
United States District Court For The State Of Arizona: Design Patent Lessons from the \$2B Lawsuit Against Tesla Truck Designs

Nikola Corp. v. Tesla Inc. 2:18-cv-01344-GMS (D. Ariz. filed May 1, 2018)

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The suit, filed in Arizona District Court on April 30, 2018, alleges that certain newly-introduced large Tesla semi-trucks infringe upon design patents Nikola obtained on aspects of their alternative-fuel semi-trucks. Nikola seeks damages “estimated to be in excess of \$2 billion.”

In the pleading, the basic contention by Nikola is that Tesla semi-trucks are substantially similar to their truck designs – See Complaint, P. 4.

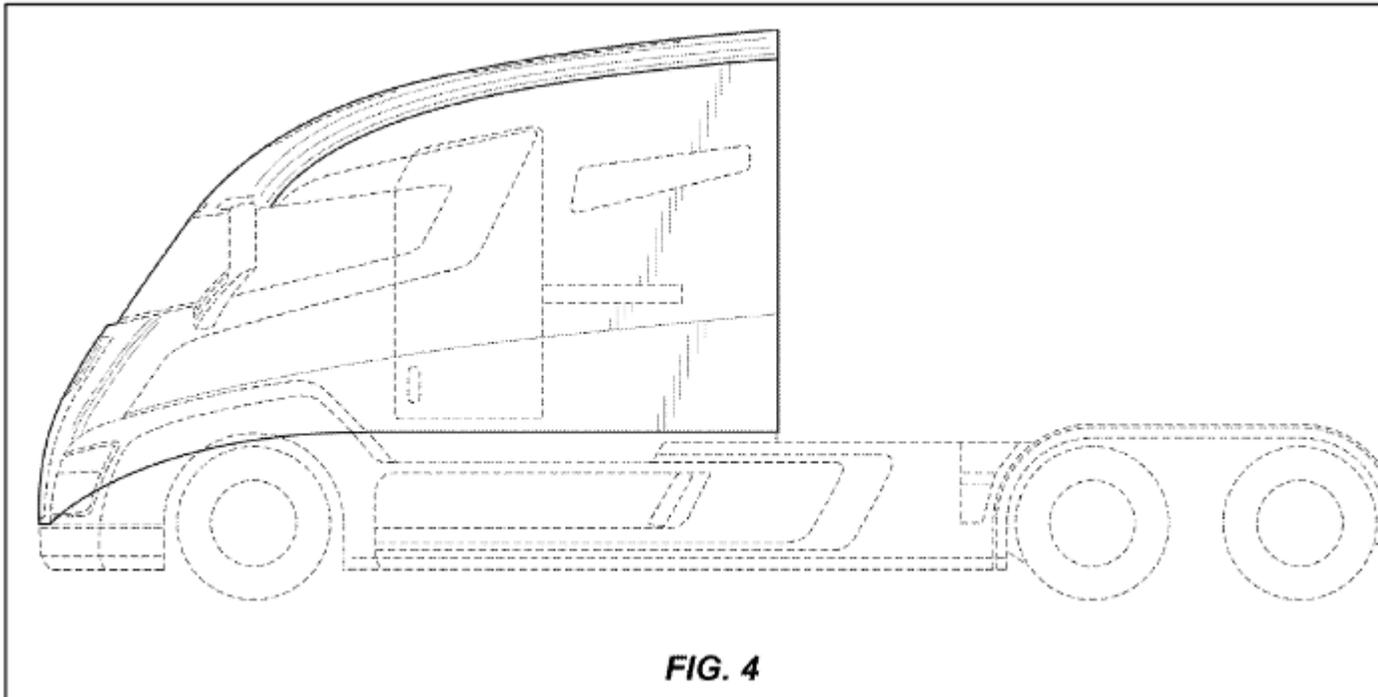


Nikola One

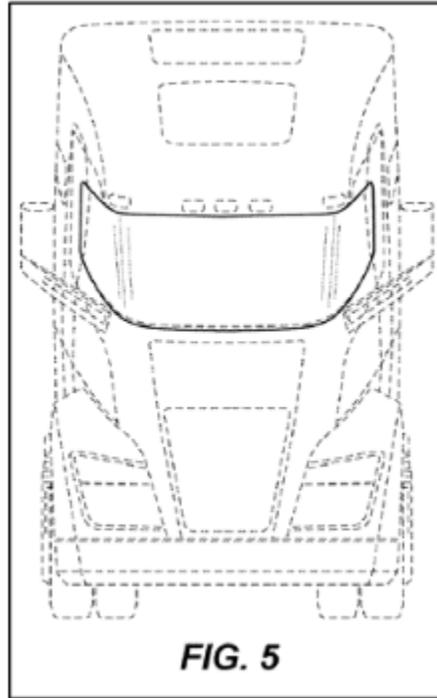


Tesla Semi

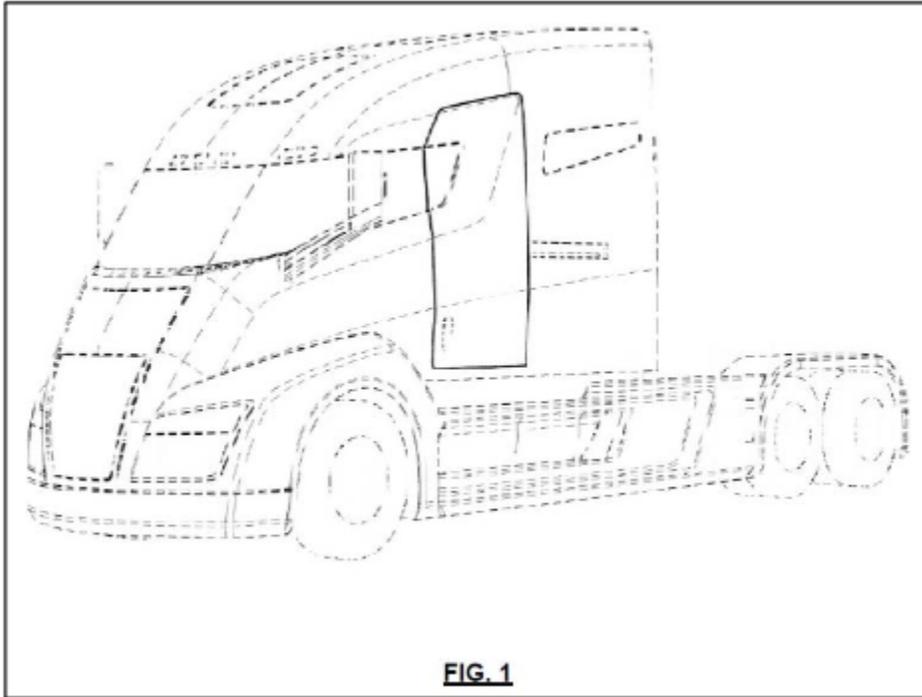
But Nikola’s actual infringement claim is based on three patents, U.S. Design Patent Nos. [D811,944](#), [D811,968](#) and [D816,004](#), where each claim a single distinct feature of the truck cab shown above. The ‘944 patent claims only the outer “fuselage” or profile of the cab, shown in solid lines below in one of the Figures from the patent, but does not claim any other features such as windshield, windows, doors, chassis—which are shown in broken lines below:



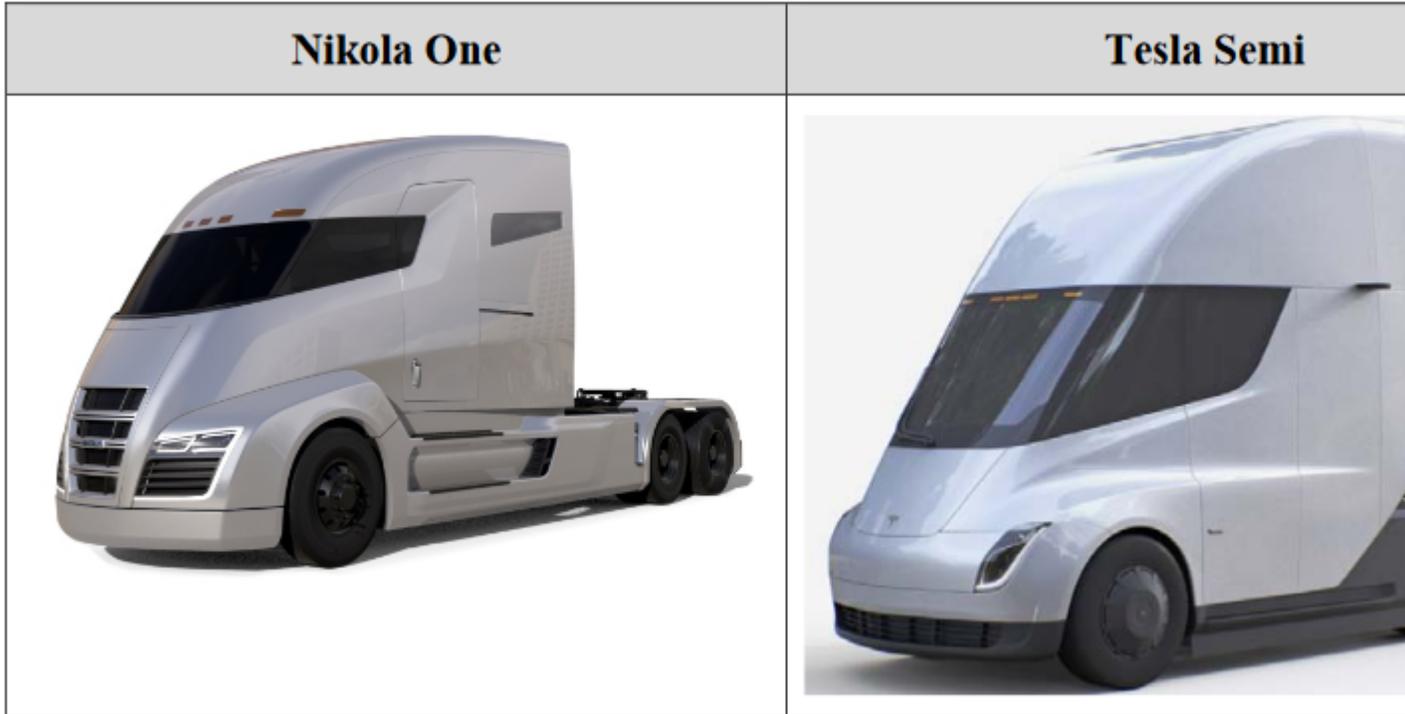
The ‘968 patent covers only the windshield portion of the cab, again as shown in solid lines in the Figure below from the patent:



Lastly, the '004 patent covers only the sidedoors of the cab:

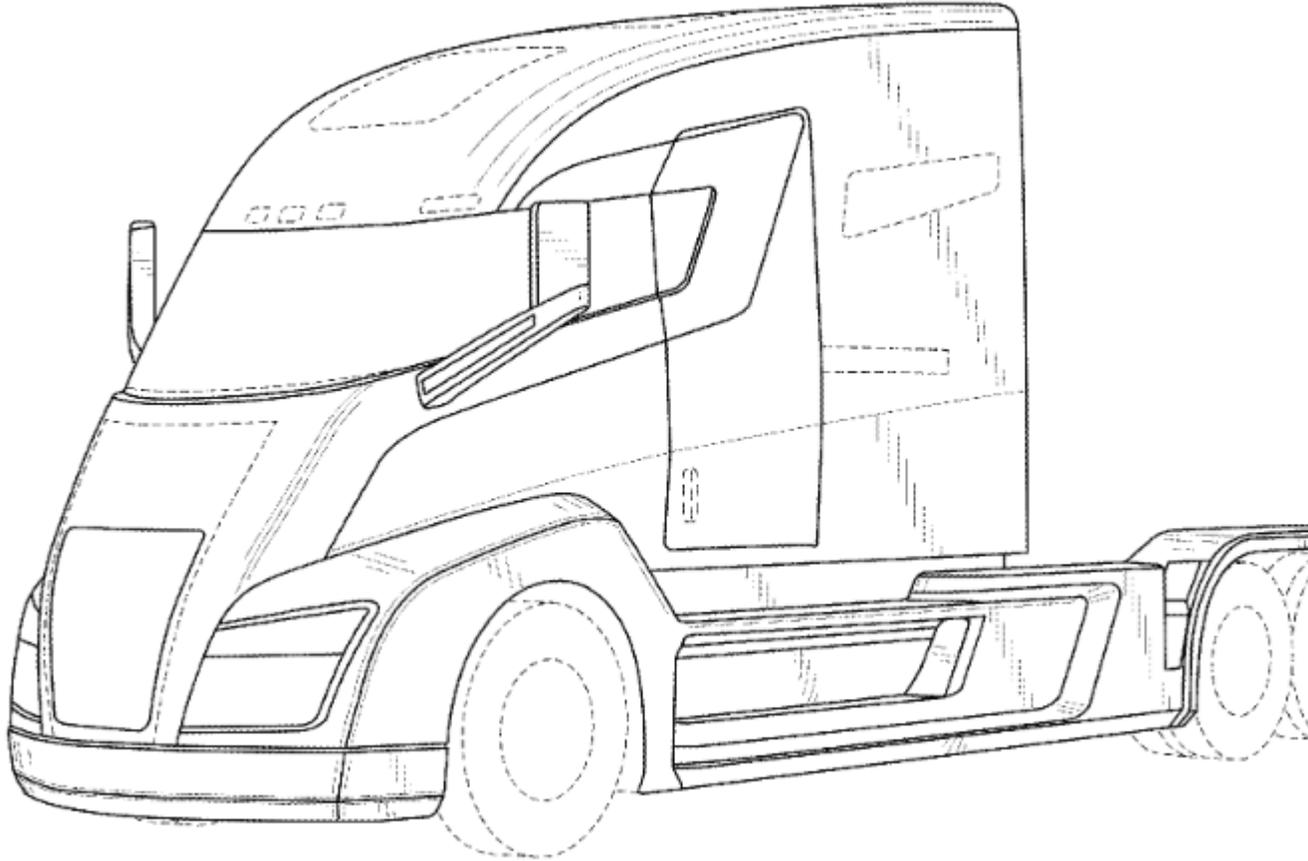


Nikola contends that Tesla engaged in copying of its overall cab design, stating in the complaint that the following side-by-side comparison reveals this:



However, the asserted design patents focus on singular and discrete elements of the cab, not the entirety of the cab design. Thus, the basis of comparison would not be the cab designs in their entireties, but only the similarities between those corresponding portions claimed in Nikola's asserted design patents.

Notably, Nikola stated in the complaint that it owns a design patent for "the overall semi-design." This is entitled "Semi-Truck" and it covers most of the truck cab:



D814,357 (issued April 3, 2018).

But this patent was not asserted in this action.

It seems clear that within this strategy lies some recognition that the cabs embody significant design differences, and that by making of issue only those specific features claimed by its asserted design patents, Nikola can remove dissimilar features from the infringement analysis.

The merits of the case await decision. But from a design patenting strategy standpoint, the pleading illustrates the benefits of using design patents to break down an overall design into sub-units that may be more similar to the design that each design patent claims.

The pleading also illustrates a number of other points worth considering.

- 1) Design patents may be the only viable form of protection available for designs of utilitarian articles.

As between the most generally available forms of protection—copyright, trademark (trade dress) and design patents—design patents are most readily available for protecting articles of manufacture that have utility, or are meant to be utilitarian in nature rather than purely artistic (although design patents can certainly cover artistic creations as well—the Statue of Liberty is a famous example of a design patent covering a sculptural creation).

Copyright will not typically protect utilitarian articles, including many fashion articles like shoes or handbags, unless they have sculptural or artistic features that are separable from the article (i.e., function and design are considered to “merge” and yield no copyrightable elements).

The trademark laws will also often not provide suitable alternative grounds for proceeding against infringements. Trademark rights in product design are considered “trade dress,” and the law requires a showing that the design has achieved distinctiveness (often called “secondary meaning”) to be protected as a mark. Such a showing is difficult to make for product designs that are new to the market. Moreover, if the design also reflects a superior functional attribute, or is more effective in carrying out its function than other available designs, that in itself can bar trademark protection. This principle is embodied in the “functionality” doctrine of trademark law (a complex issue that deserves its own extensive article).

Design patenting, which applies to any new, novel, and non-obvious article of manufacture, often is the best, and perhaps only, viable protection. Although design patents also may be barred on the basis of functionality, the case law is somewhat vague and it appears that the functionality doctrine is less applicable and is usually less likely to bar design patent rights than trade dress rights. The drawback with design patenting is that it must be sought quickly. Novelty of a design is destroyed by any public disclosure of the same design before filing (although an applicant has a one-year grace period in the U.S. to file its design patent application after its own first disclosure).

2) Design patents need not cover an entire article, but may cover portions, especially those more likely to be infringed.

As can be seen in the *Nikola* case, the design patents asserted are directed to singular features or elements of the truck, and these elements are the ones forming the basis for comparison with the accused infringing article. The above illustrates a useful strategy in obtaining design patents. Looking at the asserted patents in the *Nikola* case, separate claims were set out in each application putting

Nikola in a good position to proceed against infringements of just the fuselage, the door, or the windshield design, or other individual elements in other patents that may also have issued.

Unfortunately, U.S. practice does not normally permit multiple design claims of different scope to be patented together in the same application. Separate applications are typically required. But where individual features of a design may be more likely to show up in infringing articles, applications directed to such individual features can be quite useful as they would then avoid having to include extrinsic features of an article in the claim construction and infringement comparison—only those features that are subject to the specific design claim would be compared.

There are some downsides to this approach, however. In covering only specific features, an applicant does run the risk of making the claim too broad and running into prior art designs that may affect novelty. For instance, if trucks or even automobiles featuring the same windshield shape, or the same door shape and location, existed before Nikola's application, they could anticipate the issued patents and possibly invalidate them, even if the trucks or automobiles otherwise were very different in their overall design. Distilling the claim down to a specific feature then has to be balanced with a knowledge of the relevant prior art, and whether such individual features have been in use in earlier designs.

Also, filing separate design applications, as Nikola apparently did, can get expensive at the outset. For the designer of a semi-truck cab and rig that will involve huge capital expenditures to develop, this approach may be cost-effective, but it may not be effective where more modest designs are concerned and where intellectual property war chests are more limited.

There is perhaps an available strategy that may prove more cost-effective, as discussed hereafter.

3) Multiple Design Patents Can Issue From A Single Filing

The design patents asserted in the *Nikola* case were each separately filed in 2015. But Nikola may have been able to file a single application at that time that incorporated all the disclosures necessary to support multiple claims spread over multiple later-filed continuation or divisional applications to vary the overall protective scope of its design.

For example, an original application can include a full and comprehensive claim of an entire article—for instance, the entire cab of the Nikola truck. Based on this original filing, the applicant can file later

applications that claim to the original priority filing date of the first application, that, for instance, claim smaller or discrete aspects of the overall design, like the door, the fuselage and the windshield in the *Nikola* example. Thus, a single application can result in design claims to different individual elements in later-filed “child” applications. Although the costs of filing and prosecuting all the applications will be the same as if they were all filed separately at the outset, since continuations or divisional applications can be filed months, sometimes even years later, the costs are deferred. This strategy is available as long as each application adds no new elements or features of the design, and are co-pending with the application immediately before them so that all applications extend back in a sort of “blockchain” of filings, eventually leading back with priority to the original parent application.

There are significant pitfalls to this approach, and it must be carefully constructed and administered. For instance, the original disclosure must show all the designs in the subsequent applications—if any are indefinite, or vague, or incomplete, the later child applications will not obtain priority to the original filing date. And where novelty is dependent on using the original filing date to antedate third party designs that come out in the meantime, as well as any prior sales or other disclosures more than a year before by the owner, making sure the original disclosure is sufficiently comprehensive and detailed can be critical.

But unlike trademark applications that have to be separately filed for each “mark” or design (even if the design is a subset of a larger design), and which will not obtain a shared early filing date, the single chain of parent and child design patent applications that stretch back to the original priority date can be very useful enforcement tools, especially where used to modify the design claim to meet design iterations that may appear after the initial application issues as a patent and others become aware of the patented design.

4) Design Patent Damages Can Still Be Significant

The *Nikola* case also shows that design patent litigations still can be big money affairs. The 2016 Supreme Court decision in *Apple vs. Samsung* tempered design patent damages awarded under Patent Act Section 289, i.e., the “total profit” of all infringing articles of manufacture. That case held that an “article of manufacture” embodying a patented design could be just a component of an overall device, and not necessarily its entirety. As such, awarding the “total profit” based on sales of the entire article may then be misplaced. A new test of “total profits” remains to be worked out by the lower courts, but it

was clear that, where Apple was concerned, hundreds of millions in damages based on all profits from smartphones would likely not be obtainable.

Of course, pleadings often set exceedingly high damage claims, but Nikola here did not only plead damages under Section 289. Rather, Nikola set out its claim for a specific amount, \$2 billion, based on a “reasonable royalty” that would have been due if a license had been taken, which is a separate measure of damages. Typically, a design patent plaintiff can allege both “total profits” and a “reasonable royalty,” but must eventually choose its measure of damages. A “reasonable royalty” is the more typical measure of damages for utility patents, for which there is no special statutory “total profits” award. The fact that Nikola listed a specific number as to the “reasonable royalty” measure but not as to Section 289 may reflect concerns that any “profits” claim may either be reduced, or prove too difficult to determine, in view of subsequent interpretations of the Supreme Court *Apple v. Samsung* decision.

Conclusion

Although the case is in its earliest stages, and the allegations in the complaint remain to be proven, it appears for now that Nikola has prepared its position well. It has asserted multiple design patents covering smaller and distinct features of a larger and more comprehensive design that, taken in its entirety, may have made a weaker case of design infringement given multiple visible differences. A claim based on a single design patent covering the entire article may not have been as strong. Nikola has also set out its damage numbers under a separate prayer for relief, and not under a damages claim that is currently under review and likely to be reduced in its effect.

This complaint then shows the potential effectiveness of strategizing design patent filings to file narrowly at first for an entire design, but thereafter keep open the possibility of filing multiple applications based on the original filing that vary and broaden the design claims within the ambit of the original design disclosure (and as permissible in view of prior art designs).

Primary Contacts

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