



## Court of Appeals for the Federal Circuit Scraps “Point of Novelty” Infringement Analysis

On September 22, 2008, the *en banc* Court of Appeals for the Federal Circuit (“CAFC”) upheld a District Court’s finding of non-infringement of U.S. Design Patent No. D467,389 (the “389 patent”) in *Egyptian Goddess, Inc. v. Swisa, Inc.*, (Appeal No. 2006-1562, September 22, 2008). At issue was a four-sided nail buffer having raised buffer pads on three sides. The defendant’s nail buffer, and other prior art nail buffers have raised buffer pads on all four sides. This distinction sufficiently precluded a finding that the design patent was infringed.

In the underlying decision of non-infringement, the district court applied the “point of novelty” test for infringement analysis, which focused “on those aspects of a design which render the design different from prior art designs” (citing *Sun Hill*

*Indus., Inc.*, 48 F.3d at 1197, quoting *Winner Int’l Corp. v. Wolo Mfg. Corp.*, 905 F.2d 375, 376 (Fed. Cir. 1990). The District Court described “in words” the claimed design, and identified aspects of the design that rendered the design distinct from the prior art.

The CAFC *Egyptian Goddess* decision is significant because the court abandoned the “point of novelty” test that was applied by the District Court, and had been previously endorsed by a panel of the CAFC. The court held instead, that the “ordinary observer test” should be applied to determine whether a design patent is infringed. Citing to the ordinary observer test discussed in the historic U.S. Supreme Court decision, *Gorham v. White*, infringement will be found when the accused article “embod[ies] the patented design” (citing *Goodyear Tire & Rubber Co.*, 162 F.3d at 1116-1117).

Even though the CAFC stated that it abandoned the “point of novelty” test, it also stated that a comparison of the claimed design with the prior art may still be required. The court pointed out that when the claimed design and accused article are not “plainly dissimilar,” then the question is whether an “ordinary observer would consider the two designs to be substantially the same” (*Egyptian Goddess*, Slip Op. at 22). The basis of such a consideration includes a “comparison of the claimed and accused designs with the prior art” (*Id.*).



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## District Court Rejects Tiffany's Expansive Trademark Infringement Claims

In a closely watched case brought by luxury retailer Tiffany against the online marketplace eBay in the U.S. District Court for the Southern District of New York, Judge Richard J. Sullivan ruled that eBay does not have a legal responsibility to prevent its users from selling counterfeit items through its site. *Tiffany (NJ) Inc. and Tiffany and Company v. eBay, Inc.*, 04 Civ. 4607.

Tiffany brought suit in 2004 against eBay under several theories, including direct and contributory trademark infringement, unfair competition, false advertising and direct and contributory trademark dilution, on the basis that eBay facilitated and allowed hundreds of thousands of counterfeit jewelry items to be sold through its site. As the District Court noted, the heart of the dispute was not whether counterfeit Tiffany jewelry should flourish on eBay, but rather, who should bear the burden of policing Tiffany's name and marks.

With respect to Tiffany's claims of false advertising, unfair competition, direct trademark infringement and trademark dilution, the court held that eBay's use of Tiffany's marks in its advertising (including the purchase of sponsored links from Yahoo and Google) was a nominative fair use, because some eBay sellers sell genuine Tiffany products, and because the use did not suggest endorsement by Tiffany.

Regarding contributory trademark infringement, the court followed the U.S. Supreme Court's decision *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844 (1982), and held that the standard for contributory trademark infringement "is not whether eBay could reasonably anticipate possible infringement, but rather whether eBay continued to supply its services to sellers when it knew or had reason to know of infringement by those sellers."

The evidence produced at trial demonstrated

that eBay had "generalized" notice that some of the Tiffany goods sold on its web site might be counterfeit. Tiffany argued that this generalized knowledge required eBay to remedy the problem preemptively at the very moment it knew or had reason to know that the infringing conduct was generally occurring. Judge Sullivan concluded, however, that such generalized knowledge as to counterfeiting on its web site was insufficient under the *Inwood* test to impose upon eBay an affirmative duty to remedy the problem, especially given the presence of numerous authentic Tiffany goods on eBay. Tiffany asserted that it should have been apparent that any eBay seller offering five or more Tiffany items was almost certainly offering counterfeit merchandise. However, the district court found that there was little support for the notion that the "five-or-more rule" presumptively demonstrated the presence of infringing items.

Judge Sullivan also rejected Tiffany's argument that eBay was willfully blind to evidence of infringement on its web site, noting that the evidence established that when eBay had general knowledge of counterfeiting on its website, it took reasonable steps to investigate and stop that wrongdoing through general antifraud measures, and that when it had knowledge of specific infringing listings, it promptly terminated those listings. Tiffany argued that eBay had generalized knowledge of the infringing activity due to Tiffany's cease and desist letters, data collected by Tiffany based on purchases it made of items for sale on eBay, and buyer complaints to eBay, and Tiffany argued that this generalized knowledge was sufficient to meet the "knowledge or reason to know" standard in *Inwood*. However, the court said "while eBay clearly possessed general knowledge as to counterfeiting on its web site, such generalized knowl-

## *In Personam*

OSTROLENK FABER is pleased to announce the addition of A. Gregory Gibbs as the firm's newest associate attorney.

Greg has a broad range of litigation, patent prosecution, opinion work and client counseling experience. His experience covers a diverse array of technological fields, including biotechnology, pharmaceuticals, telecommunications, mechanical devices and electronics, with an emphasis on litigating software and e-commerce matters. He has litigated cases in federal and state courts throughout the United States and has handled matters at the appellate level, including before the Second Circuit and the Federal Circuit.

He received both his J.D. and L.L.M. (international and comparative law) degrees from Duke University School of Law. While there, he served as Senior Editor of the Alaskan Law Review.

He has a master's degree from the Neuroscience Program at Princeton University (Department of Psychology). He graduated with honors with bachelor's degrees in biopsychology



and film from the University of California at Santa Barbara.

Greg is admitted to practice in the Southern and Eastern Districts of New York, the Second Circuit, the state of New York, and as a patent attorney before the United States Patent and Trademark Office.



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While in a typical patent infringement case, the burden of proving infringement is on the patentee, the CAFC however placed the burden on the accused infringer to produce the prior art from which the comparison between the accused design and the prior art can be made. The CAFC departed from requiring patentees to “introduce” prior art under the “point of novelty” test, to imposing a burden of production of prior art on accused infringers under the “ordinary observer” test. The Court reasoned that accused infringers would be motivated to point out close prior art that would cause an ordinary observer to recognize differences between the claimed design and the accused design, and to find non-infringement.

The CAFC’s decision in *Egyptian Goddess* can be viewed as favoring design patent owners because the Court eliminated an approach to determining design patent infringement that relies upon words to relying on a visual approach. Whenever words are used to describe a design, an accused infringer can distinguish its design using different words. This gives the verbal impression that two designs are distinct, when in fact they may be substantially similar or even identical. Further, the CAFC decision frees patentees from having to identify points of novelty that distinguish over prior art designs, and also burdens accused infringers to produce comparable prior art. This increases the likelihood that designs in total will be viewed in an infringement analysis, as opposed to focusing attention on one or two details in a design that might otherwise avoid a finding of infringement.

by Joel J. Felber, Senior Associate

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edge is insufficient under the *Inwood* test to impose upon eBay an affirmative duty to remedy the problem.” Absent evidence of specific knowledge, eBay could not be held liable under *Inwood*.

The court went on to say that even if such generalized knowledge was sufficient, Tiffany could not prove that eBay continued to supply its services to sellers who were infringing Tiffany’s marks, such that the second element of the *Inwood* test was not met. The court noted that when Tiffany used eBay’s notice and take-down procedure to specifically identify individual sellers, eBay acted quickly to remove the listing from its site. In addition, eBay took appropriate steps to stop infringing activity by suspending sellers after one, two or three notices had been filed, using software to identify fraudulent sales on its web site, having employees manually search the site for fraudulent transactions, providing space for rights holders to educate consumers about their brands and counterfeit products, issuing warnings to sellers who used certain terms to make sure the item for sale was authentic, and delaying the sale of certain branded items so that eBay employees could review the listings. The court also indicated that the question is not whether it is easier or cheaper for eBay to monitor for infringing uses because it is the trademark holder’s duty to protect its own rights by monitoring for infringement.

Tiffany has appealed the decision to the Court of Appeals for the Second Circuit. We will be closely monitoring developments in the case and publish any significant developments in upcoming editions.

by Sean P. McMahon, Associate Attorney