



INTELLECTUAL PROPERTY LITIGATION

Expert Analysis

‘That Form Ever Follows Function’ Applies to Modern Trademark Law

In 1896, the eminent American architect Louis Sullivan famously wrote that “[i]t is the pervading law of all things organic and inorganic... that the life is recognizable in its expression, that form ever follows function.” Sullivan was writing about the proper design of an expected wave of “tall office buildings,” but he could have been commenting on modern trademark law.

Trademark law is designed to protect the ability of a manufacturer to use words and symbols to identify the source of its product. Purely functional features of a product, however, cannot qualify as trademarks. Under the Lanham Act, 15 U.S.C. §1115(b)(8), a defendant sued by the holder of a registered trademark, even one that has become incontestable, may defend on the ground that the mark is functional. Two decisions of a panel of the U.S. Court of Appeals for the Seventh Circuit issued on the same day illustrate the reach of that rule and its application to aesthetic features.

In *Jay Franco & Sons Inc. v. Franek*, 2010 WL 3156539 (Aug. 11, 2010), Franek obtained a trademark on a circular beach towel. His advertisements described the towel as a fashion accessory—“the most radical beach fashion item since the bikini”—and also praised its utility: “The round shape eliminates the need to constantly get up and move your towel as the sun moves across the sky. Instead merely reposition yourself.”

The district court granted summary judgment finding the mark invalid as functional. Judge Frank A. Easterbrook, writing for the circuit panel, agreed. The panel opinion stressed that the functionality doctrine marks the barrier between trademark protection, which can be perpetual, and the time-limited protections of patent law: “Patent law alone protects useful designs from mimicry; the functionality doctrine polices the division of responsibilities between patent and trademark law by invalidating marks on useful designs.” A design that “enables a product to operate, or improves on a substitute design in some way” cannot be trademarked.

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Powerful proof that Franek’s design was functional came from the fact that essential features of the design were claimed in a utility patent covering a round beach towel. Under *TrafFix Devises Inc. v. Mktg. Displays Inc.*, 532 U.S. 23 (2001), a utility patent provides “strong evidence that the features therein claimed are functional.” As the Court of Appeals put it: “Utility patents serve as excellent cheat sheets [to determine functionality] because any design claimed in a patent is supposed to be useful.” In Franek’s case, “[f]or heliotropic sunbathers, a circle surpasses other shapes because it provides the most rotational space without waste.”

More interesting is the Seventh Circuit’s alternative finding that the mark would still be functional, even if it was not “measurably better for spinning with the

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sun.” Here, the panel found functionality based on the design’s aesthetic appeal. Perhaps with Sullivan’s words in mind, the court wrote that “[f]ashion is a form of function.” When a design is not “merely pleasing,” but embodies qualities of style that consumers desire, it can be functional for that reason. “A circle is the kind of basic design that a producer [of towels] adopts because alternatives are scarce and some consumers want the shape regardless of who manufactures it.” Therefore, “a producer barred from selling such towels loses a profitable portion of the market.”

Judge Easterbrook also wrote the decision in *Specialized Seating Inc. v. Greenwich Indus.*,

L.P., 2010 WL 3155922 (Aug. 11, 2010), where the panel affirmed the trial court’s finding that a registered mark consisting of an x-frame design for folding chairs was functional. The court rejected plaintiff’s argument that the mark was valid because it represented only one of many ways to design a chair. Every such design, the court held, is functional, as each represents “one of many solutions to a problem.”

Trademark law’s functionality doctrine is a close cousin to principles of copyright law that deny protection to useful articles. Congress created an exception to that rule when it passed the Vessel Hull Design Protection Act, 17 U.S.C. §1301, et seq., which extends a limited form of copyright protection to vessel hull designs, and legislation has been introduced that would provide for a three-year copyright in certain fashion designs. But, as and illustrate, the functionality doctrine in trademark law is alive and quite well.

Copyright

In *Mattel Inc. v. MGA Entm’t Inc.*, 2010 WL 2853761 (9th Cir. July 22, 2010), the Ninth Circuit vacated the lower court’s grant of broad equitable relief to Mattel in a dispute over the notoriously popular and profitable line of Bratz dolls. The dispute arose when designer Carter Bryant pitched his idea for the Bratz prototype to MGA while still employed by Mattel. The district court imposed a constructive trust over all Bratz trademarks, and also afforded sweeping relief to Mattel on its copyright infringement claims by enjoining MGA from producing or marketing virtually all Bratz female fashion dolls.

The Ninth Circuit vacated both the constructive trust and the copyright injunction. Regarding the Bratz trademarks, the court identified two errors: first, the lower court incorrectly ruled that the employment contract clearly transferred employees’ ideas to Mattel; second, even if MGA had wrongfully acquired Bryant’s original ideas, it was inequitable to transfer a billion-dollar brand that was largely built on MGA’s legitimate efforts.

Regarding the copyright injunction, the lower court had misapplied the “extrinsic/intrinsic” test, which determines if a work is entitled to broad (“substantially similar”) or thin (“virtually identical”) copyright protection. The lower court incorrectly afforded broad protection to Bryant’s doll

sculpt, which was entitled to protection only against “virtually identical” sculptures due to the limited range of available expression.

Although it appropriately applied the “substantially similar” standard to the doll sketches, the lower court failed to filter out all of the unprotectable elements. Ninth Circuit Chief Judge Alex Kozinski noted that the district court likely would need to retry the entire case, adding, “America thrives on competition; Barbie, the all-America girl, will too.”

Two recent cases involving Google highlight the safe harbor protection afforded to Web-based service providers who associate with third parties in the distribution of electronic information. In *Perfect 10 Inc. v. Google Inc.*, 2010 U.S. Dist. LEXIS 75071 (C.D. Ca. July 26, 2010), Perfect 10 (“P10”), a company that creates and sells pictures of nude models, sued Google for copyright infringement based on Google’s Web and Image Search feature, caching feature, and “Blogger” service. Online service providers are entitled to safe harbor protection based on compliance with certain requirements of the Digital Millennium Copyright Act (DMCA), including notice-and-takedown procedures. In *Perfect 10*, the court found that almost all of P10’s Digital Millennium Copyright Act notices to Google were defective, thereby immunizing Google from liability for any allegedly infringing content on its Web and Image Searches or its caching feature for which Google did not receive adequate notice. The court found that Google was also protected under the act for its “Blogger” feature, emphasizing that Google did not possess the right and ability to control the infringing content merely because it had the ability to remove the content.

In *Rosetta Stone Ltd. v. Google Inc.*, 2010 WL 3063857 (E.D. Va. Aug. 2, 2010), the court found that the Communications Decency Act (the CDA) conferred immunity on Google from liability arising from third-party content. Rosetta Stone alleged that Google had actively assisted third-party advertisers in misappropriating Rosetta Stone trademarks by using the marks as keyword triggers for paid advertisements and as part of the text or title of paid ads.

The court found that Rosetta Stone failed to state a claim for unjust enrichment, and further noted that the claim was barred in any event by the decency act because Google qualified as an interactive computer service provider and as such, stood immune from liability for content created by third parties over which it merely exercised editorial discretion.

Trademark

In *Gen. Conference Corp. of Seventh-day Adventists v. McGill*, 2010 WL 3120043 (6th Cir. Aug. 10, 2010), plaintiffs, owners of trademarks used by Seventh-day Adventist religious groups, sued Walter McGill for trademark infringement based on his use of their protected marks in promoting his breakaway church. McGill had formed his own church following a theological dispute and began using the “Seventh-day Adventist” name and several variations in domain names and Web site content because he believed he was divinely mandated to

do so. The district court granted plaintiffs summary judgment on their infringement claims with respect to the “Seventh-day Adventist” mark, but found issues of material fact as to whether the marks “Adventist” and “SDA” are generic.

However, after McGill refused to appear for a court-ordered mediation, the court entered a default judgment against him as to all remaining claims. McGill raised three salient issues on appeal: whether the First Amendment precluded the court from exercising jurisdiction due to the underlying religious dispute; the applicability of the Religious Freedom Restoration Act (the RFRA); and whether the “Seventh Day” name is generic and therefore cannot be trademarked.

The U.S. Court of Appeals for the Sixth Circuit ruled that courts may decide trademark infringement suits between two churches using “neutral principles” without running afoul of the First Amendment. The court also joined the Seventh and Ninth circuits in holding that the religious freedom act does not apply to suits between private parties.

In response to McGill’s argument that “Seventh-day Adventist” refers to a religion, and is therefore a generic term that cannot be trademarked, the court refused to conclude as a matter of law that the public considers “Seventh-day Adventist” to be a generic reference to a religion; genericness, the court highlighted, is a question of fact. The court also determined that any reasonable jury would conclude that McGill’s use of the mark was likely to cause confusion among the public.

On July 27, the Patent Office published for public comment proposed interim guidance for patent examiners setting out a nonexclusive list of factors to consider “in determining subject matter eligibility of method claims in view of the abstract idea exception.”

In *Toyota Motor Sales, U.S.A. Inc. v. Tabari*, 610 F.3d 1171 (9th Cir. 2010), the federal appellate court vacated and remanded the district court’s grant of a permanent injunction against auto brokers who helped customers find and purchase cars from authorized Lexus dealers using the domain names buy-a-lexus.com and buyorleaselexus.com.

The district court had enjoined the Tabaris from using, inter alia, any domain name, trademark or other commercial indication of origin including the mark LEXUS. The Court of Appeals found that the Tabaris were using the term Lexus to accurately describe their business, a clear nominative fair use. The court further noted that such a sweeping prohibition would undermine truthful communication between businesses and their customers.

The Court of Appeals identified three presumptively illegitimate domain names, each of which suggests sponsorship or endorsement by the

trademark holder: (1) names consisting only of the trademark followed by .com or some other suffix; (2) names such as e-trademark.com, trademark-USA.com or trademark-of-glendale (geographic locations); and (3) names such as official-trademark-site.com or we-are-trademark.com. The court also clarified the relevant burdens of proof for nominative fair use analysis: a defendant need only show that it used a mark to refer to the trademarked good; upon such a showing, the burden reverts to the plaintiff to show a likelihood of confusion.

Patents

In *Bilski v. Kappos*, 130 S. Ct. 3218 (2010), the U.S. Supreme Court considered the difficult issue of defining patentable subject matter under §101 of the Patent Act. affirmed the rejection of an application for a business method patent covering a process for hedging in commodities markets, finding that the application impermissibly sought a patent on abstract ideas. The Court also ruled that the Federal Circuit had erred in holding that a process is patentable only if it is “tied to a particular machine or apparatus” or “transforms a particular article into a different state or thing.”

The Supreme Court invited further development of criteria to be used to determine what processes may be patented. On July 27, the Patent Office published for public comment proposed interim guidance for patent examiners setting out a nonexclusive list of factors to consider “in determining subject matter eligibility of method claims in view of the abstract idea exception.” 75 Fed. Reg. 43922 (July 27, 2010).

Reflecting’s statement that the “machine or transformation” test remains “useful,” several of the proposed factors consider whether a claimed method involves or is executed by a specified machine or apparatus, or transforms a particular article. When a particular machine or transformation is specified, where the machine implements the claimed steps, or where the article transformed undergoes a change in state or thing—in other words, has an “objectively different function or use”—patentability is more likely. Where the claim “would monopolize a natural force or patent a scientific fact,” or where the claim is “a mere statement of a general concept,” patentability is disfavored. “General concepts” include “basic economic practices or theories” such as “hedging, insurance, financial transactions, [and] marketing,” mathematical concepts, “interpersonal interactions or relationships,” teaching concepts, and instructing “how business should be conducted.”

A “practical application” of a “law of nature” weighs in favor of patentability, while patentability is disfavored where a law of nature is “merely nominally, insignificantly, or tangentially related to the performance of the steps.” While these proposed factors are subject to change, and are not binding on the courts, they are an indication of how the law of patentability will develop after . And their vagueness evidences how difficult it is likely to be to separate patentable inventions from unprotectable abstract ideas.

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