

NOVEMBER 17, 2006

## PHG Techs., L.L.C. v. St. John Cos.

No. 06-1169, Federal Circuit (Michel, Dyk, Prost)

***[T]o defeat the injunction on grounds of potential invalidity, ... the party bearing the burden of proof on the issue at trial, must establish a substantial question of invalidity.***

On November 17, 2006, the Federal Circuit vacated the district court's preliminary injunction enjoining St. John from infringing U.S. Patents No. D496,405 and No. D503,197, which related to ornamental designs for label patterns for medical label sheets. The Federal Circuit stated:

A decision to grant or deny a preliminary injunction is based on the district court's consideration of four factors: "(1) the likelihood of the patentee's success on the merits; (2) irreparable harm if the injunction is not granted; (3) the balance of hardships between the parties; and (4) the public interest." "Our case law and logic both require that a movant cannot be granted a preliminary injunction unless it establishes both of the first two factors, i.e., likelihood of success on the merits and irreparable harm." In order to establish the first preliminary injunction factor, PHG must show that it will likely prove that St. John infringes the '405 and '197 patents. However, in order to defeat the injunction on grounds of potential invalidity, St. John, as the party bearing the burden of proof on the issue at trial, must establish a substantial question of invalidity....

"Whoever invents any new, original and ornamental design for an article of manufacture may obtain a patent therefore, subject to the conditions and requirements of this title." [A] design patent is directed to the appearance of an article of manufacture. "If the patented design is primarily functional rather than ornamental, the patent is invalid." The design of a useful article is deemed to be functional when "the appearance of the claimed design is 'dictated by' the use or purpose of the article."

"[T]he determination of whether the patented design is dictated by the function of the article of manufacture must ultimately rest on an analysis of its overall appearance." "The presence of alternative designs may or may not assist in determining whether the challenged design



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can overcome a functionality challenge. Consideration of alternative designs, if present, is a useful tool that may allow a court to conclude that a challenged design is not invalid for functionality.” “When 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.”

[A] full inquiry with respect to alleged alternative designs includes a determination as to whether the alleged “alternative designs would adversely affect the utility of the specified article,” such that they are not truly “alternatives” within the meaning of our case law. In this case, while the district court relied exclusively on its finding that there were a multitude of alternative designs, the court did not make any findings with respect to whether any of the alternatives would adversely affect the utility of the medical label sheet. One might presume that the district court’s findings with respect to alternatives implicitly include the additional finding that the alternatives did not adversely affect the utility of the medical label sheet. The difficulty in doing so in this case, however, is that the district court makes no reference to St. John’s evidence that the overall arrangement of the labels on the medical label sheet was dictated by the use and purpose of the medical label sheet and that alternative designs lacking that arrangement would adversely affect the utility of the sheet....

While a district court’s determination as to whether a design is primarily ornamental is reviewed for clear error, in this case there is no explicit finding by the court on whether the alleged alternatives are in fact functionally equivalent (i.e., that the alternatives do not adversely affect the utility of the medical label sheet), or any mention or finding whatsoever with respect to the evidence [which] in our view, was sufficient to raise a substantial question of invalidity....

Further, we reject PHG’s assertion that St. John’s analysis focuses solely on the individual features of the designs rather than their overall appearance. [I]n order to maximize the efficient use of space on the sheet, the location and number of the medical chart and record labels is dictated by the placement of the wristband-sized labels at the bottom of the sheet. St. John’s evidence thus directly pertains to, and is sufficient to raise a substantial question with respect to, whether the overall appearance of the patented designs is “dictated by” the medical label sheet’s use and purpose. Because St. John has satisfied its burden of raising a substantial question of invalidity, the district court’s finding that PHG was likely to show that the patented designs were primarily ornamental is clearly erroneous.

For more information on these issues or other intellectual property law matters, please contact **Lawrence M. Sung, Ph.D.** at [lsung@nixonpeabody.com](mailto:lsung@nixonpeabody.com) or 202-585-8221.

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