

# Valuation models for design patents

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Design patents have more potential for profit than meets the eye, says Mauricio Uribe of Knobbe Martens.

A critical role for legal professionals is advocacy regarding how intellectual property strategies can establish and support competitive advantages related to product development and technical innovation. Part of such advocacy also includes how intellectual property assets can form valuable assets in themselves.

Most companies have at least some general appreciation of how the federally granted exclusionary rights under patent procurement and enforcement serve a significant role in an IP strategy and IP valuation models. Most commonly known and understood is utility patent protection that provides exclusionary rights for ideas directed to functional aspects/improvements, often based on subject matter related to making something better, faster, cheaper, more efficient, etc.

However, design patent protection that provides often complimentary exclusionary rights directed to ornamental or aesthetic aspects of innovation can frequently provide key value in an IP strategy and portfolio.

Design patent protection (and its associated exclusionary rights) can apply to a variety of technologies and implementations, most notably, mechanical devices, consumer goods, computer interfaces, and the like.

Design patents are often characterised as providing narrower, or limited value, based on scope of protection (eg, direct copying) and duration of term (eg, 15 years—post 2015).

For example, commentary regarding the cons of design patent protection is often phrased as “if a competitor’s product looks different than the drawings in a design patent, then design patent protection won’t help.” While such legal paraphrasing is not necessarily incorrect, in some contexts, it can be misinterpreted as a negative factor for seeking design patent protection.

The sole test for determining whether a design patent has been infringed is the ordinary observer test. Under this test, “if, in the eye of an ordinary observer, giving such attention as a purchaser usually gives, two designs are substantially the same, if the resemblance is such as to deceive such an observer, inducing . . . purchase [of] one supposing it to be the other, the first one patented is infringed by the other.” (*Egyptian Goddess v Swisa*, Fed. Cir. 2008 [*en banc*] 76 PTCJ 724).

From a business valuation standpoint, the test for design patent infringement itself helps define the value in the exclusionary protection for designs that an “ordinary observer” would determine to be substantially similar.

To help draw out this point, by way of example, assume a company has created a set of user interfaces generated on one or more computing displays that share common design elements. From the consumer perspective, these design elements form the basis of the “look and feel” of the interfaces and can contribute to valuable, positive consumer sentiment and facilitate product recognition.

At least some portion of these design elements could be considered for protection under design patents, especially in marketplaces in which product recognition forms a key basis for product sales and consumer sentiment. Competitors lacking substantially similar elements may be perceived as inferior.

Marketing and sales materials can exploit this distinction. In another aspect, the development, by a competitor, of user interfaces would come with additional financial costs and legal risk based on attempting to implement key elements that were not substantially similar.

Design patent protection is typically associated with lower legal fees relative to utility patent protection and often faster time to issuance. As such, the potential for return on investment for a strategic design patent portfolio strategy will typically have a lower threshold than utility patent portfolio strategies.

And, in scenarios in which there may be an increased likelihood of copying of ornamental aspects of a product, design patent protection may be very effective; creating valuable assets for a company.

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