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DISCUSSION OF PRESENT UNITED STATES DESIGN PROTECTION*

Professor Reichman: There is a link between designs and GATT. Our position on designs in this country is arguably inconsistent with our membership in the Berne Convention. It is no longer a dormant issue. It has been brought home to American authorities, although the European Community may not press the issue in the end.

GATT is the General Agreement on Tariffs and Trade, which normally does not regulate intellectual property at all, because under article XX(d) of the GATT, intellectual property is largely reserved to the regulation of other conventions and excluded from the GATT. Our [the United States'] proposal was to make it become an issue of international trade law, to have a code of conduct—standards to which GATT members would subscribe. If you subscribe to that code, you agree that your own laws would meet a certain standard.

Now the question is will the GATT negotiations [on intellectual property] go forward? Will it be a narrow GATT negotiation, or will it be a broad negotiation, as was the intent of the original sponsors? If the negotiations are broad-ranging, there will be enormous pressure on Congress to have at least their Berne Convention-related laws conform.

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The Swiss have just adopted an unfair competition law that does try to protect new technologies against total copying. It appears to allow reverse engineering without slavish imitation. It has a broad and free definition of new technologies. One of the interesting things is that there is no fixed duration under this law. Apparently, the duration depends on the time needed to recoup the investment in research and development.

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I do like the notion of a lead-time law. Let me put it this way. I used to think that the old Italian design law had one wonderful feature to it—a four year duration. Then they extended this to fifteen years in 1977. In any event, there are very few cases invalidating design patents for obviousness under that law. What court would be eager to invalidate a design for obviousness if protection only lasted four years?

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Here is Mr. Lowy sitting with 100 or 1000 lamp designs. It would cost him a fortune, even if he could get design patents, to seek patents for them all. You do not know in advance which ones are going to succeed. One of the things I would like in a new law is that the market would determine value. You would be able to experiment on the market instead of just relying

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* This is an extract of a discussion of the conference session on the present status of United States design protection. Each session of the conference was recorded, and the transcribed record was used as the source for this extract. Every effort was made to reproduce faithfully the full discussion. Some editing, however, was necessary due to transcription quality and space limitations.

on theory. You would have a built-in experimentation rule that would benefit biotechnology, chips, and other forms of what I call "applied scientific know-how," to find out if they really work, and whether they are going to sell.

Mr. Lowy: I would like to note the point made about the public's desires and our responsibility to the public. These are probably the most important points of the whole discussion, to my mind. In practical terms, what do we want? Do we want everybody to be able to have a twenty-nine-dollar espresso machine? If so, then that drawing that was flashed on the screen of a $200 espresso machine [with a lot of design innovations] should not be there. We would let anybody copy the $200 espresso machine, and anyone could go into K Mart and get it for twenty-nine dollars. Apparently, that is what we want, since that is what we are getting. . . . I think that is the essence of the problem with which we have to grapple. What price do we want to pay for products, and who do we want to produce them? Should our products be produced at the lowest price and by the lowest cost-producing nation or the alternative?

Question: I have a question on prioritizing designs on which to file design patent applications. Of course, it is costly to file design patent applications, not only because of the attorney's time, but also because of the cost of the drawings involved. I would be interested in your comments as to how to counsel clients to prioritize 100 or so designs when they really do not know if the designs are going to be successful in the market place?

Mr. Saidman: I knew somebody would ask that question. Trade secret, right? Well, there are no real documented ways or textbook ways to do that. One way is to educate your clients on the cost of each individual application. They take their fifty and only file on the top ten. They are taking a gamble, and they know it. Another way is to file a more informal application at the beginning, to preserve novelty. The application would have informal drawings. In a design application they can consist of photographs of the product. If you have sufficient photographs illustrating top, side, left, right, front, and back views of a sufficiently finished product, and there are no more changes that are going to be made to it, they will do for informal drawings. You reduce the cost that way. By the time you have to submit formal drawings, many months later, you know whether or not that product has made it in the market place.

In conjunction with that concept, or separately, there is a possibility of combining more than one product in a single application. If you have six versions of a lamp that you are showing next week at a big show, and you do not know which one is going to wind up in production, you can put them all in a single patent application, with photographs, and you will likely obtain what is called a "restriction requirement" down the line. When you get that

restriction requirement, you have to make your choice as to which ones you wish to proceed with, after considering the marketing data. Those are some of the ways of preserving your rights when maximizing your choices.

Professor Fryer: Professor Reichman has mentioned the impact of GATT and the fact that United States law is not yet in compliance with Berne requirements. Recently, the United States adhered to the Berne Convention. Several changes in United States law were made to bring it into alignment with Berne requirements. There is a provision in the Berne Convention concerning protection of architectural works. It was introduced as an amendment by countries that wanted to protect the shape of buildings and other building features. As I understand the Berne history, a member country has to protect building shape under its copyright law. It is a minimum requirement. Our Congress was unable to deal with this expansion of our copyright law. What they did was change the word "drawing" in our copyright law, where it stated drawings are protected, to read effectively that drawings, including architectural drawings, are protected. This was not a change that complied with Berne. Drawings had been protected before adopting this change, but before Berne adherence, the shape of a building was not protected by a United States copyright, and building shape is not protected now, after this change and Berne adoption, by a United States copyright. Congress wanted to take a minimum approach in joining Berne. In fact, it did not comply with Berne's minimum requirement on building shape protection.[1]

So the United States has some catching up to do. I think they know this fact now, in Congress, and a bill is being prepared to correct this omission. It is a shame that Congress will not address, as quickly, the serious needs of industrial designers on a broader spectrum. It seems to me that the intent of Berne is to provide effective industrial design protection, under some form of intellectual property system. In looking at industrial design protection in other Berne countries, it is clear to me, from my research, that the United States does not meet a generally accepted minimum level of protection.

Mr. Lowy (responding to a question about the difficulty in determining whether a protected design is infringed): I believe that is a good question. The answer is a lot simpler than it sounds in meetings of this kind, where we get very involved in words and intellectual property theories. . . . If you were the judge, I think you would be very comfortable making decisions. They are subjective to a certain extent. I think that people can make those kinds of decisions, because when you look at those two lamps, you would not have any problem making a decision.

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1. Congress recently passed the Architectural Works Copyright Protection Act, based on H.R. 5316, 101st Cong., 2d Sess., which will provide significant protection. Architectural Works Copyright Protection Act, Pub. L. No. 101-650, 104 Stat. 5133 (1990).

Professor Fryer: When you put the product on the market, you have to have the design patent application already filed if you want to protect the design in most foreign countries. I have been asking designers whether they can file that quickly.

A possible change in the United States utility patent law is to eliminate the invention date derived from working on the invention, so the only date of invention will be the application filing date. This change is seriously being considered for utility patents, to create what is known as the first-to-file system. Most other countries have a first-to-file system for design protection. A first-to-file system could be used for the United States design patent system. It would mean that filing promptly, preferably before there is any public disclosure, would be very important. I wonder how the industrial designers react to this possibility?

Mr. Saidman: We file for most clients before the first trade show, because most clients are interested in the foreign markets. The foreign countries, by and large, already have this requirement that you file before you disclose. You have to comply with the lowest common denominator. You have to comply with their laws. We file in the [United States Patent and Trademark Office] before public disclosure and use the United States application as a priority application to file abroad within six months, claiming the benefit of the United States application.

Professor Fryer: What happens if you apply for a design patent before the product is revealed to the market, and your client finds, in order to make the product acceptable, a change is needed in the design? You have to make a determination whether the original application is going to be broad enough to cover the change. If you feel the change is significant enough and not covered by the first application, you will have to file a second application on the improvement.

Comment from audience: Usually, the situation is that you have to show your product to people before you make it public or get someone to buy it. Do you have to file a design application before then? You have to have a budget. If you are a relatively small company, then you do not even have a budget. You put many products out in the marketplace, and you do not know, until maybe three or more months after, whether that product is going to be a good one. We do not have funds to file for a design patent. So at the threshold of a business, you are not in international marketing, just marketing domestically.

Comment from audience: So there are two problems here. One is the problem of once the product is ready, which one do you select to work on for protection. That is one business decision. In the interim, before the product gets out, you then have communications that take place between potential

buyers. Now that type of protection can be handled under a secrecy-type of arrangement, which, in effect, would probably not start the deadline cut-off that you would have [for filing a design patent application—35 U.S.C. § 102(b)], as long as you keep the disclosures private. But after the product goes to the market, and after it becomes public, and if you have not taken the steps Mr. Saidman mentioned, then if the future system, the world system, that we are looking at occurs, and in most countries now already exists, you would be out. You would not have protection.

I might say, under the system that is being proposed in the industrial design legislation, you would have protection. You would have some protection that might buy you some time. As soon as the design patent has been obtained under this legislation, the protection under this legislation automatically terminates. The only protection you have is a design patent, because it gives you greater protection. So it is kind of a working-together system. It does not take the place of the international problem that we have about disclosure.

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There is one thing I would like to see in the new bill—to shoot the gap. I have not studied it fully, but . . . if your initial filing under the new bill were sufficient to preserve your rights later in a design patent, then it might serve both ends.

Mr. Mitchell: That is a novel idea. The United States almost single handedly, with a little bit of help from Canada, is getting other countries to agree to a grace period in the utility patent system. There is no reason in the future why we cannot do the same thing with designs. I do not think it is a bad idea. I have a lot of small clients. They use Canadian design protection and the United States design patents. They rely a lot on the grace period because they can afford to let the filing decision wait, so they can see what is going to be commercially successful. The United States is still one of the biggest and best markets in the world. . . . I think that the grace period is a very important feature here.

Professor Fryer: I think we should clarify what we have been talking about, for persons who are starting at the very beginning level of understanding intellectual property. The United States has a patent law which includes both design patents and utility patents. Most provisions of the patent law apply equally to utility and design patents. The provision on grace period [35 U.S.C. § 102(b)], common to both patents, gives a designer one year to file a design patent, once it is put on the market. The design need not be made public. Merely offering it for sale in a private discussion is enough to start this one-year period, known as the grace period. The designer has control over what happens and when this grace period starts. After the grace period expires, the designer cannot obtain a United States design patent.

In addition to the grace period, the United States patent law requires novelty, for utility and design patents, based on 35 U.S.C. § 102(a). Another person can independently develop the same invention, file an application, and under most circumstances, obtain the design patent. The fact the first inventor waited to file, relying on the grace period, does not protect that inventor from someone else who takes the initiative and files first on the independently developed invention, under most circumstances. The qualification added to these statements is that the United States does give benefit for work on the invention. It is possible to show sufficient work to prove a date of invention earlier than that other party's filing date. Even so, the risk of waiting is obvious. It is important for designers not to be lulled into thinking the grace period will protect them from anything that happens during that period. It does protect the designer from activities controlled by the designer. Filing as promptly as possible is a wise approach.

The pending legislation, based on copyright principles, has no grace period or novelty test similar to the patent law. It would automatically protect any industrial design put on the market in product form, from the time of introduction. Within one year of that date, the design owner must file for a registration to retain that protection. The registration is a simple process, obtained in a few months, just as for copyright registration. The only test related to novelty concerns common designs, generally accepted as free for use by anyone, and insubstantial variations of these common designs. The legislation precludes protection of these designs, but their use in configuring new, more sophisticated designs is protectable. This standard is essentially the same as the creative authorship test in copyright law, or as some state it, as part of the originality test used in copyright law.