part "[w]hoever invents any new, original and ornamental design for an article of manufacture may obtain a patent therefor...." Manual of Patent Examining Procedure (MPEP) section 1504.01(c) entitled "Lack of Ornamentality,"¹ states

¹ The MPEP does not have the force of law, but it is made available to the public and describes "procedures on which the public can rely." *In re Skvorecz*, 580 F.3d

“[t]herefore, for a design to be ornamental within the requirements of 35 U.S.C. 171, it *must* be ‘created for the purpose of ornamenting.’” (emphasis in original) (citing *In re Carletti*, 328 F.2d 1020, 1022 (CCPA 1964)). The court in *In re Carletti* explained: “But it has long been settled that when a configuration *is the result of functional considerations only*, the resulting design is not patentable as an ornamental design for the simple reason that it is not ‘ornamental’ - was not created for the purpose of ornamenting.” *Id.* (emphasis added). This statement expresses the principle that when a design results from functional considerations only, a designer has not made any conscious ornamental design choices and the design is not entitled to patent protection. Indeed, MPEP 1504.01(c) states in relevant part “[i]t is clear that the ornamentality of the article must be the result of a *conscious act* by the inventor, as 35 U.S.C. 171 requires that a patent for a design be given only to ‘whoever invents any new, original, and ornamental design for an article of manufacture.’” (emphasis added).

In *Chrysler Motors Corp. v. Auto Body Panels of Ohio, Inc.*, 908 F.2d 951 (Fed. Cir. 1990), this Court stated “[t]he question of when the functionality of a design so permeates an article of manufacture that design patent protection is not available under the law is a complex issue and one that continues to be the subject of considerable judicial attention.” *Id.* at 954. This Court’s approach to this

1262, 1268 (Fed. Cir. 2009) (quoting *Patlex v. Mossinghoff*, 758 F.2d 594, 606 (Fed. Cir. 1985)).

"complex issue" has been to develop a framework of general principles that includes a developing and non-exclusive list of factors to consider.

In *L. A. Gear Inc. v. Thom McAn Shoe Co.*, 988 F.2d 1117 (Fed. Cir. 1993), this Court stated "[w]hen there are several ways to achieve the function of an article of manufacture, the design of the article is more likely to serve a primarily ornamental purpose." *Id.* at 1123. However, this Court has been careful to explain that the presence or absence of alternative designs is just one factor to consider and that it does not carry dispositive weight. In *Berry Sterling Corp. v. Pescor Plastics, Inc.*, 122 F.3d 1452 (Fed. Cir. 1997), this Court stated "alternative designs join the list of other appropriate considerations for assessing whether the patented design as a whole -- its overall appearance -- was dictated by functional considerations" and "[o]ther appropriate considerations might include: whether the protected design represents the best design; whether alternative designs would adversely affect the utility of the specified article; whether there are any concomitant utility patents; whether the advertising touts particular features of the design as having specific utility; and whether there are any elements in the design or an overall appearance clearly not dictated by function." *Id.* at 1456.

In *Ethicon Endo-Surgery, Inc. v. Covidien, Inc.*, 796 F.3d 1312 (Fed. Cir. 2015), this Court stated "an inquiry into whether a claimed design is primarily functional should begin with an inquiry into the existence of alternative designs,"

id. at 1330, but reaffirmed it has "not mandated applying any particular test for determining whether a claimed design is dictated by its function and therefore impermissibly functional." *Id.* at 1329.

C. Cases Developing and Discussing Other Functionality Factors

Cases from this Court and other courts indicate that the list of functionality factors is continuing to develop and that other factors also are considered relevant on functionality. For example, several cases discuss the importance of "mate and match" principles. In *Best Lock, supra*, the design patent was for a key blade, which is the portion of the key designed to fit into the matching front face of a keyway. This Court held that since the key blade had to be designed to fit into the matching keyway, the design of the key blade was dictated solely by its function, meaning that there were no decorative design choices to be made. This Court found the design was not ornamental and held the patent invalid.

In *Static Control Components v. Lexmark International*, 697 F.3d 387 (6th Cir. 2012), a case involving printers and replacement toner cartridges, the design patent in question covered the toner cartridge. The district court found on motion for summary judgment that the design patent was invalid based on two theories. First, since the toner cartridges were generally hidden from view inside the printer, the district court found "the appearance of Lexmark's printer cartridges in question are [sic] of no matter of concern during those cartridges' entire existence." *Static*

Control Components v. Lexmark Intern., 487 F.Supp.2d 830, 839 (E.D. Ky. 2007).

Second, the court held the design patent invalid because the toner cartridge design was primarily functional in that the “printers dictate the design of the printer cartridges.” *Id.* at 841. The Sixth Circuit affirmed the district court on both counts, stating:

The district court applied the correct standard and evaluated the undisputed facts offered by Static Control establishing that the design of the cartridges was functional and not ornamental. The toner cartridges are visible to users at some points, but are generally hidden from view inside the printer. Their design is dictated solely by the printer with which they are compatible. Lexmark itself explained that the advertisements containing photographs were primarily to assist the customer in selecting the cartridge that was compatible with the printer they owned. The cartridges' appearance had no other role in the purchaser's decision of which cartridge to purchase.

Id. at 422. (footnote and record reference omitted). The district court, when ruling the design patents were invalid due to functionality, considered it important that “[the patentee's] own averments emphasize that the consumer is locked into buying a certain replacement cartridge in order for his printer to operate” 487 F.Supp.2d at 840, and “customers can purchase replacement cartridges for printers online by model number; printers are generally shipped with the correct toner cartridge already installed.” *Id.* at 841.

Beyond “mate and match” principles, another line of cases developing additional functionality factors has held design patents invalid because the design had to look a certain way to comply with governmental regulations, industry

standards, or other requirements. A case example of the “specifications and standards” situation is *In re Carletti*, 328 F.2d 1020 (CCPA 1964), which involved a design patent covering a gasket. The court held the patent invalid because the only differences between the claimed design and the prior art were functional and the gasket design was standardized in a military specification that dictated “the exact position, dimensions, and tolerances of the grooves and ribs etc., without the slightest suggestion that they serve in any way as ornamentation.” *Id.* at 1021.

D. List of Additional Functionality Factors from Cases

The cases cited above have produced additional factors to consider when determining whether a design is functional, including the following: First, when the claimed design of the article of manufacture (or portion thereof) is designed to fit into or onto a parent article of manufacture. Second, when the article of manufacture typically is sold with the parent and will need replacing during the useful life of the parent article due to foreseeable damage, use, or loss of the article of manufacture or parent. Third, when the design of the article of manufacture is dictated by its need to mate with and match the appearance of the parent due to functional necessity or other requirements such as insurance policy requirements. Fourth, when the appearance of the design has no other role in the purchaser's decision other than to be compatible with another article of manufacture. Fifth, when customers typically can purchase the repair/replacement article of

manufacture by part number rather than by the appearance of the article of manufacture.

Significantly, when evaluating the functionality of a design in a mate and match context, the focus is not on potential alternative designs that might be created during the design process, but rather on the practical mate and match compatibility *after* the designs are created and whether alternative designs exist that will mate and match with the complementary or parent article. For example, in *Best Lock*, although it was possible to create many different key blade – keyway design interfaces during the design process, this Court found functionality by examining how many key blade designs were possible *after* the original design had been selected.

E. Additional Functionality Factors Applied to the Hood and Headlamp

Application of the additional functionality factors to the subject patents leads to the conclusion that the subject patents are functional and invalid. The hood and headlamp that FGTL alleges to embody the subject portion claims² are designed to fit into or onto a F-150 body. The hood and headlamp are sold with the F-150 and typically may need repair or replacing during the useful life of the F-150 due to foreseeable collision damage. (Appx2222-2224). The portion designs of the hood

² To be clear, all comparisons between the accused parts and the subject claimed designs should be understood as being based on FGTL's *allegations* that the accused parts infringe the claimed designs and not upon a concession by ABPA that infringement is occurring.

and headlamp are dictated by their need to mate with and match the overall appearance of the F-150 due to functional necessity and other requirements, including insurance policy requirements. (Appx2223-2224).

The appearance of the hood and headlamp designs have no other role in the purchaser's decision to buy them other than to be compatible with the overall F-150 appearance and to match the parts they are being used to repair/replace. (Appx2223-2224). Finally, a repair/replacement hood and headlamp typically is purchased solely by part number. (Appx1107, Appx1118). Since the hood and headlamp designs at issue fit the above criteria for invalidity, the '299 and '685 Patents should be considered invalid due to functionality. An analysis of the facts of this case under this Court's holding in *Best Lock* confirms this is so.

F. The Subject Design Patents are Invalid under this Court's Rationale and Holding in *Best Lock*

In *Best Lock Corp. v. Ilco Unican Corp.*, 896 F.Supp. 836 (S.D. Ind., 1995), a design patent covered a portion of a key blade that inserts into a keyway. The district court held the design patent was invalid for two reasons. First, it found that the key blades were not "a matter of ornamental concern to the purchaser or the user." *Id.* at 843. Second, it "found that the design patent was invalid because the shape of the blank key blade was dictated by its function." *Id.*

On appeal, plaintiff/appellant argued that since "an unlimited number of key blade and corresponding keyway designs are available," the design claimed for

the key blade is ornamental because it “is not dictated solely by functional concerns.” 94 F.3d at 1566. This Court rejected appellant’s argument, explaining:

Further, Best Lock's assertion that a variety of possible shapes of interfaces between keys and locks exists does not compel a different result. Clearly, different interfaces between key blades and corresponding lock keyways can be designed to permit the combination to function as a lock and key set. However, Best Lock's patent does not claim the combination of a lock and corresponding key. Instead, the claim in the '636 design patent is limited to a key blade, which must be designed as shown in the '636 patent in order to perform its intended function.

Id. at 1566.

Stated differently, although it may be permissible to patent the *combination* of a given key blade and keyway design, an inventor is not allowed to divide the combination and have a design patent on just the key blade when it must be designed as shown to make the combination function as a lock and key set. Significantly, this Court’s analysis did not focus on alternative designs that might be created during the design process for the interface between the key blade and keyway, but rather focused on the practical mate and match compatibility issues *after* the designs were created.

A dissent by Judge Newman disagreed with the majority:

The parties to this litigation agree that there are myriad possible designs of key profiles. All keys require, of course, mating keyways. In holding that because the key must fit a keyway, the abstract design of the key profile is converted to one solely of function, the court creates an exception to design patent subject matter. An arbitrary

design of a useful article is not statutorily excluded from § 171 simply because in use it interacts with an article of complementary design.

....

In sum, the fact that the key blade is the mate of a keyway does not convert the arbitrary key profile into a primarily functional design. It is not the design of the key profile that is functional, but the key itself.

Id. at 1569.

Under traditional design patent principles not involving mating and matching, the Judge Newman had a good point - the patent on the key blade was valid because it was an arbitrary and ornamental design of a useful article. However, what made the key blade functional under mate and match principles was that (1) it was designed with a complementary article (the keyway in the lock), and (2) the key blade, including the replacement key blades, had to have a certain design appearance to work with the keyway.

When the *Best Lock* analysis is applied to the instant case, the subject patents are invalid as functional. First, just as the key blade and keyway are designed together, so too are the hood and headlamp designed together with the rest of the F-150 exterior. Second, just as the key blade and keyway are arbitrary designs when considered as a combination, the hood, headlamp, and F-150 also are arbitrary designs when considered as a combination. Finally, just as the key blade and keyway purchaser in *Best Lock* needed a key blade that would mate and match with the lock, so too does a purchaser of a F-150 need a hood and a headlamp that

will mate and match with the F-150 overall appearance and bring it back to its original appearance and condition when damaged.

To be sure, a lock owner could purchase a differently designed replacement key blade that could fit into the keyway (for example that was shorter, or that had only half the vertical design), but the important point is that such a key blade would not open the lock. Similarly, a F-150 owner can purchase a differently designed hood and headlamp that could fit into the F-150, but the important point is that it would not bring the F-150 back to its original condition and appearance. Just as this Court did not allow the patentee in *Best Lock* to divide up the combination of a key blade and keyway to obtain a design patent on just the key blade, this Court also should not allow FGTL to divide up the combination F-150 design to obtain design patents on portions of the parts when the repair/replacement parts must be designed a certain way to return the F-150 back to its original condition and appearance.

G. The District Court Erred in Holding that the Patented Designs are not Functional

The District Court cited evidence that hoods and headlamps with designs different from the patented designs (performance parts) could be used to replace the original parts embodying the patented designs. (Appx110). The District Court then stated that the existence of such performance parts served to distinguish this case from this Court's opinion in *Best Lock*. (Appx111). According to the District

Court, “the existence of performance parts demonstrates that the designs claimed in the ’299 and ’685 patents are not necessary for the hood and headlamp to perform their intended functions.” (Appx111). This conclusion does not take into consideration that the performance parts cited are not originally sold with the F-150 and an important function of a repair/replacement hood and headlamp is to return the F-150 back to its original condition and appearance, something a performance part cannot do. The District Court considered this type of functionality to be “aesthetic functionality,” and did not consider it. (Appx109).

The District Court in essence held that the appearance alone of the hood and headlamp cannot be deemed functional unless there is a mechanical or "utilitarian" aspect to the designs separate and apart from the functional need to match the F-150 appearance. This holding constitutes error. As explained in the section setting forth general principles, the ultimate issue is not whether there are other designs that can perform the same mechanical or "utilitarian" function as the subject design, but rather whether there are alternative designs that allow for a conscious design choice to be made. If there are no conscious design choices to be made, then it should not matter whether the lack of choices is due to so called "utilitarian" factors, or whether the lack of choices is due to the appearance of the design.

A purpose of the claimed headlamp and hood designs is to be compatible with the overall F-150 design aesthetic and to bring the F-150 back to its original

appearance if damaged. It is this need to match the F-150 appearance that dictates the design by eliminating conscious design choices and makes it proper to include appearance in the functionality analysis.

This conclusion is supported by the analogous concept of aesthetic functionality in the field of trademarks. In *Qualitex v. Jacobson Products*, 514 U.S. 159 (1995), the Supreme Court discussed the issue of aesthetic functionality in the context of whether the Lanham Act permitted the registration of a trademark consisting of a color. The Court stated "the functionality doctrine prevents trademark law, which seeks to promote competition by protecting a firm's reputation, from instead inhibiting legitimate competition by allowing a producer to control a useful product feature." *Id.* at 164. The Court stated further "[t]his Court consequently has explained that, '[i]n general terms, a product feature is functional,' and cannot serve as a trademark, 'if it is essential to the use or purpose of the article or if it affects the cost or quality of the article,' that is, if exclusive use of the feature would put competitors at a significant non-reputation-related disadvantage. [citing] *Inwood Laboratories, Inc.*, 456 U.S., at 850, n. 10, 102 S.Ct., at 2186, n. 10." *Id.* at 165.

The Court noted "that lower courts have permitted competitors to copy the green color of farm machinery (because customers wanted their farm equipment to match) and have barred the use of black as a trademark on outboard boat motors

(because black has the special functional attributes of decreasing the apparent size of the motor and ensuring compatibility with many different boat colors)." *Id.* at 169 (citing *Deere & Co. v. Farmhand, Inc.*, 560 F.Supp. 85, 98 (SD Iowa 1982), *aff'd*, 721 F.2d 253 (CA8 1983) and *Brunswick Corp. v. British Seagull Ltd.*, 35 F.3d 1527 (Fed. Cir. 1994)).

Finally, the Court quoted The Restatement (Third) of Unfair Competition that, "if a design's 'aesthetic value' lies in its ability to 'confe[r] a significant benefit that cannot practically be duplicated by the use of alternative designs,' then the design is 'functional.' Restatement (Third) of Unfair Competition § 17, Comment c, pp. 175-176 (1993)." *Id.* at 170. And "[t]he 'ultimate test of aesthetic functionality,' it explains, 'is whether the recognition of trademark rights would significantly hinder competition.' *Id.*, at 176." *Id.*

In the instant case, the ultimate question is not whether competition is adversely affected, but rather whether there is a conscious design choice being made that promotes the decorative arts. Since after the entire F-150 combination is designed the claimed designs must appear a certain way to match the combination and to bring it back to its original appearance if damaged, there are no design choices to be made, the decorative arts are not promoted, and the designs are functional. This conclusion is conceptually similar to the reasoning in two of the cases noted by the Supreme Court in *Qualitex*.

In *Deere & Co. v. Farmhand, Inc.*, 560 F.Supp. 85 (SD Iowa 1982), *aff'd*, 721 F.2d 253 (8th Cir. 1983), Plaintiff John Deere sued Defendant Farmhand in an effort to prevent the sale of front-end loaders that were painted "John Deere green." *Id.* at 88. Plaintiff argued that the appearance of the color green served no functional purpose and therefore was protectable under the Lanham Act. Defendant argued that the color green was aesthetically functional because farmers preferred to match the color of their loaders to that of that tractors. The court agreed with defendant that the color green was aesthetically functional under reasoning found in *Keene v. Paraflex Industries, Inc.*, 653 F.2d 822 (3d Cir.1981):

The *Keene* case involved the imitation of a commercial lighting unit called the "Wall Cube." This lighting device was designed for placement on apartment buildings and other commercial structures. Paraflex Industries copied the design of the lighting fixture, but the Third Circuit refused to enjoin Paraflex's sale of the product since it was aesthetically functional. The lower court in *Keene* had held that architectural compatibility between the lighting fixture and the design of the building on which it is to be placed is often a significant criteria of selection. Based on this finding, the Court of Appeals held that the design configuration was not an arbitrary expression of aesthetics, but was intricately related to its function of architectural compatibility. [footnote omitted]

The Court concludes that the doctrine of aesthetic functionality should apply to the dispute now before the Court. The Court has found that farmers prefer to match their loaders to their tractor just as the lighting fixture in *Keene* was designed to match the architecture of the building on which it was mounted. [footnote omitted]

Id. at 98.

In sum, since the purchaser farmers wanted to match the appearance of their loaders with the appearance of their tractors, the court considered design appearance in the functionality analysis. Similarly, since repair part purchasers want to match the appearance of the hoods and headlamps with the appearance of the original parts to bring their vehicles back to their original condition and appearance, this Court should consider the appearance of the hood and headlamp in the functionality analysis.

A second case cited in *Qualitex* is *Brunswick Corp. v. British Seagull Ltd.*, 35 F.3d 1527 (Fed. Cir. 1994). In *Brunswick*, the Mercury Marine division of Brunswick Corporation sought to register the color black for its outboard marine engines. The Trademark Trial and Appeal Board concluded that the color black was functional and not registerable, and stated:

[A]lthough the color black is not functional in the sense that it makes these engines work better, or that it makes them easier or less expensive to manufacture, black is more desirable from the perspective of prospective purchasers because it is color compatible with a wider variety of boat colors and because objects colored black appear smaller than they do when they are painted other lighter or brighter colors. The evidence shows that people who buy outboard motors for boats like the colors of the motors to be harmonious with the colors of their vessels, and that they also find it desirable under some circumstances to reduce the perception of the size of the motors in proportion to the boats.

Id. at 1529. This Court found no error in the Board's legal reasoning and no clear error in its factual findings and stated:

The color black, as the Board noted, does not make the engines function better as engines. The paint on the external surface of an engine does not affect its mechanical purpose. Rather, the color black exhibits both color compatibility with a wide variety of boat colors and ability to make objects appear smaller. With these advantages for potential customers, the Board found a competitive need for engine manufacturers to use black on outboard engines. Based on this competitive need, the Board determined that the color was de jure functional.

Id. at 1531.

In sum, when determining whether there are alternative designs that can perform the same function as the claimed designs, it is proper to consider the aesthetic compatibility of the hood and headlamp with the F-150. Just as the aesthetic compatibilities of the green loaders with green tractors, black engines with surrounding boat colors, and wall cubes with surrounding architecture were considered in the functionality analysis, so should the aesthetic compatibility of the hood and headlamp design with the surrounding vehicle be considered in the functionality analysis. Each is related and relevant to the ultimate issue of importance in its respective field: competitive need in trademark law and conscious design choice in design patent law.

The District Court declined to import the aesthetic functionality doctrine from trademark law to design patent law for three reasons, each of which is addressed as follows: First, regarding the point that no court yet has applied aesthetic functionality to design patent law “despite that both trademarks and

design patents have coexisted for well over a century,” (Appx109), design patent law currently is a rapidly developing and dynamic area of patent law. This Court has not hesitated to change long standing precedent in the design patent area when a strong argument was made that the law should be further developed or modified. *See Egyptian Goddess, Inc. v. Swisa, Inc.*, 543 F.3d 665 (Fed. Cir. 2008) (en banc) (eliminating the “point of novelty” test that had existed in design patent law for twenty-five years).

Further, this Court already has imported other important principles from trademark functionality law into design patent functionality law because the concepts are so similar. In *Berry Sterling, supra*, this Court imported trademark functionality factors into design patent law. 122 F.3d at 1456. Although the court cited no authority, several of the factors are similar to those listed in *In re Morton-Norwich Products, Inc.*, 671 F.2d 1332, 1340, 1341 (CCPA 1982) for determining whether a trademark is functional.

Second, the District Court’s analysis that trademark law and design patent law serve different purposes is incomplete because the purpose of design patent law is not considered. The District Court states “trademark law ‘seeks to promote competition’” and “[i]n contrast, patents inhibit competition,” (Appx109) but the court does not consider that design patent law seeks to *balance* the promotion of competition with promotion of the decorative arts, which is “a purpose of the

design patent statute.” See *Avia Group International Inc. v. L. A. Gear California Inc.*, 853 F.2d 1557, 1563 (Fed. Cir. 1988). The balance of these dual purposes is reflected in the statutory requirement that a patentable design be “ornamental.” These principles indicate that when a design is not the result of decorative design choices, granting a design patent to such a function-dictated design would not serve the purpose of promoting the decorative arts. As explained earlier, it does not matter whether the decorative design choice is not available due to mechanical or aesthetic reasons.

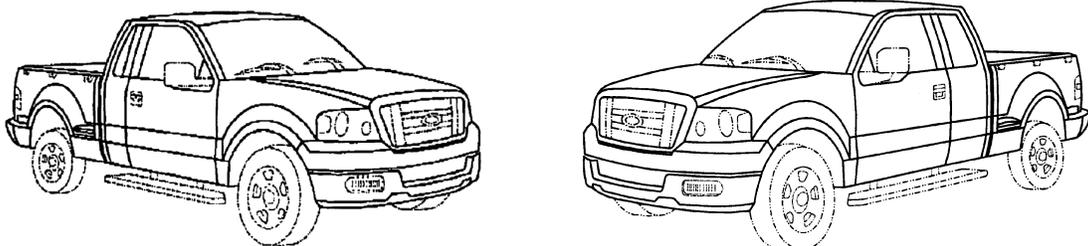
Finally, the District Court reasons that trademark law has a greater concern over functionality than design patent law given the potential perpetual monopoly over a product’s function. (Appx109-110). However, given that a design *must* be ornamental to be patentable, a fifteen-year “monopoly” is granted for valid design patents, and design patents have been used to establish secondary meaning to obtain a trademark’s perpetual monopoly, functionality is very important in the design patent context as well.

H. The Claimed Designs are not a Matter of Concern

The District Court also found the subject designs were not functional because they were a “matter of concern” when the F-150 was purchased. (Appx106). The District Court distinguished the rationale of the district court in *Best Lock*, which found the key blade’s design was not a matter of concern because

it was never a matter of concern either during product use or purchase. In *Best Lock*, this Court did not address the matter of concern issue because the designs were found to be dictated by function, which is a similar but distinct requirement from “matter of concern.” See *Static Control, supra*, 487 F. Supp. at 840 (“A similar, though distinct, requirement to a patentable design being a matter of concern at some point is that a patentable design cannot be dictated by functionality.”). As discussed above, the subject designs are functional under this Court’s reasoning in *Best Lock* because they are dictated by function, which makes it unnecessary to address the issue of “matter of concern.” However, a “matter of concern” analysis supports the finding of functionality as well.

Before the matter of concern issue is addressed, some background information is helpful. Automotive companies such as Ford Motor Company (and its associated company FGTL) are applying for and receiving design patents on the exterior appearance of vehicles. Examples are U.S. Design Patent Nos. D500,462 "Pick Up Truck" (below left) (Appx3600-3603) and D504,356 "Pick Up Truck" (below right) (Appx3604-3607):



Automotive companies also have applied for and received patents on parts of the exterior design of vehicles such as the hood and headlamp designs involved in this lawsuit. A design patent on a portion of a vehicle can protect the design from copying by competitors who are attempting to avoid infringement by copying less than the entire exterior design of the vehicle. However, Ford and FGTL are going beyond the "portion claiming" reason for obtaining design patents on parts and are attempting to use vehicle part design patents to control the market and price for individual automotive *repair* parts. That is, even though a purchaser pays for the vehicle and its overall patented design (that naturally includes patented designs on all constituent parts) when the vehicle is initially purchased, vehicle manufacturers are attempting to use separate design patents on repair parts to obtain a double recovery and to control the market by eliminating competition on repair parts. It should be noted that two of the seminal cases on portion claiming in design patent law permitted portion claiming of an *integrated* design (a drill bit) *In re Zahn*, 617 F.2d 261 (Fed. Cir. 1980) and (silverware handle) *Gorham v. White*, 81 U.S. 511 (1871). These cases did not involve the type of claiming at issue here where design patents are being asserted over separate parts needed for repair.

When companies attempt to control the market for repair/replacement parts through design patents, the reaction of the courts, including this Court, has been negative. Two case examples are *Best Lock* and *Static Control*, discussed

previously. The district court in *Best Lock* and both courts in *Static Control* found the designs *not* to be a matter of concern for several reasons. In *Static Control*, the Sixth Circuit primarily focused on the period of time that a replacement cartridge was being purchased: “Lexmark itself explained that the advertisements containing photographs were primarily to assist the customer in selecting the cartridge that was compatible with the printer they owned” and “[t]he cartridges' appearance had no other role in the purchaser's decision of which cartridge to purchase.”³ 697 F.3d at 422. In *Best Lock*, the district court focused both on when the key blade and keyway were originally purchased and when replacement key blades were being purchased. “Ornamentation, or the aesthetic quality of this design, is not a matter of concern during either the use of the product or at the time the key or lock is purchased. . . . There is no evidence that at any time in the commercial process the appearance of the cross-section of the key or keyway represented a matter of ornamental concern to the purchaser or the user.” 896 F. Supp. at 843.

In the instant case, ABPA argues that the subject designs are not a matter of concern because (1) during initial F-150 purchase the customer concern is on the overall vehicle appearance (not the hood and headlamp in isolation), the hood and headlamp designs allegedly are part of the overall F-150 combination, and the only

³ Note that design patents are functional either when the design is “dictated by function,” or when the design is not a “matter of concern.” The “dictated by function” principle focuses on the function of the design itself whereas the “matter of concern” principle focuses on the concerns of the purchaser and user.

concern for the hood and headlamp designs is that they are aesthetically compatible with the F-150's overall appearance, and (2) during a repair/replacement part purchase, the only customer concern is that the hood or headlamp appearance match the original parts, which can be purchased by part number.

The District Court believed that *In re Webb*, 916 F.2d 1553 (Fed. Cir. 1990) foreclosed ABPA's matter-of-concern argument. *In re Webb* involved the patentability of an artificial femur design. The Board of Patent Appeals and Interferences (Board) held the design was not patentable because it was hidden from sight while in normal use. This Court believed the Board's ruling improperly created a per se rule that if an article is hidden in final use, it is not ornamental. This Court stated the correct inquiry is whether an article "is always concealed in its normal and intended use," 916 F.2d at 1557 (citing and quoting *In re Stevens*, 173 F.2d 1015, 1016 (CCPA 1949), including the time it is displayed for sale where design features can be noticed by potential purchasers. Evidence in the case indicated the devices were displayed in advertisements and trade shows, but the Board disregarded the evidence due to its per se rule. This Court reversed and remanded so the evidence could be considered.

Two important points should be considered. First, *In re Webb* does not involve mate and match principles or articles that can be sold as repair/replacement

items such as key blades, printer cartridges, hoods, or headlamps. However, with regard to such replacement items, *In re Webb* states “many replacement items, including vacuum cleaner brushes, are sold by replacement or order number, or they are noticed during sale only to assess functionality. In such circumstances, the PTO may properly conclude that an application provides no evidence that there is a period in the commercial life of a particular design when its ornamentality may be a matter of concern.” *Id.* at 1558.

Second, if the rule set forth in *In re Webb* is strictly applied to the fact patterns in *Best Lock* and *Static Control*, the outcomes may not have been the same. An *In re Webb* type argument could be made that in *Best Lock* an advertisement displaying the unusual key blade design profile might be better noticed by a prospective purchaser, and in *Static Control* a printer cartridge displaying a sleek or elegant profile might also be better noticed by a prospective purchaser. Note that the “matter of concern” determinations in *Best Lock* and *Static Control* were not made by this Court, and *In re Webb* sets a low bar for ornamentality in cases not involving repair/replacement parts. This Court did not address the “matter of concern” issue in *Best Lock* because it based its ruling solely on dictated by function.

Regarding the Sixth Circuit’s opinion in *Static Control*, a reasonable way to understand the “matter of concern” rationale is to realize that the court did not

strictly apply the *In re Webb* rule for the initial purchase, but rather emphasized the compatibility between the printer and cartridge and the post-sale replacement nature of the printer cartridge. In short, the rule from *In re Webb* is more appropriate when compatibility between a parent article and a component article is not at issue, as it was not at issue in that case.

I. Alternatively, the Subject Claimed Designs can be Considered Ornamental and Valid in the Initial Sales Market, but Functional and Unenforceable in the Repair/Replacement Market

Another way to understand the reasoning and outcomes in *Best Lock* and *Static Control* is to realize that the courts are dealing with two different markets for goods. One is the initial market for sale of the F-150, and the second is the market for the replacement components. Although the cases do not expressly recognize the two markets, they do exist. The cases emphasize that the product designs are functional and invalid in the repair/replacement market because design is not a matter of concern, and thereby also foreclose use of the design patents to protect the designs in the original market. This, in effect, emphasizes a rationale to not let design patents control a market for replacement parts. This same rationale is applicable to the instant case.

Although *Static Control* and the district court decision in *Best Lock* invalidated the design patent based on functionality, there is a potential middle ground that would allow the design patent to remain valid for portion claiming, but

not enforceable for the repair/replacement market. The principle is that the functionality of design patents should be evaluated in the context of the particular market they are being used in. This concept exists in trademark law and is being used by FGTL's exclusive patent licensee, LKQ Corporation (LKQ), in a lawsuit brought by LKQ against the United States Department of Homeland Security (DHS) (*LKQ Corporation, et al. v. DHS*, Case No. 1:18-cv-00225, D.C. Del., February 7, 2018). (Appx3608). In the lawsuit, LKQ argues that it is not attempting to invalidate the trademarks as functional, but "is arguing that in the unique circumstances of this particular market (i.e., the aftermarket repair parts market), the Automakers' Recorded Trademarks cannot be enforced because the marks are functional in this context." (Appx3624) In support, LKQ cites *Chrysler Corp v. Vanzant*, 44 F.Supp.2d 1062, 1070-71 (C.D. Cal. 1999) ("functionality must be assessed within the context in which the product design is used" because **"a product design or feature may be non-functional in one context while its use in another context is functional and non-infringing."**) (emphasis added by LKQ). (Appx3624-3625).

Focusing on the particular market served is appropriate in trademark law because the emphasis is on customer confusion. As an alternative argument, focusing on the particular market served also is appropriate in design patent law because the matter of concern inquiry relates to the concerns of the purchaser.

In the event this Court finds it necessary to address the matter of concern issue and *assuming arguendo* this Court rejects ABPA's argument over "matter of concern" during the initial purchase, this Court can find the subject design patents not invalid regarding the initial sale, but unenforceable because they are functional in the repair/replacement market. This approach is reasonable because it exists in trademark law and design patent functionality is a flexible concept that has been used in ways other than to invalidate a design patent. For example, during claim construction, design elements considered functional are factored out of the infringement analysis. *See Richardson v. Stanley Works, Inc.*, 597 F. 3d 1288, 1293-94 (Fed. Cir. 2010) (construing a design patent by factoring out functional elements in the context of a bench trial). Further, such an approach would achieve the results and objectives of *Best Lock* and *Static Control* by rendering the design patents unenforceable in the repair/replacement market context, but would preserve the validity of the design patents for portion claiming purposes, previously mentioned.

J. Patent Invalidity due to Functionality is an Issue of Law

Case law currently considers functionality in the invalidity context to be an issue of fact and functionality in the claim construction context to be an issue of law. *See, e.g., Torspo Hockey Intern., Inc. v. Kor Hockey Ltd.*, 491 F. Supp.2d 871, n. 4 (D. Minn. 2007). However, the case cited for functionality in the

invalidity context, *Hupp v. Siroflex of Am., Inc.*, 122 F.3d 1456, 1461 (Fed. Cir. 1997) is cited because a finding of invalidity based on functionality was reviewed for substantial evidence. The district court final judgment in *Hupp* was entered on February 8, 1995, which is before *Markman v. Westview Instruments, Inc.*, 52 F.3d 967 (Fed. Cir. 1995) was decided on April 5, 1995. *Markman* made claim construction an issue of law. Since the functionality analysis for invalidity and claim construction are substantively the same, it does not make sense that one is treated as an issue of fact and the other as an issue of law. To avoid potential inconsistencies, invalidity functionality now should be considered as issue of law.

II. THE SUBJECT PATENTS ARE UNENFORCEABLE DUE TO PATENT EXHAUSTION, IMPLIED LICENSE, AND THE RIGHT TO REPAIR

A. Introduction

ABPA's argument for why the subject design patents are exhausted will begin with a discussion of general legal principles. The argument then will explain why patent exhaustion exists in this case and why the District Court's patent exhaustion analysis and holding are incorrect. The argument then will explain why implied principles support a finding of patent exhaustion. The argument will conclude with a statement that the "have made" rights of F-150 purchasers protect the manufacturer of repair parts and others in the distribution chain.

B. Patent Exhaustion and Implied License Legal Principles

Under the patent exhaustion doctrine, the unrestricted sale of a patented article (or an article embodying or sufficiently embodying a patent), “by or with the authority of the patentee, ‘exhausts’ the patentee's right to control further sale and use of that article by enforcing the patent under which it was first sold.” *Jazz Photo Corp. v. Int'l Trade Comm.*, 264 F.3d 1094, 1105 (Fed. Cir. 2001); *see also Lexmark Int'l, Inc. v. Impression Prods., Inc.*, 816 F.3d 721 (Fed. Cir., 2016) (stating “[t]he doctrine of patent exhaustion (or ‘first sale’ doctrine) addresses the circumstances in which a sale of a patented article (or an article sufficiently embodying a patent), when the sale is made or authorized by the patentee, confers on the buyer the ‘authority’ to engage in acts involving the article, such as resale, that are infringing acts in the absence of such authority.”). *Id.* at 726.

Patent exhaustion is grounded on “the theory that an unconditional sale of a patented device exhausts the patentee's right to control the purchaser's use of that item thereafter because the patentee has bargained for and received full value for the goods.” *Keurig, Inc. v. Sturm Foods, Inc.*, 732 F.3d 1370, 1373 (Fed. Cir. 2013). It can be invoked as an affirmative defense to an infringement claim, “and like other issues in which there are no disputed factual questions, may be properly decided by summary judgment.” *Id.* at 1373. The patent exhaustion doctrine applies to design patents. *See Jazz Photo*, 264 F.3d at 1110 (Fed. Cir. 2001).

The “authorized sale of a patented product places that product beyond the reach of the patent,” *Intel Corp. v. ULSI Sys. Technology, Inc.*, 995 F.2d 1566, 1568 (Fed. Cir. 1993), and creates an “implied license,” under which “a patent holder receives a reward for inventive work in the first sale of the patented product.” *McCoy v. Mitsuboshi Cutlery, Inc.*, 67 F.3d 917, 921 (Fed. Cir. 1995). The “implied license to use include[s] the right to repair the patented article and necessarily to purchase repair parts from others.” *Kendall Co. v. Progressive Medical Technology, Inc.*, 85 F.3d 1570, 1573 (Fed. Cir. 1996). The implied license covers both the original purchaser of the article and all subsequent purchasers. *Hewlett-Packard Co. v. Repeat-O-Type Stencil Mfg. Corp.*, 123 F.3d 1445, 1451 (Fed. Cir. 1997). “The right to repair is implied as a matter of law.” 85 F.3d at 1573. The right to repair is a question of law. *See Bottom Line Management, Inc. v. Pan Man, Inc.*, 228 F.3d 1352, 1355 (Fed. Cir. 2000).

“The distinction between permitted and prohibited activities, with respect to patented items after they have been placed in commerce by the patentee, has been distilled into the terms ‘repair’ and ‘reconstruction.’” *Jazz Photo*, 264 F.3d at 1102. “[T]here is no bright-line test for determining whether reconstruction or repair has occurred.” *Sandvik Aktiebolag v. E.J. Co.*, 121 F.3d 669, 674 (Fed. Cir. 1997). The ultimate determination is based upon “the totality of the circumstances.” *Id.* at 673. Prohibited reconstruction must be “true reconstruction

of the entity as to 'in fact make a new article' . . . a second creation of the patented entity." *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 365 U.S. 336, 346, (1961).

Patent exhaustion and the right to repair apply to so-called "have-made" rights: "[B]y exercising their rights to 'have [licensed products] made,' licensees can shield the unlicensed manufacturer who makes the products for them and subsequently sells the products to them from infringement liability by impliedly licensing the otherwise infringing actions." *Intel Corp. v. Broadcom Corp.*, 173 F. Supp. 2d 201, 232 (D. Del. 2001). This is because "[t]he right to 'make, use, and sell' a product inherently includes the right to have it made by a third party, absent a clear indication of intent to the contrary." *CoreBrace LLC v. Star Seismic LLC*, 566 F.3d 1069, 1072-73 (Fed. Cir. 2009).

If the thing sold "substantially embodies" patented subject matter owned by the entity that authorized the sale, then the patent is exhausted as to the thing sold. *Quanta Computer Inc. v. LG Electronics, Inc.*, 553 U.S. 617, 638 (2008). "Substantial embodiment" in the method patent context is established if (1) the only reasonable and intended use of the article is to practice the allegedly exhausted patent; and (2) the article embodies the essential or inventive features of the allegedly exhausted patent. *See id.* at 631; *LifeScan Scotland, Ltd. v. Shasta Techs., LLC*, 734 F.3d 1361, 1368–70 (Fed. Cir. 2013).

C. Patent Exhaustion Exists in This Case

The F-150 is an article of manufacture sold in the United States. (Appx1060, Appx1062-1064). FGTL has alleged that the subject patented designs are both applied to and are embodied in the F-150 (Appx991), and FGTL has made a claim of patent infringement.⁴ (Appx991). Therefore, the subject patented designs are exhausted by the first sale of the F-150. *See Jazz Photo, supra*, 264 F.3d at 1105; *Quanta Computer, supra*, at 638. (“If the thing that is sold ‘substantially embodies’ patented subject matter owned by the entity that authorized the sale, then the patent is exhausted as to the thing sold.”).

Further, although the subject patented designs also are alleged to be portions of components parts of the F-150 (the hood and headlamp), the Supreme Court has stated that “[t]he term ‘article of manufacture,’ as used in § 289, encompasses both a product sold to a consumer and a component of that product.” *Samsung Elecs. Co. v. Apple Inc.*, 137 S.Ct. 429, 434, 196 L.Ed.2d 363 (2016). The Supreme Court also stated “[t]his reading of article of manufacture in § 289 is consistent with 35 U.S.C. § 171(a), which makes ‘new, original and ornamental design[s] for an article of manufacture’ eligible for design patent protection.” *Id.* at 435.

The F-150 sometimes is involved in collisions and needs repair. The process of repair often involves purchasing repair parts from third parties, such as ABPA

⁴ “Patent exhaustion is an affirmative defense to a claim of patent infringement. . . .” *Keurig, Inc. v. Sturm Foods, Inc.*, 732 F.3d 1370, 1373 (Fed. Cir. 2013).

members. Since the subject design patents are exhausted as to the thing sold, and the thing sold is the F-150, purchasers of the F-150 have an implied license to use the subject design patents. *See McCoy, supra*, at 921. This implied license includes the right to repair and return the F-150 back to its original appearance. *See Kendall Co., supra*, at 1573. If the repair and return to the original appearance requires the purchase of repair parts, then this is permitted under the implied license. *Id.* That is because the focus is not on the repair parts themselves, but rather on the article of manufacture that needs repair. *See Kendall Co., supra*, at 1573. (The “implied license to use include[s] the right to repair the patented article and necessarily to purchase repair parts from others.”).

The repair that occurs to the F-150 is not prohibited reconstruction because the repair of the F-150 does not “construct an essentially new article on the template of the original.” *Jazz Photo*, 264 F.3d at 1102. (Appx1201). Indeed, if the damage to the F-150 is so extensive that essentially a new F-150 has to be constructed, the F-150 will not be repaired. (Appx1201). That is because the cost of the reconstruction will greatly exceed the cost of purchasing a new F-150. (Appx1201).

Since the owner of the F-150 has an implied license to repair the F-150, the owner also has “have made” rights that shields the manufacture of the repair part and all members of the distribution chain from liability for patent infringement.

See CoreBrace LLC, supra, at 1072-73; *Intel Corp., supra*, at 232 ("[B]y exercising their rights to 'have [licensed products] made,' licensees can shield the unlicensed manufacturer who makes the products for them and subsequently sells the products to them from infringement liability by impliedly licensing the otherwise infringing actions.").

D. The District Court's Analysis is Incorrect that the Subject Patents were not Exhausted

To understand why the District Court's order is incorrect, it is helpful to methodically analyze the court's rationale. The District Court begins its discussion by reviewing general principles of patent exhaustion. One important principle not mentioned by the District Court is that an initial authorized sale creates an "implied license," under which "a patent holder receives a reward for inventive work in the first sale of the patented product." *McCoy v. Mitsuboshi Cutlery, Inc.*, 67 F.3d 917, 921 (Fed. Cir 1995). And it is under the concept of an implied license that the "implied license to use include[s] the right to repair the patented article and necessarily to purchase repair parts from others." *Kendall Co. v. Progressive Medical Technology, Inc.*, 85 F.3d 1570, 1573 (Fed. Cir. 1996).

The District Court then discusses an important limitation to the right to repair, which is that it does not include the right to replace. In the words of the District Court, "[t]he authorized sale of a patented item permits the owner to sell and use the one item that he purchased—not to make a replacement should that one

item be destroyed.” (citing *Bowman v. Monsanto Co.*, 569 U.S. 278, 283–84 (2013)). “In other words, ‘the [exhaustion] doctrine restricts a patentee’s rights only as to the ‘particular article’ sold; it leaves untouched the patentee’s ability to prevent a buyer from making new copies of the patented item.’ *Id.* at 284 (internal citations omitted).” (Appx113). Notably, the case cited for the concept of a “particular article” sold, *Bowman v. Monsanto Co.*, *supra*, involves *utility patents* on genetically modified seeds and not a design patent.

The District Court then illustrates the repair vs. replace limitation with another utility patent case, *Aiken v. Manchester Print Works*, 1 F. Cas. 245 (C.C.D.N.H. 1865). (Appx114). In *Aiken*, the patentee sold a knitting machine with a full set of needles and a surplus number of needles. The knitting machine was the subject of various patents not specified in the case, and the needles were subject to United States Patent No. 6,025. The needles wore out after a period of time and had to be replaced. When the purchaser of the knitting machine ran out of needles, he began making his own needles and was sued by the patentee for patent infringement.

The purchaser argued that the purchase of the machine implied the right to use it, and when the needles wore out and the machine could not be used, the purchaser had the right, despite the separate patent on the needles, to make new needles “as the necessary means to enable [the purchaser] to enjoy the right of use

implied by the purchase.” *Id.* at p.3. The court disagreed, stating that “[p]urchasers in this case may repair the needles they purchased, but they cannot manufacture new ones, without license.” *Id.* at p.4.

The general rule from *Aiken* is that in a situation involving utility patents, a patented machine may not be permissibly repaired under the patent exhaustion doctrine by replacing a component of the machine when the component being replaced is patented separately from the machine being repaired. The District Court expresses this general rule with the statement “[i]n reaching its conclusion that the machine could not be repaired by replacing worn out needles with new ones, the court explicitly distinguished the first example provided above, i.e., where a patent covered the knitting machine but no patent covered just the needles. *See [Aiken]* (distinguishing *Wilson v. Simpson*, 50 U.S. 109 (1850)).” (Appx114).

The District Court then states “[t]he Supreme Court long ago approved of the reasoning of *Aiken*, see *Morgan Envelope Co. v. Albany Perforated Wrapping Paper Co.*, 152 U.S. 425, 434–36 (1894), and the Federal Circuit says that the venerable case is still the law, see *Helperich Patent Licensing, LLC v. N.Y. Times Co.*, 778 F.3d 1293, 1304 (Fed. Cir. 2015). (Appx114). Notably, *Aiken*, *Wilson*, *Morgan Envelope*, and *Helperich* all involve utility patents and not design patents.

The District Court then sets forth a general statement of ABPA’s argument on patent exhaustion and concludes “[t]he problem with the ABPA’s argument is

that the F-150 is just like the knitting machine in *Aiken* and its hood (or headlamp) is just like the needles in *Aiken*.” (Appx114-115). The District Court continues: “The patents at issue cover the design for those two parts—not the design for the truck as a whole—so while the authorized sale of an F-150 permits the owner to use and repair her hood and headlamp, it does not permit her to make unauthorized replacements or have replacements made for her.” (Appx115).

As will be explained below, since this case involves a design patent and not utility patents, it is incorrect to say that the F-150 is just like the knitting machine in *Aiken*, and the F-150’s hood (or headlamp) is just like the needles in *Aiken*. Further, it also is incorrect to say that the patents at issue “cover the design for those two parts [the hood and headlamp].” Rather, the designs at issue cover *portions* of the hood and headlamp, just as they cover portions of the F-150.

The District Court sets out in a general way ABPA’s argument regarding the distinction between design patents and utility patents in the context of patent exhaustion and states “[t]here is no case dividing patent law this way—i.e., creating separate exhaustion doctrines for utility and design patents.” (Appx115). The District Court then continues “[i]ndeed, in *Aiken*, the needles were not only their own item but also a necessary part of another: the knitting machine. And so while the needle patent could be viewed as covering one entire item (a needle), it could also be viewed as covering a portion of an item that incorporates the other

(the knitting machine).” (Appx115-116). Explaining why this last statement is incorrect is a helpful way to begin explaining the error of the District Court and the correctness of ABPA’s patent exhaustion argument.

As a preliminary matter, and contrary to a statement in the District Court’s opinion, ABPA is not arguing that a separate exhaustion doctrine should be created for design patents. Rather, ABPA is arguing that established patent exhaustion principles should be applied to design patents in a way that recognizes the unique nature of design patents and how the design patent statutory scheme differs from the utility patent statutory scheme. This is the way that courts historically have approached patent exhaustion – recognizing that the doctrine must remain flexible and adapting it to new fact patterns and different type of patents.

For example, in *Quanta Computer Inc. v. LG Electronics, Inc.*, 553 U.S. 617, 128 S.Ct. 2109 (2008), a case involving microprocessors and chipsets, the Supreme Court addressed the issue of whether patent exhaustion applied to method patents. Respondent LGE argued that “because method patents are linked not to a tangible article but to a process, they can never be exhausted through a sale.” *Id.* at S.Ct. 2117. The Supreme Court disagreed, stating “[i]t is true that a patented method may not be sold in the same way as an article or device, but methods nonetheless may be ‘embodied’ in a product, the sale of which exhausts patent rights.” *Id.* In finding that patent exhaustion applied, the Supreme Court followed

its earlier approach in *United States v. Univis Lens Co.*, 316 U. S. 241 (1942) and stated “[t]he authorized sale of an article that substantially embodies a patent exhausts the patent holder's rights and prevents the patent holder from invoking patent law to control postsale use of the article” and “Intel's microprocessors and chipsets substantially embodied the LGE Patents because they had no reasonable noninfringing use and included all the inventive aspects of the patented methods.” *Id.* at 2122.

Finally, in response to LGE's argument that “exhaustion does not apply across patents,” *id.* at 2120, the Supreme Court agreed on the general principle that “[t]he sale of a device that practices patent A does not, by virtue of practicing patent A, exhaust patent B.” *Id.* But, the Supreme Court continued, “if the device practices patent A while substantially embodying patent B, its relationship to patent A does not prevent exhaustion of patent B.” *Id.* The Court concluded “the exhaustion analysis is not altered by the fact that more than one patent is practiced by the same product. The relevant consideration is whether the Intel Products that partially practice a patent—by, for example, embodying its essential features—exhaust that patent.” *Id.* at 2121.

In the instant case the factual situation is different, but the reasoning is the same. In *Quanta Computer*, each Intel microprocessor and chipset practiced “thousands of individual patents.” *Id.* In the instant case, two articles (the F-150

and the hood or headlamp) embody the subject design patents. However, the key to exhaustion is not how many patents are embodied in a product or how many products embody a patent, but whether the article sold embodies the patent. If so, the patent is exhausted. In the instant case, since the F-150 embodies the subject patents, patent exhaustion applies as to the F-150 and a right to repair the F-150 exists.

Returning to the District Court's *Aiken* knitting machine and needles comparison, the District Court states "[a]nd so while the needle patent could be viewed as covering one entire item (a needle), it could also be viewed as covering a *portion* of an item that incorporates the other (the knitting machine)." (emphasis in original) (Appx115-116). The problem with this statement is that while the knitting machine *physically* incorporates the needle, the *patent* covering the needle cannot be viewed as covering a *portion* of the knitting machine. Unlike in the design patent context where the subject design patents properly can be viewed as being embodied in both the hood (and headlamp) and a portion of the F-150, utility patents are directed only toward the actual machine or article of manufacture invented, and not also toward a portion of a machine or article of manufacture that may incorporate the subject matter claimed. An examination of the relevant patent statutes reveals why this is so.

The utility patent statute, 35 U.S.C. § 101, states “[w]hoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.” In contrast, the design patent statute, 35 U.S.C. § 171(a), states “[w]hoever invents any new, original and ornamental design for an article of manufacture may obtain a patent therefor, subject to the conditions and requirements of this title.”

The word “therefor” in the utility patent statute refers to, *inter alia*, the words “machine” and “manufacture,” whereas in the design patent statute the word “therefor” refers not to “article of manufacture,” but rather to “design.” *See In re Zahn*, 617 F.2d 261, 268 (C.C.P.A. 1980). This distinction means that, unlike utility patents, design patents are not limited to an “article of manufacture,” but also can include designs for *portions* of articles of manufacture. *Id.* Further, since the patented design can be just a portion of an article of manufacture, the design patent need not be limited to just one article of manufacture. Rather, the design claimed can be embodied in both a portion of article of manufacture and also a portion of a component of an article of manufacture. The instant case provides an example. The design claimed in the ‘299 Patent is embodied both in a portion of the F-150 and in a portion of the component F-150 hood. Likewise, the design

claimed in the '685 Patent is embodied both in a portion of the F-150 and in a portion of the component F-150 headlamp.

The conclusion that a claimed design can be embodied in both an article of manufacture and in a component of an article of manufacture is supported by the Supreme Court's statement in *Samsung Electronics, supra*, that "[t]he term 'article of manufacture,' as used in § 289, encompasses both a product sold to a consumer and a component of that product." *Id.* at 434. The Supreme Court also stated "[t]his reading of article of manufacture in § 289 is consistent with 35 U.S.C. § 171(a), which makes 'new, original and ornamental design[s] for an article of manufacture' eligible for design patent protection." *Id.* at 435.

The importance of the distinction between utility patents and design patents explained above is that the general rule from *Aiken* does not apply to the subject design patents. Under the general rule cited, the patent covering the separate component article of manufacture being replaced (needle) is different from the patent directed toward the article of manufacture being repaired (knitting machine). As explained above, under § 101, a utility patent is directed toward the actual machine or article of manufacture invented. Although a sale of the machine and needle together exhausts both patents, the patent exhaustion doctrine only permits repair and not replacement. Since the patents and articles of manufacture are different, they must be analyzed separately to determine whether repair or

replacement is occurring for each. Permissible repair of the machine does not necessarily mean permissible repair of the needle. If permissible repair of the needles is not occurring, and the needles are being replaced instead as in *Aiken*, then patent infringement of the needle patent may exist and the affirmative defense of patent exhaustion is not available.

However, the situation is different with a design patent under the circumstances of the instant case. First, there are not multiple patents involved as in *Aiken*. Rather, for the F-150 and hood, and F-150 and headlamp, there is just one design patent each to consider. Second, when the one subject patented design is placed on or in the F-150, the one design patent is exhausted. And as long as it is the F-150 that is being permissible repaired, then the patent exhaustion doctrine allows use of the subject patented design (originally a part of the F-150 that was sold) to repair the F-150 that was sold with the patented design. This is to be distinguished from the situation in *Aiken* where the court had to go through a separate repair/ reconstruction analysis with regard to the needle itself because the needle was covered by a separate patent directed only toward the needle. There is no need to perform a separate repair/reconstruction analysis on the repair parts in the instant case because the patented design covering a portion of the repair parts is the same as the patented design covering a portion of the F-150 being permissibly repaired under the patent exhaustion doctrine.

E. Authorized Sale of the F-150 Created an Implied License that included the Right to Repair the F-150 and Purchase Repair Parts

Although not mentioned by the District Court, it is an implied license that underlies the right to repair and the right to purchase repair parts. *Kendall Co.*, *supra*, 85 F.3d at 1573. The principle is that when an article of manufacture is sold, the patentee grants an implied license to the purchaser to repair it. And as long as there is a legal relationship, such as embodiment, between the patent and the article of manufacture sold, the implied license grants a right to repair the article of manufacture sold. *Quanta Computer*, *supra*, 128 S.Ct. at 2121. In the instant case, there is such a legal relationship between the F-150 sold and the subject design patents because the claimed designs are embodied in the F-150 and design patent law allows for portion claiming.

In contrast, in *Aiken* an implied license does not exist to allow a purchaser the right to repair the knitting machine by replacing the needles. That is because there is no legal relationship between the needle patent and the knitting machine. Although there is a *physical* relationship between the needles and the knitting machine, there is no legal relationship between the needle patent and knitting machine because utility patents are directed toward an article of manufacture, which in *Aiken* is the needles and not the knitting machine.

Other implied licensing principles also support the conclusion that the scope of the implied license in this case includes the right to repair the F-150 by

purchasing the hood and headlamp as repair/replacement parts. Once a court determines that a license should be implied due to an initial authorized sale, the court next should look to the circumstances of the sale to determine the scope of the implied license. *See Carborundum Co. v. Molten Metal Equip. Innovs.*, 72 F.3d 872, 878 (Fed. Cir. 1995). In this case, since the claimed designs were embodied in the F-150 and in the hood and headlamp, it is clear that an implied license to repair exists. And the circumstances of the sale further support the conclusion that the scope of the implied license includes the right to repair the F-150 by purchasing the hood and headlamp as repair/replacement parts.

There is no evidence in this case that when Ford sells an F-150, FGTL places any restrictions on the implied licenses granted as a result of the sale. *See Met-Coil Systems Corp. v. Korners Unlimited, Inc.*, 803 F.2d 684, 686, 687 (Fed. Cir. 1986). Further, there is no evidence that Ford and FGTL mark the F-150 or any of its component parts with design patents. Therefore, when a customer purchases an F-150, they have no notice, actual or constructive, that the hood and the headlamp are separately patented. Further, the F-150 is advertised and sold as a complete article of manufacture with an overall design rather than as a collection of individual parts with individual designs. Finally, to the extent a customer may be aware of the subject design patents, the subject patents state the hood and headlamp are “intended for attachment to a vehicle.” (Appx174, Appx183).

Based on this evidence, the reasonable expectation is that a purchaser of the F-150 receives an implied license to repair the F-150 free from any patents covering portions of the designs. *See Carborundum, supra*, at 878 (The scope of an implied license “must be based on what the parties reasonably intended as to the scope of the implied license based on the circumstances of the sale.”). Based on this reasonable expectation, and FGTL’s lack of action or notice to dissuade this reasonable expectation, the scope of the implied license extends to repairing the F-150 with the hood and headlamp repair/replacement parts.

FGTL may argue that even if an implied license exists on the subject patents to repair the F-150, an independent cause of action for patent infringement still may exist because the subject patents also are embodied in a portion of the hood and headlamp, and the hood and headlamp are being purchased for the repair of the F-150. This would be, in effect, an attempt to apply the *Aiken* rule even though the subject claimed designs are embodied in the F-150 sold. To the extent a hood or headlamp is being purchased for reasons other than for repair of an F-150 originally sold by Ford, then an implied license would not exist. However, if the parts are being purchased for repair of an F-150, then an implied license will exist regarding the subject patents that, in turn, should negate any cause of action for purchasing the hood and headlamp as repair/replacement parts. Indeed, if the subject design patents could be enforced on the repair parts, then that would

effectively negate the right to repair the F-150. This would allow a patentee to do an “end-run” around the patent exhaustion doctrine by dividing an article of manufacture into separate portions and then claiming the design portions for individual enforcement. This Court did not allow such an approach in the method patent context, *see Quanta Computer Inc., supra*, at 2117, 2118 and it similarly should not allow such an approach in the design patent context.

F. The “Have Made” Rights of F-150 Truck Purchasers Protect the Manufacturer of Repair Parts and Others in the Distribution Chain

Since the implied license covers the right to repair the vehicle, the “have made” rights of the vehicle purchaser protects the manufacturers and distributors, including ABPA members, from liability for patent infringement. *See CoreBrace LLC, supra*, at 1072-73; *Intel Corp., supra*, at 232.

CONCLUSION AND RELIEF SOUGHT

Based on the arguments and authorities set forth above, the District Court erred in denying ABPA’s motion for summary judgment and granting summary judgment in favor of FGTL. ABPA requests that this case be reversed and summary judgment rendered in favor of ABPA, and that this Court grant such other and further relief to which ABPA may show itself to be justly entitled.

April 27, 2018

Respectfully submitted,

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CERTIFICATE OF COMPLIANCE

1. This brief complies with the type-volume limitation of Federal Rules of Appellate Procedure 32(a)(7)(B). This brief contains 13,906 words, excluding the parts of the brief exempted by the Federal Rules of Appellate Procedure 32(a)(7)(B)(iii).
2. This brief complies with the typeface requirements of Federal Rules of Appellate Procedure 32(a)(5) and the type style requirements of Federal Rules of Appellate Procedure 32(a)(6). This brief has been prepared in a proportionally spaced typeface using Microsoft Word in 14 point Times New Roman font.

/s/ Robert G. Oake, Jr.

Robert G. Oake, Jr.

Attorney for Plaintiffs-Appellants

April 27, 2018

ADDENDUM

1.	Judgment Appealed	Appx91-92
2.	Opinion and Order Appealed	Appx93-117

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

AUTOMOTIVE BODY PARTS
ASSOCIATION,

Plaintiff,

v.

FORD GLOBAL TECHNOLOGIES, LLC,

Defendant.

Case No. 2:15-cv-10137
Honorable Laurie J. Michelson

JUDGMENT

Consistent with the opinion and order entered on February 20, 2018 (R. 72) and the Automotive Body Parts Association's subsequent notice (R. 73) it is HEREBY ORDERED and ADJUDGED that Ford Global Technologies, LLC is entitled to judgment on the ABPA's complaint seeking a declaration that U.S. Patent Nos. D489,299 and D501,685 are invalid or unenforceable. In entering this judgment, the Court notes that, as reflected by the citations in its February 20, 2018 opinion, it did consider and address New World International's response brief filed in Case No. 15-10394 (R. 104) and associated appendix (R. 105) in issuing the February 20 opinion. Those filings from that case are thus deemed part of the record in this case.

SO ORDERED.

Dated: February 23, 2018

s/Laurie J. Michelson
LAURIE J. MICHELSON
U.S. DISTRICT JUDGE

CERTIFICATE OF SERVICE

The undersigned certifies that the foregoing document was served upon counsel of record and any unrepresented parties via the Court's ECF System to their respective email or First Class U.S. mail addresses disclosed on the Notice of Electronic Filing on February 23, 2018.

s/Keisha Jackson
Case Manager

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

AUTOMOTIVE BODY PARTS
ASSOCIATION,

Plaintiff,

v.

FORD GLOBAL TECHNOLOGIES, LLC,

Defendant.

Case No. 2:15-cv-10137
Honorable Laurie J. Michelson

**OPINION AND ORDER
DENYING FORD'S MOTION TO DISMISS THE CASE AS MOOT [61] AND
DENYING THE ABPA'S MOTION FOR SUMMARY JUDGMENT [39]**

The Automotive Body Parts Association effectively asks this Court to eliminate design patents on auto-body parts. Members of the ABPA import, make, and sell auto-body parts that are used to repair cars and trucks damaged in a collision. Ford Global Technologies, LLC holds a large portfolio of patents that protect the designs for body parts for Ford vehicles. The ABPA, on behalf of its members, filed this lawsuit asking this Court to declare that two of Ford's patents protecting the design of two F-150 body parts are either invalid or unenforceable. But the ABPA's arguments are not specific to those two patents. Instead, the ABPA argues that designs for auto-body parts are simply not eligible for patent protection because consumers seeking to repair their vehicles do not select body parts for their design and because the designs were dictated by the body parts' function. In the alternative, the ABPA says that patents protecting the designs of auto-body parts are unenforceable against its members because the patent rights are exhausted upon the first authorized sale of the vehicle.

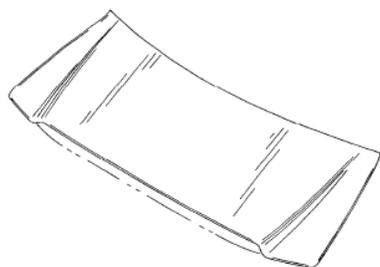
The ABPA now seeks summary judgment. (R. 39.) It asks this Court to declare as a matter of law that two of Ford’s design patents are invalid or unenforceable. The Court has carefully considered the parties’ arguments made not only in this case but in a related case presenting the same invalidity and unenforceability questions. Having done so, the Court finds that the ABPA has not shown that Ford’s designs for an F-150 hood and headlamp are not eligible for design patent protection and has not shown that Ford’s patent rights to those designs are exhausted when Ford sells an F-150 truck.

I.

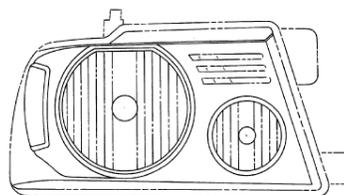
A.

Plaintiff Automotive Body Parts Association is an association of companies that distribute automotive body parts. (*See* R. 2, PID 10–11.) Members of the ABPA sell auto-body parts to collision repair shops or even directly to vehicle owners.

Defendant Ford Global Technologies, LLC owns a portfolio of well over a hundred patents protecting the designs for auto-body parts. (*See* R. 62, PID 1253–1321.) Two are at issue in this case: U.S. Patent No. D489,299 and U.S. Patent No. D501,685. The ’299 patent protects the design for a Ford F-150 hood and the ’685 patent protects the design for an F-150 headlamp:



'299 patent, Fig. 1.



'685 patent, Fig. 2.

B.

It appears that the first significant dispute between Ford and the ABPA arose in 2005. That year, Ford filed an action with the United States International Trade Commission against

seven members of the ABPA. (R. 68, PID 1453, 1585.) Ford initially accused these ABPA members of infringing 14 of its design patents for auto-body parts, including the two at issue in this case. (*See* R. 68, PID 1585.) Ford later dropped those two patents from the ITC action. The ITC action (and a second one) settled in 2009, with Ford granting a single ABPA member, LKQ Corporation, the exclusive right to sell auto-body parts protected by Ford’s design patents. (*See* R. 62, PID 1329.)

As relevant to this case, things between Ford and the ABPA remained relatively quiet until 2013, with Ford sending only two cease-and-desist letters to ABPA members in 2011 and 2012. (*See* R. 68, PID 1466, 1471.) But in 2013, the tension between Ford and ABPA member New World International, Inc. escalated. (R. 62, PID 1250.) Ford wrote to New World, “We purchased several articles from New World International that are covered by Ford design patents[.]” (R. 62, PID 1260.) Ford referenced one of the design patents at issue in this case, the ’299 patent. (*Id.*) Ford asked New World to “refrain from importing or selling parts covered by Ford design patents.” (R. 62, PID 1251.) New World did not comply (or at least that is what Ford thought), so in November 2013, Ford sent New World another letter. The second letter warned that if New World did not stop offering certain auto-body parts on its website, Ford “w[ould] be forced to consider all avenues available to protect and enforce its intellectual property rights.” (R. 61, PID 1245.)

Less than two weeks after Ford’s November 2013 letter, the ABPA filed this lawsuit in the Eastern District of Texas. *See Auto. Body Parts Assoc. v. Ford Global Techs.*, No. 13-00705 (E.D. Tex. filed Nov. 25, 2013.) The ABPA asked the federal court in Texas to declare six of Ford’s design patents, including the ’299 and the ’685 patents, invalid or unenforceable.

A few months later, Ford challenged the ABPA's standing to seek such relief. One way for an association to have standing to sue is for the association to satisfy the *Hunt* test: "(a) its members would otherwise have standing to sue in their own right; (b) the interests it seeks to protect are germane to the organization's purpose; and (c) neither the claim asserted nor the relief requested requires the participation of individual members in the lawsuit." *Hunt v. Wash. State Apple Advertising Comm'n*, 432 U.S. 333, 343 (1977). In September 2014, the federal court in Texas found that the ABPA had satisfied this test. *Auto. Body Parts Ass'n v. Ford Glob. Techs., LLC*, No. 4:13-CV-705, 2014 WL 4652123, at *8 (E.D. Tex. Sept. 17, 2014). As to the first *Hunt* requirement, the court found that "in its cease and desist letters, Ford accused New World of infringing the design patents, which is sufficient to establish that New World would have standing in its own right to bring an action for declaratory judgment against Ford." *Id.* at *8.

Following that determination, the ABPA amended its complaint. Instead of seeking a declaration that six of Ford's design patents for auto-body parts were invalid or unenforceable, it only sought that declaration as to the '299 and '685 patents. (*See R. 2.*)

In January 2015, the federal court in Texas transferred the case to the Eastern District of Michigan and it was assigned to this Court's docket. (*See R. 1.*)

Just two weeks later, Ford filed a separate lawsuit against New World in the Eastern District of Michigan. *Ford Global Techs., LLC v. New World Int'l, Inc. et al.*, No. 15-10394 (E.D. Mich. filed Jan. 29, 2015). Ford initially accused New World of infringing the two patents at issue in this case along with several others. Like in the ITC action, Ford later dropped its claims that New World had infringed the two patents at issue here. Ford's case against New World was reassigned to this Court's docket as a companion to this case.

C.

In October 2016, the ABPA filed the motion for summary judgment now pending before this Court. (R. 39.) According to the ABPA, the '299 and '685 patents are invalid because they do not protect ornamental designs and they are unenforceable against ABPA members because when Ford sells an F-150 truck, its patent rights in the design of the truck's hood and headlamp are exhausted. (*See* R. 39, PID 566.)

That same month, New World, which is represented by the same counsel as the ABPA, filed for summary judgment in the companion to this case. New World essentially made the same invalidity and unenforceability arguments as did the ABPA. Although New World subsequently withdrew that motion, Ford then filed a mirror-image motion for summary-judgment: it claimed that its design patents were *not* invalid for failing to protect ornamental designs and that they were *not* unenforceable under the doctrine of exhaustion. Given that ABPA's motion in this case and Ford's in the companion addressed the same two issues, the parties agreed that the Court should consider the arguments presented in all the briefs in both cases in deciding both motions.

While this Court was in the midst of drafting its opinion on the two motions, a threshold issue arose in each case. The first was a result of *TC Heartland LLC v. Kraft Foods Group Brands LLC*, 137 S. Ct. 1514 (2017). There, the Supreme Court held that a corporation can be sued for patent infringement only in its state of incorporation. *See id.* at 1517. New World's was Texas. So this question arose: should Ford's suit against New World remain in the Eastern District of Michigan?

The other threshold issue involved this case. Although it had made similar statements earlier, in its summary-judgment briefing, Ford made clear that it was not accusing New World of infringing the two patents at issue in this case. (*See* R. 54.) As noted above, under *Hunt*, the

ABPA's standing to seek a declaratory judgment was premised on New World's standing to do so. So the Court asked the parties to brief the issue of mootness. (*See* R. 54.) In that briefing, Ford went a step further: it offered a covenant never to sue New World (and a few others) for infringing the '299 and '685 patents. (*See* R. 61, PID 1104.) So this question arose: is this case moot?

The Court has already answered one of the two threshold questions. In particular, the Court found that under *TC Heartland*, the Eastern District of Michigan was not the proper venue for Ford's suit against New World and that New World had not waived the defense of improper venue. *See generally Ford Glob. Techs., LLC v. New World Int'l Inc.*, No. 2:15-CV-10394, 2017 WL 5635451 (E.D. Mich. Nov. 7, 2017). The Court thus transferred Ford's infringement case to the Northern District of Texas. *See Ford Glob. Techs., LLC v. New World Int'l Inc.*, No. 3:17-cv-03201-N (N.D. Texas filed Nov. 22, 2017.) Ford's summary-judgment motion—the one that mirrors the one the ABPA asks this Court to decide—remains pending before the federal court in Texas.

II.

The Court now turns to the other threshold issue: whether this case is moot.

On the surface, it seems so. Based on the covenant it has offered and associated representations it made at oral argument, Ford is willing to irrevocably commit to never suing New World (and three other entities) for infringing the two patents at issue in this case, the '299 and '685 patents. (*See* R. 63, PID 1104, 1348.) And, as explained, the federal court in Texas found that the ABPA had standing in this case because Ford had sent New World cease-and-desist letters. In other words, the ABPA's standing to seek a declaration that the two patents-in-suit are invalid or unenforceable was built upon New Worlds' standing to do so. But now, Ford

has cut out that foundation by saying that it will never sue New World for infringing the two patents-in-suit.

But this case is not between New World and Ford—it is between the ABPA and Ford. And so if there is a case or controversy between another ABPA member and Ford, the ABPA could pursue declaratory relief premised on that member’s ability to do so.

In examining this issue, the Court is mindful that after *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118 (2007), “a declaratory judgment plaintiff does not need to establish a reasonable apprehension of a lawsuit in order to establish that there is an actual controversy between the parties.” *See SanDisk Corp. v. STMicroelectronics, Inc.*, 480 F.3d 1372, 1384 (Fed. Cir. 2007). Instead a “more lenient legal standard,” *Micron Tech., Inc. v. Mosaid Techs., Inc.*, 518 F.3d 897, 902 (Fed. Cir. 2008), applies: “whether the facts alleged, under all the circumstances, show that there is a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment,” *MedImmune*, 549 U.S. at 127.

Considering “all the circumstances,” the controversy between Ford and National Autobody Parts Warehouse, an ABPA member, is *just* substantial and *just* immediate enough that an opinion on the merits of the ABPA’s two defenses will not be advisory. It appears that NAPW is a middle-man in the auto-body parts distribution chain: it buys auto-body parts from manufacturers (or others more upstream than it) and then resells them to repair shops (or others more downstream than it). (*See* R. 69, PID 1678–80.) According to NAPW, manufacturers of the hood and headlamp covered by the two patents in this case have been told by Ford’s exclusive licensee, LKQ, that if they manufacture the hood and headlamp for anyone but LKQ, they would “be subject to patent enforcement efforts by” Ford. (R. 69, PID 1680.) Notably, these

manufacturers are themselves ABPA members. (R. 69, PID 1680.) Thus, if Ford is willing to sue those ABPA members for selling the hood and headlamp to NAPW, it seems likely that Ford would sue NAPW if it, in turn, sold the hood and headlamp to collision repair shops or vehicle owners.

Of course, an Article III case or controversy cannot be based on a hypothetical—that NAPW might someday buy the hood and headlamp from a manufacturer and might someday sell it. But NAPW has averred that in the past, it purchased and sold a hood and a headlamp that Ford claims are covered by the two patents-in-suit. (R. 69, PID 1679.) And NAPW says it is “ready and willing” to do so now. (*Id.*) It has even asked Ford for a license to sell the hood and headlamp and was denied. (*Id.*) And it asked Ford’s exclusive licensee to buy the hood and headlamp from it, but LKQ refused. (*Id.*) So, on this record, there is more than speculation that NAPW might sell the hood and headlamp. It has in the past, it wants to now, and has tried to obtain permission to do so.

The Court is aware that even under *MedImmune*’s less-stringent test it is not enough that NAPW subjectively believes that it would be sued for patent infringement if it purchased and then sold the hood and headlamp—there must be “some affirmative act” by Ford. *SanDisk*, 480 F.3d at 1380–81; *accord Asia Vital Components Co. v. Asetek Danmark A/S*, 837 F.3d 1249, 1253 (Fed. Cir. 2016). But there have been affirmative acts by Ford against ABPA members in the past: the ITC actions and the cease-and-desist letters. *See Prasco, LLC v. Medicis Pharm. Corp.*, 537 F.3d 1329, 1341 (Fed. Cir. 2008) (“Prior litigious conduct is one circumstance to be considered in assessing whether the totality of circumstances creates an actual controversy.”). And there is an affirmative act by Ford against an ABPA member right now: Ford’s lawsuit against New World alleging infringement of the 13 design patents. Of course, Ford is not suing

New World for the two patents at issue in this case and has said it never will. But to the extent that this would quell NAPW's fear of suit should it purchase and sell the hood and headlamp, another fact heightens it: Ford has refused to extend the covenant to all ABPA members and NAPW specifically.

Thus, while a close call, the Court finds a sufficient case or controversy between Ford and NAPW. *MedImmune*, 549 U.S. at 127. And given that NAPW is an ABPA member, it follows that the ABPA may seek a declaration that the '299 and '685 patents are invalid or unenforceable.

III.

The Court thus turns to the ABPA's motion for summary judgment.

A.

Here too there is a threshold question: what is the ABPA's summary-judgment burden? At trial, an accused infringer must show that a design patent is invalid because it protects function rather than ornamentation by clear-and-convincing evidence. *See Ethicon Endo-Surgery, Inc. v. Covidien, Inc.*, 796 F.3d 1312, 1328 (Fed. Cir. 2015). And, at trial, the accused infringer must show that a patent cannot be enforced against it by a preponderance of the evidence. *Jazz Photo Corp. v. United States*, 439 F.3d 1344, 1350 (Fed. Cir. 2006). Thus, the ABPA moves for summary judgment on issues it has the burden of proof on at trial, which would usually mean that the ABPA has the considerable summary-judgment burden of showing that every reasonable jury would find in its favor (clearly and convincingly or by a preponderance, as the case may be). *See Hotel 71 Mezz Lender LLC v. Nat'l Ret. Fund*, 778 F.3d 593, 601 (7th Cir. 2015); *Surles v. Anderson*, 678 F.3d 452, 455–56 (6th Cir. 2012).

But the ABPA argues that whether a design is directed to function is a question of law (*See* R. 39, PID 579.) (Its position on exhaustion is less clear. (*See* R. 39, PID 580–81.)) It strikes the Court that even if the ultimate question is one of law, there are often underlying questions of fact. For example, whether there are alternative designs for the product that allow it to perform the same function is a question of fact. So to the extent that there are material factual disputes, it would seem that the ABPA would have the considerable burden of showing that every reasonable jury would resolve the material factual dispute in its favor. *See Hotel 71*, 778 F.3d at 601; *Surles*, 678 F.3d at 455–56.

Ultimately, the Court need not decide whether invalidity due to functionality and unenforceability due to exhaustion present pure questions of law or mixed questions of law and fact. The Court will assume in the ABPA’s favor that it only needs to convince this Court that the two patents in suit are invalid or unenforceable. It may proceed this way because, as will be explained, the ABPA has not persuaded this Court to find in its favor and so it would follow that it has not persuaded the Court that *every* reasonable jury would find in its favor.

The Court now turns to the merits.

B.

The Court starts with the ABPA’s claim that the ’299 and the ’685 patents are invalid. The Patent Act restricts design-patent protection to “ornamental” designs. *See* 35 U.S.C. § 171. The ABPA claims that the designs of the ’299 and the ’685 patents are not ornamental. The ABPA makes two main arguments in support of this claim: the designs of the two patents-in-suit are not “a matter of concern” and the two designs are “dictated by function.” (*See* R. 39, PID 571–74; R. 51, PID 575–76; Case No. 15-10394, R. 104, PID 5586–87.) (The ABPA places its dictated-by-function argument under the matter-of-concern umbrella (*see* Case No. 15-10394, R.

104, PID 5585–86), but whether part of the matter-of-concern test or a separate test for patent eligibility, the dictated-by analysis is the same.)

The Court considers these two primary arguments in turn and then addresses ABPA’s related policy arguments. None are convincing.

1.

The “matter of concern” approach to deciding whether a design is entitled to patent protection is based on a straightforward concept: if no one cares about a particular design, then the design is not deserving of patent protection. *See Application of Stevens*, 173 F.2d 1015, 1019 (C.C.P.A. 1949) (“It has been held repeatedly that articles which are concealed or obscure in normal use are not proper subjects for design patents, since their appearance cannot be a matter of concern.”). An example of a design that is of no concern is the design for a rotary brush for a vacuum cleaner that, during its normal use, is concealed from view. *Id.* at 1019.

The ABPA argues that the designs of the ’299 and ’685 patents are not a matter of concern because when an F-150 is damaged (say in a crash), the owner simply wants the body parts that will return her F-150 to the way it looked when it was new. (R. 39, PID 572.) In other words, the ABPA says that the F-150 owner will not shop around and compare various hood designs; instead she will, in mechanistic fashion, simply order the hood that came with the truck when it came off the assembly line. (*See* R. 39, PID 573; Case No. 15-10394, R. 104, PID 5586–87.) In further support of this assertion, the ABPA claims that vehicle owners (or collision repair shops on the owner’s behalf) “typically” order a replacement body part by part number and thus never even consider the part’s design. (*See* R. 39, PID 573.) And, says the ABPA, insurance policies often only cover returning the vehicle to “its pre-loss operational safety, function, and appearance.” (R. 39, PID 572, 660.) Thus, the ABPA implies that if the owner of an F-150 wants

her insurer to pay the repair costs, she needs to have her truck restored to the way it looked before the accident. (*See* R. 39, PID 572, 577; *but see* R. 39, PID 627.)

The ABPA has not established a necessary premise of its argument: that the “matter of concern” inquiry is constrained to the perspective of a vehicle owner *at the time* that she is buying a replacement body part, as opposed, for example, to the time she initially buys the truck. None of the ABPA’s legal authorities—*Gorham Manufacturing Co. v. White*, 81 U.S. 511 (1871), the district court and Federal Circuit opinions in *Best Lock Corp. v. ILCO Unican Corp.*, or the district court and Sixth Circuit opinions in *Static Control Components, Inc. v. Lexmark Int’l, Inc.*—establish this premise. Moreover, there is authority to the contrary.

Starting with *Gorham*, the ABPA relies on this language: “[The acts of Congress which authorize the grant of patents for designs] manifestly contemplate[] that giving certain new and original appearances to a manufactured article may enhance its *salable value*, *may enlarge the demand for it*, and may be a meritorious service to the public.” 81 U.S. at 524–25 (emphasis added). The Court agrees with the ABPA that the references to “salable value” and “demand” suggest that in deciding whether a design is entitled to patent protection, a court should take into account whether design plays a role in consumers’ purchase decisions. (*See* Case No. 15-10394, R. 104, PID 5582–83.) But even if a consumer’s valuation of the design is key to deciding whether the design is a matter of concern, it does not follow that it is only the consumer’s perspective when she seeks to replace the product with the patented design that matters. After all, an article’s design may have been the very reason the consumer bought the article in the first place. Or, at least, a reason.

The two *Best Lock* opinions also do not help the ABPA establish that the design of an auto-body part is a matter of concern only if it is a matter of concern when the auto-body part is

being replaced. The design patent in *Best Lock* covered a unique-looking key blade (the portion of a key that is inserted into a lock). 94 F.3d 1563, 1564–65 (Fed. Cir. 1996). Although the district court found that the blade’s design was not “a matter of concern to a purchaser,” it did so by finding that the design of the blade was *never* a matter of concern to the purchaser: “Ornamentation, or the aesthetic quality of this design, is not a matter of concern during either the use of the product *or at the time the key or lock is purchased*. . . . There is no evidence that at *any time* in the commercial process the appearance of the cross-section of the key or keyway represented a matter of ornamental concern to the purchaser or the user.” 896 F. Supp. 836, 843 (S.D. Ind. 1995) (emphases added). In other words, the district court in *Best Lock* did not limit the matter-of-concern inquiry to when a lost key might need to be replaced (at which point design would obviously not be a matter of concern because the lock owner needs the one key that will open his lock). And, as will be discussed below, the Federal Circuit’s holding did not depend on whether the key blade design was a matter of concern to purchasers. *See Best Lock*, 94 F.3d at 1566.

That leaves the ABPA with the two *Static Control* opinions. Neither establish the premise missing from the ABPA’s matter-of-concern argument. *Static Control* involved a patent for the design of a toner cartridge. 697 F.3d 387, 421 (6th Cir. 2012). As in *Best Lock*, the district court in *Static Control* found that the appearance of the cartridges were “of no matter of concern during those cartridges’ *entire existence*—beginning after completion of manufacture or assembly and ending with the ultimate destruction, loss, or disappearance of those cartridges.” 487 F. Supp. 2d 830, 839 (E.D. Ky. 2007) (emphasis added). And the Sixth Circuit’s reasoning largely tracked that of the district court. *See* 697 F.3d at 422.

In short, none of *Gorham*, *Best Lock*, or *Static Control* limit the matter-of-concern inquiry to the consumer's thought process when she is replacing an article with a patented design. As such, the ABPA has not established a necessary premise of its matter-of-concern argument.

And, in fact, there is binding precedent that strongly supports a finding that designs for auto-body parts pass the matter-of-concern test for patent eligibility. At issue in *In re Webb* was whether the design for an artificial femur was eligible for patent protection. 916 F.2d 1553, 1555 (Fed. Cir. 1990). The patent examiner and appeal board thought not, reasoning that the femur, once placed inside the body, would never be seen and thus its aesthetic was of no concern to anyone. *Id.* at 1556. The Federal Circuit rejected this argument. It acknowledged that "replacement items" (like a vacuum cleaner's rotary brush) are either sold by part number or at most viewed to assess whether they will do the job; thus, how these items look are of no concern to consumers. *Id.* at 1558. But the Federal Circuit pointed out that the design of other items (like a casket or artificial femur), while of no concern in their ultimate use, are of concern when marketed. *Id.* at 1558. Thus, the Court held, "the inquiry must extend to whether *at some point in the life of the article* an occasion (or occasions) arises when the appearance of the article becomes a 'matter of concern.'" *Id.* at 1557 (emphasis added).

In re Webb closes the door (or hood) on the ABPA's matter-of-concern argument. Even if Ford had not produced considerable evidence on the point (*see* Case No. 15-10394, R. 99, PID 4455–59), it is beyond reasonable debate that the design of an auto-body part is important to consumers at least when they are deciding which car to buy. In other words, the look of the vehicle matters or, in patent parlance, is a matter of concern.

2.

The ABPA also argues that the designs protected by the '299 and '685 patents are not “ornamental” under § 171 because the designs were “dictated by function.”

Like the matter-of-concern test for design-patent eligibility, the dictated-by-function test captures a simple concept: if an article had to be designed a certain way for the article to function, then the design does not deserve patent protection. *See Ethicon Endo-Surgery, Inc. v. Covidien, Inc.*, 796 F.3d 1312, 1328 (Fed. Cir. 2015). This is for two related reasons. One: the point of granting monopolies on designs is to encourage people to come up with innovative ones. *See Donald S. Chisum*, 8 *Chisum on Patents* § 23.03[4] at 23–38 (2016). But if a design was dictated by how the article works, then the design is more byproduct than innovation. *See Avia Grp. Int'l, Inc. v. L.A. Gear California, Inc.*, 853 F.2d 1557, 1563 (Fed. Cir. 1988) (“When function dictates a design, protection would not promote the decorative arts, a purpose of the design patent statute.”), *abrogated on other grounds by Egyptian Goddess, Inc. v. Swisa, Inc.*, 543 F.3d 665 (Fed. Cir. 2008). Two: if a design patent could protect a design dictated by the article’s function, then the holder of a design patent would effectively be granted a monopoly on the function without having to clear the hurdles for obtaining a *utility* patent, i.e., the monopoly on function would be unearned. *See Chisum, supra*, § 23.03[4].

The ABPA asserts that several functions dictate the designs covered by the '299 and '685 patents. For one, the ABPA says that the designs for the hood and headlamp are dictated by the need to physically fit onto the F-150, including mating with the surrounding body parts and connecting to the truck’s frame. (*See* R. 39, PID 572; R. 51, PID 1031; Case No. 15-10394, R. 104, PID 5587.) For another, the ABPA says that the designs are dictated by the need to match the F-150’s overall aesthetic. (*See* R. 39, PID 572; R. 51, PID 1031; Case No. 15-10394, R. 104,

PID 5587.) And the ABPA implies that insurance provisions and government regulations dictate the designs of the hood and headlamp. (*See* R. 39, PID 572.)

Taking this last point first, the cases the ABPA cites are inapposite. In *Application of Carletti*, 328 F.2d 1020, 1021–22 (C.C.P.A. 1964), the court did find that the gasket was designed to meet military specifications but it also found that the design was simply not for aesthetics: “[i]t seems naive in the extreme to believe that anyone would try to ‘ornament’ the rubber gasket on the under side of the bung cap for a gasoline drum.” As for *Shop*TV, Inc. v. Bed Bath & Beyond, Inc.*, No. 09CV00057, 2010 WL 427782 (D. Colo. Jan. 19, 2010), the district court later withdrew its adoption of that report and recommendation because the case settled. *See* 2010 WL 582165. And legal authority aside, ABPA has no evidence that insurance provisions or government regulations are so restrictive that auto manufacturers cannot chose how to design their trucks’ hoods or headlamps. Indeed, a stroll through a used-car lot (or autotrader.com) reveals just the opposite.

The ABPA’s aesthetic-functionality argument has more merit. Indeed, it has been accepted in trademark law. Take *Deere & Co. v. Farmhand, Inc.*, 560 F. Supp. 85 (S.D. Iowa 1982), for instance. There, John Deere’s claim of trademark infringement rested in part on the fact that a competitor had painted its loaders—a bulldozer-like part that attaches to the front of a tractor—“John Deere green.” *See id.* at 88–89. While farm-equipment consumers might well have associated the distinct shade of green with John Deere, the court found that the color could still not serve as a trademark because the color was aesthetically functional. *Id.* at 96–99. In particular, farmers testified that matching the loader’s color with their tractor’s color was an important factor in choosing which loader to buy. *Id.* at 91, 98. The ABPA implies that the situation in this case is similar: just like “John Deere green” allowed one part of the tractor (the

loader) to match the aesthetic of the tractor as a whole, Ford’s designs allow the hood and headlamp to match the aesthetic of the truck as a whole. (*See* R. 39, PID 572; Case No. 15-10394, R. 104, PID 5588.)

For at least three reasons the Court declines to import the aesthetic-functionality doctrine from trademark law to design-patent law.

First, no court has done so. This despite that both trademarks and design patents have coexisted for well over a century.

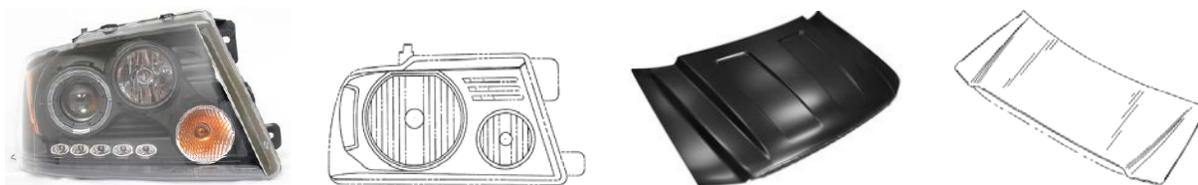
Second, trademark law and patent law serve different purposes. By ensuring that a mark is associated with a particular source, trademark law simultaneously encourages the mark holder to make high-quality goods and discourages competitors from selling poor-quality goods under the guise of the mark. *See Qualitex Co. v. Jacobson Prod. Co.*, 514 U.S. 159, 164 (1995). In other words, “by protecting a firm’s reputation,” trademark law “seeks to promote competition.” *Id.* at 164. In contrast, patents inhibit competition. *Schering-Plough Corp. v. F.T.C.*, 402 F.3d 1056, 1065–66 (11th Cir. 2005) (“By their nature, patents create an environment of exclusion, and consequently, cripple competition.”); *see also Dawson Chem. Co. v. Rohm & Haas Co.*, 448 U.S. 176, 215 (1980); *Retractable Techs., Inc. v. Becton Dickinson & Co.*, 842 F.3d 883, 893 (5th Cir. 2016). Yet the “policy predicate for the entire [trademark] functionality doctrine stems from the public interest in enhancing competition.” *Keene Corp. v. Paraflex Indus., Inc.*, 653 F.2d 822, 827 (3d Cir. 1981).

Third, there is greater reason for trademark law to be concerned with functionality (aesthetic or otherwise) than design-patent law. If a trademark could protect function, the mark holder would gain a *perpetual* monopoly over the product’s function without clearing the hurdles for obtaining *any* patent—utility or design. *See Qualitex*, 514 U.S. at 165; *Keene*, 653 F.2d at

824. In contrast, those seeking a design patent must clear at least some hurdles related to novelty. And the term of monopoly is limited to 15 years. Thus, the inequity of a design patent protecting the aesthetically functional aspect of an article is simply not as great as a trademark doing so.

In short, the ABPA has not persuaded the Court that a design is not entitled to patent protection if it performs an aesthetic function (like matching the aesthetic of a hood to the aesthetic of an F-150).

That leaves the ABPA’s claim that the designs of the ’299 and ’685 patents are dictated by their need to physically fit the F-150. But the need for the hood and headlamp to mate with surrounding parts and truck frame only restricts the pool of available designs in a limited way. Those who buy trucks for their looks can imagine a dozen hood and headlamp designs that would physically fit the existing structure of the F-150. But one does not have to imagine because Ford has found real-life examples:



Performance Part ’685 patent, Fig. 2. Performance Part ’299 patent, Fig. 1.

(Case No. 15-13094, R. 99, PID 4639–40, 4678–4707, 4714–29.) The fact that there are “performance parts,” i.e., alternative hood and headlamp designs that both perform their intended function and fit the F-150, strongly suggests that the designs are not dictated by function. *See Ethicon Endo-Surgery, Inc. v. Covidien, Inc.*, 796 F.3d 1312, 1329–30 (Fed. Cir. 2015) (“We have not mandated applying any particular test for determining whether a claimed design is dictated by its function and therefore impermissibly functional. We have often focused, however,

on the availability of alternative designs as an important—if not dispositive—factor in evaluating the legal functionality of a claimed design.”).

The existence of performance parts also serves to distinguish this case from one of the ABPA’s principle cases that the Court said it would revisit: the Federal Circuit’s opinion in *Best Lock*. (See Case No. 15-10394, R. 104, PID 5590–92.) There, the patent holder argued that the design of the key blade was not dictated by function because there were “unlimited” key blade and corresponding lock designs. 94 F.3d at 1566. The Federal Circuit rejected this argument. It noted that the patent was not directed to key-and-lock combination but just a key blade. *Id.* And, said the Court, there was exactly one key blade that would physically fit the corresponding lock. *Id.* So the blade had to be designed as shown in the patent or it would not serve its intended function. *Id.* Here, the existence of performance parts demonstrates that the designs claimed in the ’299 and ’685 patents are not necessary for the hood and headlamp to perform their intended functions.

In short, the ABPA has not persuaded the Court that the designs of the ’299 and ’685 patents are dictated by function.

3.

That leaves the ABPA’s policy-based arguments for invalidity.

For one, the ABPA claims that design patents are premised on a *quid pro quo*: in exchange for a monopoly on its design, the patent holder contributes to the decorative arts. (R. 39, PID 574–75.) The ABPA thinks that Ford has not kept up its end of the bargain because “design patent protection for automotive repair parts does not promote the decorative arts or provide other public benefits.” (R. 39, PID 575.) But it appears that the basis for this last

statement is that auto-body part designs are dictated by function or of no concern to consumers. As the Court has rejected these two arguments, the policy argument must be rejected too.

The ABPA also says that if Ford is allowed to protect its designs for F-150 body parts it is allowed “double recovery”: once when the truck is sold, and then again when the truck is repaired. (R. 39, PID 575.) But the ABPA has no evidence that the revenue Ford receives by selling (or licensing LKQ to sell) replacement body parts does not lower the initial sale price of the vehicle. In any event, if the designs are “ornamental” within the meaning of § 171, then it is for Congress, not this Court, to address any “double recovery” issues.

The ABPA further identifies a “practical problem that would arise if design patents on automotive repair parts are not held invalid.” (R. 39, PID 576.) It refers to the fact that patents give their holders the right to exclude others from using the patented design so, if Ford wanted, it could decide not to sell any replacement body parts itself and further decide to preclude anyone else from doing so. (*Id.*) The result: “if an owner wants an original design, then the owner has to purchase a new vehicle.” (*Id.*) But the ABPA offers no evidence to suggest that Ford has any plans to force its customers to purchase a new vehicle every time a customer’s vehicle sustains significant body damage. And there are good reasons to think Ford has no such plans: General Motors, Toyota, Volkswagen, Nissan, Fiat-Chrysler, Honda, etc.

* * *

In sum, the ABPA has not persuaded the Court (by clear and convincing evidence or otherwise) that Ford’s design patents covering the F-150 hood and headlamp are invalid.

C.

In the alternative, the ABPA argues that the ’299 and ’685 patents are unenforceable against ABPA members under the doctrine of patent exhaustion. The Court is unpersuaded.

Like the doctrines discussed so far, the patent exhaustion captures a relatively straightforward concept. Included in a patent holder’s bundle of rights are the rights to exclude others from selling or using an item covered by her patent. *See* 35 U.S.C. §§ 154, 171. But when she sells (or authorizes another to sell) the patented item, she has reaped her reward, and so all patent rights to that one item are “exhausted.” *See Bowman v. Monsanto Co.*, 569 U.S. 278, 283–84 (2013). In other words, the authorized sale “confers on the purchaser, or any subsequent owner, the right to use or sell the [item] as he sees fit.” *Id.* at 283 (internal quotation marks and alteration omitted). And the purchaser’s right to use the patented item includes the right to use it for its lifetime, *Adams v. Burke*, 84 U.S. 453, 455 (1873), so the doctrine of patent exhaustion also grants the purchaser of a patented item the right to repair it, *Standard Havens Prod., Inc. v. Gencor Indus., Inc.*, 953 F.2d 1360, 1376 (Fed. Cir. 1991). And the right to repair the patented item “includes the right to purchase repair parts.” *Standard Havens*, 953 F.2d at 1376.

For example, suppose a company holds a patent that covers a knitting machine (but has no patents covering any individual part of the machine). If the company sells the patented machine, the machine’s owner can use the machine and, if it breaks, repair the machine without worry that he is violating the patent-holder’s rights. *See Jazz Photo Corp. v. Int’l Trade Comm’n*, 264 F.3d 1094, 1102–03 (Fed. Cir. 2001), *other grounds abrogated by Impression Prod., Inc. v. Lexmark Int’l, Inc.*, 137 S. Ct. 1523 (2017). And the machine’s owner may even repair the machine by replacing worn out parts, say the knitting machine’s needles, with new ones. *Cf. Wilson v. Simpson*, 50 U.S. 109, 125–26 (1850).

But exhaustion has its limits. The authorized sale of a patented item permits the owner to sell and use the one item that he purchased—not to make a replacement should that one item be destroyed. *See Bowman*, 569 U.S. at 283–84. In other words, “the [exhaustion] doctrine restricts

a patentee's rights only as to the 'particular article' sold; it leaves untouched the patentee's ability to prevent a buyer from making new copies of the patented item." *Id.* at 284 (internal citations omitted).

A second example helps illustrate this rule. In *Aiken v. Manchester Print Works*, a company held a patent that covered unique needles for a knitting machine. *See* 1 F. Cas. 245 (C.C.D.N.H. 1865). As the company's sale of a knitting-machine-with-needles bundle exhausted the company's patent rights to the needles, the purchaser of the bundle could use the needles and repair them (say by straightening out a bend). *Id.* at 247. But the *Aiken* court held that the purchaser of the bundle was not permitted to make replacement needles. *Id.* In reaching its conclusion that the machine could not be repaired by replacing worn out needles with new ones, the court explicitly distinguished the first example provided above, i.e., where a patent covered the knitting machine but no patent covered just the needles. *See id.* (distinguishing *Wilson v. Simpson*, 50 U.S. 109 (1850)). The Supreme Court long ago approved of the reasoning of *Aiken*, *see Morgan Envelope Co. v. Albany Perforated Wrapping Paper Co.*, 152 U.S. 425, 434–36 (1894), and the Federal Circuit says that the venerable case is still the law, *see Helferich Patent Licensing, LLC v. N.Y. Times Co.*, 778 F.3d 1293, 1304 (Fed. Cir. 2015).

These settled rules and accompanying illustrations show that the ABPA's exhaustion defense fails as a matter of law. In the ABPA's view, when Ford sells an F-150, its rights in the '299 and '685 are exhausted. (R. 39, PID 583–84.) So, says the ABPA, when an F-150 is damaged in an accident, the owner of the F-150 has the right to repair it. (R. 39, PID 584.) Thus, according to the ABPA, the owner may replace the hood and headlamps on the vehicle by making new ones or by having new ones made for her. (*See* R. 39, PID 584–85.) The problem with the ABPA's argument is that the F-150 is just like the knitting machine in *Aiken* and its

hood (or headlamp) is just like the needles in *Aiken*. The patents at issue cover the design for those two parts—not the design for the truck as a whole—so while the authorized sale of an F-150 permits the owner to use and repair her hood and headlamp, it does not permit her to make unauthorized replacements or have replacements made for her.

The ABPA responds that *Aiken* involved a utility patent while this case involves design patents. And, says the ABPA, while utility patents are *for* an article of manufacture, design patents are *for a design for* an article of manufacture. Compare 35 U.S.C. § 101, with 35 U.S.C. § 171. Thus, the ABPA claims, while a utility patent can only protect an item, a design patent can protect the design for a *portion* of an item. (R. 51, PID 1034; Case No. 15-10394, R. 104, PID 5597); *see also Application of Zahn*, 617 F.2d 261, 268 (C.C.P.A. 1980) (“While the [patented] design must be embodied in some articles [of manufacture], the statute is not limited to designs for complete articles[] or ‘discrete’ articles[.]”). From the ABPA’s perspective then, a patent protecting a design for one item “is the same as” a patent protecting the design for a portion of a larger item that includes the other item. (R. 39, PID 589; Case No. 15-10394, R. 104, PID 5600.) As applied to this case, while the ’299 and ’685 patents protect the design for the hood and headlamp for an F-150, that is the same as protecting the design for a *portion* of the F-150. (*See id.*) According to the ABPA, this is different than in *Aiken* where the patent at issue protected an item, i.e., the needles. (*See id.*) And, says the ABPA, this difference means that exhaustion permits repair of the F-150 (not just repair of the hood and headlamps), including by replacing the truck’s hood and headlamps. (*See id.*)

There is no case dividing patent law this way—i.e., creating separate exhaustion doctrines for utility and design patents. Indeed, in *Aiken*, the needles were not only their own item but also a necessary part of another: the knitting machine. And so while the needle patent

could be viewed as covering one entire item (a needle), it could also be viewed as covering a *portion* of an item that incorporates the other (the knitting machine).

And if there were a case where the ABPA's distinction would warrant creating separate exhaustion doctrines for utility and design patents, this is not that case. Like the multi-component machine with a patented part in *Aiken*, the F-150 body is comprised of multiple components with patented parts. This is not a case dealing with a unitary vehicle body, a portion of which is protected by a design patent. In the event of an accident, F-150 owners do not need to replace the entire vehicle body as if it were a one-piece shell. They can instead replace separate body parts. But, as in *Aiken*, they must do so subject to Ford's patent rights on those parts.

In short, under the long-standing limits on the doctrine of patent exhaustion, the mere purchase of an F-150 does not convey to the owner the right to make new auto-body parts covered by Ford's design patents. It follows that the owner lacks the right to have those parts made for her by ABPA members. The ABPA's exhaustion defense thus fails as a matter of law.

IV.

For the foregoing reasons, the Court finds that this case is not presently moot and thus DENIES Ford's motion to dismiss (R. 61). The Court further finds that the ABPA has not shown that U.S. Patent Nos. D489,299 and D501,685 are invalid because the designs they protect fall outside the scope of 35 U.S.C. § 171 or that those two patents are unenforceable against ABPA members because they become exhausted when Ford sells F-150 trucks. It follows that the ABPA's motion for summary judgment (R. 39) is DENIED.

Moreover, having considered two full sets of briefing on the ABPA's two affirmative defenses, which is the entirety of the ABPA's declaratory-judgment complaint, the Court intends to enter judgment in favor of Ford for the reasons set forth in this opinion and pursuant to Rule

56(f)(1). While Ford has not moved for summary-judgment in this case, it has in the case that was formerly before this Court and now pending before a federal court in Northern Texas. And New World—which is represented by the same counsel as the ABPA—responded to that motion and, at the parties’ urging, this Court considered that response and addressed those arguments in writing this opinion. Discovery in this case closed over a year ago (R. 35, PID 551), and both parties’ have indicated, if not outright said, that ABPA’s two defenses could be decided as a matter of law. The Court thus sees no basis for further argument on the ABPA’s claims of invalidity and unenforceability.

SO ORDERED.

Dated: February 20, 2018

s/Laurie J. Michelson
LAURIE J. MICHELSON
U.S. DISTRICT JUDGE

CERTIFICATE OF SERVICE

The undersigned certifies that the foregoing document was served upon counsel of record and any unrepresented parties via the Court’s ECF System to their respective email or First Class U.S. mail addresses disclosed on the Notice of Electronic Filing on February 20, 2018.

s/Keisha Jackson
Case Manager

FORM 30. Certificate of Service

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

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