

Incontestable Trademark Registrations: No Guarantee

Law360, New York (November 01, 2010) -- Protecting a product design in the United States is not easy. Unlike most industrialized countries, the U.S. has no system of design registration. Copyright law does not protect “useful articles.” Design patents take time to obtain and are limited in duration. Asserting rights in an unregistered trade dress under Section 43(a) requires plaintiffs to meet difficult burdens of proving secondary meaning and nonfunctionality. So obtaining a Principal Register registration for a product configuration has appeared to be the best bet.

But three recent decisions from the U.S. Court of Appeals for the Seventh Circuit have demonstrated the vulnerability of such registrations. In all three cases, plaintiffs owned long-held incontestable trademark registrations for their product configurations and sued competitors who were selling virtually indistinguishable copies. All three plaintiffs lost. The decisions vividly define the scope of the functionality doctrine and illustrate the skepticism with which courts view claims of trademark rights in product configurations.

Jay Franco & Sons Inc. v. Clemens Franek, 615 F. 3d 855 (7th Cir. 2010), involved a circular beach towel. Franek, the declaratory judgment defendant, was the successor to the company that had launched the product in 1986 by pitching it as “the most radical beach fashion item since the bikini” and also as a way to avoid having to reposition the towel as the sun moves across the sky. “Instead,” said the ads, “merely reposition yourself.”

In 1988, Franek’s predecessor obtained a principal registration under Section 2(f) for a simple circle, identified as “a configuration of a round beach towel.” The registration became incontestable upon the filing of a Section 15 affidavit in 1993.

Franco supplied round beach towels to Wal-Mart Stores Inc. and Target Corp. When Franek sued them for trademark infringement, Franco sued Franek to invalidate his registration. Because the registration was incontestable, Franco could not dispute the acquired distinctiveness of Franek’s trademark.

But incontestability was no bar to Franco’s case, since a registration can be canceled “at any time” on grounds of functionality (Section 14(3)), and an infringement suit based on an incontestable registration can be defended on the ground of functionality (Section 33(b)(8)). The district court found Franek’s trademark functional, and the Seventh Circuit agreed.

In his opinion, Judge Frank H. Easterbrook succinctly summarized the policy behind denying trademark protection to functional designs:

“[A] trademark holder cannot block innovation by appropriating designs that undergird further improvements. Patent holders can do this, but a patent’s life is short; trademarks can last forever, so granting trademark holders this power could permanently stifle product development.”

In support of its functionality attack, Franco relied heavily on a third-party patent for a round beach towel laced with drawstrings that could be pulled to turn the towel into a satchel. The patent included a dependent claim incorporating the circular shape, thereby allowing the user to “reposition ... toward the changing angle of the sun while the towel remains stationary.” Citing *Traffix Devices Inc. v. Marketing Displays Inc.*, 532 U.S. 23 (2001), Franco argued that this claim was “strong evidence” of functionality.

Franek attempted to overcome this presumption by arguing that his towel did not infringe the patent, since the dependent claim incorporates the independent claim, which included drawstrings. The Seventh Circuit agreed that the Franek towel did not infringe the patent — but said it was irrelevant. “Functionality,” the court said, “is determined by a feature’s usefulness, not its patentability or its infringement of a patent.”

In *Traffix*, the patents-at-issue were expired and therefore could not be infringed; nevertheless, they stood as strong evidence of functionality. Here, since each patent claim must be evaluated individually and is presumed valid, the court presumed that the unique component of the dependent claim — the circular shape — was useful.

Franek also argued that a towel of any shape could satisfy the needs of what the court called the “heliotropic sunbather,” so long as it was large enough. The court rejected this argument as well. The circle is the most efficient way to meet this need — in terms of materials used and ease of folding and carrying — and therefore “affects the cost or quality of the device,” thus making it functional under the *Traffix* test, according to the court.

The court could have stopped there and canceled the registration solely on these grounds of utilitarian functionality. But it chose to go further by declaring that “[f]ashion is a form of function. A design’s aesthetic appeal can be as functional as its tangible characteristics.”

In determining whether a shape is functional or “just merely pleasing,” the court held that “the more rudimentary and general the element ... the more likely it is that restricting its use will significantly impair competition.” Thus a simple circle “impoverishes other designers’ palettes” by restricting the use of a basic geometric element.

By contrast, the court said, granting protection to the irregular hexagon in *W.T. Rogers Co. v. Keene*, 778 F.2d 334 (7th Cir. 1985), or the unusual green-gold color in *Qualitex Co. v. Jacobsen Products Co.*, 514 U.S. 159 (1995), doesn’t really restrict the options for competitors, since the only reason to copy them “would be to trade on the goodwill of the original designer.”

The court concluded by admonishing Franek that his invention should have been protected by a design patent, not a trademark registration, and affirmed judgment for Franco.

On the same day, the court affirmed another judgment for a declaratory judgment plaintiff on functionality grounds, in *Specialized Seating Inc. v. Greenwich Industries LP*, 616 F.3d 722 (7th Cir. 2010). This case involved an “x-frame” folding chair. Again, the claimant’s ownership of a long-held incontestable trademark registration was of no avail.

Again, the disclosure of elements of the claimant’s design in utility patents was deemed strong evidence of functionality. And again, the court articulated the purpose of the functionality doctrine, “to ensure that the term of a patent is not extended beyond the period authorized by the legislature.”

It may be, as the claimant argued, that its design is only one of many ways to solve the problem of making a lightweight, foldable, stackable, economical chair. But the solution is driven entirely by functional considerations, according to the court. “It looks the way it does in order to be a better chair,” the court said, “not in order to be a better way of identifying who made it (the function of a trademark).” Thus, the existence of numerous alternate designs couldn’t save the claimant’s case.

The “alternate designs” argument was again soundly rejected more recently in *Georgia-Pacific Consumer Products LP v. Kimberly-Clark Corp.*, 2010 U.S. Dist. LEXIS 104669 (N.D. Ill., 9/30/10), which followed both *Jay Franco* and *Specialized Seating* and found a “quilted diamond design” embossed on bath tissue — the subject of four incontestable federal registrations — functional and free to be copied by a direct competitor. “A design that serves a functional purpose,” the court said, “does not become nonfunctional solely because of the possibility of numerous alternative designs.”

From these cases, it seems clear that a plaintiff has a nearly hopeless task in obtaining protection under the trademark laws if the alleged mark has been an element of a claim in a utility patent. The cases also signal the continuing weakness of the “numerous alternative designs” argument against functionality. These were fairly easy functionality cases, since the claimed trademarks were disclosed as significant elements of patents. But even without such evidence, it appears that the Seventh Circuit would be reluctant to bestow perpetual trademark protection on a product design unless it appeared to have been adopted for source-identification rather than aesthetic design reasons.

A party seeking to enforce rights in a product design should ideally be able to show some use of the design in advertising or promotion — or in press or blog coverage — as a “look for” element of the product’s image. Any prior advertisement of the functional advantage of the design is likely to be fatal.

These cases highlight the significant gap in U.S. law regarding product designs. Unless a company has the foresight, time and money to obtain a design or utility patent before launch, it has no way to fight copycats until the product has become well-established in the marketplace. Once the products are launched, companies should avoid making claims of functional advantages in advertising or seeking utility patent protection on any feature if it wishes to have any hope of enforcing trademark rights — even if it owns an incontestable registration.

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