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Industrial Design Protection in the Automobile Industry

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INDUSTRIAL DESIGN PROTECTION IN THE AUTOMOBILE INDUSTRY*

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This conference offers an opportunity for two of America's best loved industries, the insurance industry and the automobile industry, to debate the need for improved industrial design protection. The automobile industry finds itself in what is rather a unique situation in the United States—attempting to create a new and important piece of legislation on industrial design protection.

It is helpful to begin a review of this topic by examining a recent United States Supreme Court decision, *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*[1] *Bonito Boats* involved the protection of a boat hull under a state law that prohibited duplicating a mold of a hull for commercial purposes.[2] The Court struck down the Florida "plug mold" statute which was representative of the latest effort by states to fill the void that now exists in the federal scheme of intellectual property protection.[3] In the closing paragraphs of Justice O'Connor's opinion, the Court expressed its view of what should be the next step:

> [D]espite sustained criticism for a number of years, [Congress] has declined to alter the patent protections presently available for industrial design. It is for Congress to determine if the present system of design and utility patents is ineffectual in promoting the useful arts in the context of industrial design.[4]

General Motors, and other members of the United States automobile industry, believe that it is critically important for Congress to enact industrial design legislation that will provide fairness to manufacturers, eliminate competitive disadvantages facing United States producers, and also benefit consumers. The current proposed legislation, H.R. 902,[5] is an effort to provide designers with the same kind of limited protection afforded to investors, authors, and programmers.

For the automobile industry, this proposed legislation would stop copying without license of original sheet metal designs that result in what, we believe, are inferior replacement parts being forced on consumers. To continue with Professor Brown's analogy of Cinderella,[6] we have found that you

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1. 489 U.S. 141 (1989).
2. *See* FLA. STAT. § 559.94 (1987).
3. *Bonito Boats*, 489 U.S. at 168.
4. *Id.* at 167-68 (citations omitted).
5. H.R. 902, 101st Cong., 1st Sess. (1989).
6. Saidman, *The Glass Slipper Approach to Protecting Industrial Designs or When the Shoe Fits, Wear It*, 19 U. BALT. L. REV. 167 (1989).

have to get permission from Cinderella's parents—the Patent and Trademark Office's design group examiners—before you get to date Cinderella. We have also found that it takes a long time in the case of the auto industry to get a date with Cinderella. If we do get a date, which is extremely rare, we do not know if Cinderella's parents like us, or if they do not like us, or what their standards are.[7] Anyway, we hope that this new legislation will make it easier for those of us who are in the dating mode to obtain industrial design protection.

A unique aspect of creating automobile design is probably the magnitude of the effort that is involved. Automobile producers go to extraordinary lengths and invest millions of dollars, and a lot of brain power, to develop and execute the most appealing vehicle design, only to have it unfairly copied. The total investment in a fender alone can run from $4.5 million to $10 million in some cases, depending on the part, the vehicle, and the manufacturer. At General Motors, the design process for a vehicle begins in the following way. Trained artists draw the lines of the vehicle exterior panels. When a design is going to be continued, we have professional sculptors that form scale models of the vehicle from clay. Metallurgists and chemists then choose the materials from which these parts should be made. Manufacturing engineers design a tool which will repeatedly stamp the part out within the required manufacturing tolerance without losing definition. Safety engineers locate crash inhibitors in hoods and design enforcement in doors to improve occupant protection in case of a crash. Corrosion specialists run extensive durability tests to determine the number, size, and location of drain and access holes so the vehicle does not rust. They decide how to orient joints and seams to avoid trapping grit and other contaminants. They determine the best method to process and prime panels on prototype vehicles to determine if more welds are needed for customer satisfaction, and if different priming techniques are required.

The result of these efforts is a visually appealing, high quality vehicle which has been designed, engineered, and manufactured to give the vehicle owner years of satisfactory performance. In many cases, the resulting design is the major reason that customers are attracted to a vehicle.

Today, in most cases, offshore manufacturers simply copy exterior vehicle designs, and sell those parts without permission and without compensating the creator in any way. This free riding is unfair and should be illegal, as it is in the home countries of many of our principal vehicle competitors. In Germany, Japan, and Italy, companies are accorded industrial design protection that effectively allows them to invest in their industrial designs, in the designs of the vehicles and the related parts. Japanese and

7. *See* Chrysler Motors Corp. v. Auto Body Panels of Ohio, Inc., 908 F.2d 951 (Fed. Cir. 1990) (affirming the district court's denial of Chrysler's motion for a preliminary injunction to halt infringement of its design patent for the ornamental design of a fender on its Dodge Dakota trucks).

German automobile manufacturers introduce their vehicles in the home markets first. The United States does not receive these vehicles first because United States industrial design protection is ineffective. It is only later that these vehicles are introduced in the United States. Industrial designers of vehicles are moving away from countries that do not afford sufficient design protection in the case of motor vehicles and motor vehicle parts.[8] Vehicle designs will be introduced in those countries only later in the life of the design.

The design protection provided by H.R. 902, which is supported by the automobile industry, is limited in scope. We seek to protect the unique exterior body panels that are the visual attributes of each vehicle. This position is consistent with most foreign industrial design laws and with the views of the Copyright Office as they were expressed by Ralph Oman, Register of Copyrights, in his testimony on essentially the same industrial design legislation before the House Committee on the Judiciary on March 18, 1987[9] and June 23, 1987.[10] It is the unique design of these body panels that clearly distinguishes them from other automobile parts and from the automobiles of other manufacturers. The panels are designed only once and only by or for an individual vehicle manufacturer, to differentiate its vehicle from those of its competitors. The exterior panels confer the basic appearance or styling that makes a vehicle what it is. And yet, it is these individual parts that are the most vulnerable to copying.

Copyright protection in the publishing field not only applies to the books in total, but also to individual paragraphs. Automobile design should be no different. Therefore, General Motors believes that these unique panels require protection from design theft and free riding. At the same time, we strongly believe that such things as batteries, spark plugs, tail pipes, mufflers, windshields, and the like, should not be covered by industrial design protection under H.R. 902. If there is any question that these items would be covered by this industrial design protection bill, as presently drafted, we would support appropriate clarifying measures in the statement of legislative intent, or elsewhere, to clarify this matter.

We believe H.R. 902 would stop copying without license of protected original sheet metal designs. This copying results in inferior body panels

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8. The United Kingdom no longer provides adequate protection for motor vehicle designs. Many of the vehicles and parts sold in the United Kingdom under the ROVER, VAUXHALL, BEDFORD and FORD trademarks were first designed and marketed in Japan or Germany before their introduction into the United Kingdom.
9. *Intellectual Property and Trade, 1987: Hearings Before the Subcomm. on Courts, Civil Liberties, and the Administration of Justice of the House Comm. on the Judiciary*, 100th Cong., 1st Sess. 7-45, 164-77 (1987) (testimony of Ralph Oman, Register of Copyrights).
10. *Protection of Industrial Designs of Useful Articles: Hearing on H.R. 1179 Before the Subcomm. on Courts, Civil Liberties, and the Administration of Justice of the House Comm. on the Judiciary*, 100th Cong., 2d Sess. 273-87 (1988) (submission by the Copyright Office, "Copyright Protection for Applied Designs," Jan. 1985).

being forced on consumers. Why do we say these parts are unfairly copied? Presently, about fifty manufacturers, primarily in Taiwan, will create a mold, or use other means, to mass produce the part within days of the introduction of a new vehicle. In some cases they are able to get the part into the marketplace before we do. I am not pointing out the Taiwanese because we are anti-Taiwanese. As a matter of fact, General Motors and Ford are presently in Taiwan looking to set up a joint venture to manufacture products for that local market. The Taiwanese government supports this effort because of the transfer of technology. They support transferring know-how to improve the quality of the products that are sold in their own market. Of course, they do not permit importation of Japanese vehicles. They are going to protect their own market. When I was in Taiwan recently, Taiwanese manufacturers were complaining about getting ripped off by counterfeit products originating from mainland China. In many cases, what is good for the goose is good for the gander. Professor Brown will likely point out, as he has before, that current design laws permit, as a practical matter, this kind of copying. However, we believe that it is this anomaly in United States law that has subjected United States design law to the criticism noted by Justice O'Connor in her above-quoted *Bonito Boats* opinion.

Why do we say the parts that copiers provide are inferior? In tests conducted by Ford, General Motors, and Chrysler, these nonoriginal parts have never passed durability, fit, finish, and other testing to the original equipment manufacturer standards. This fact may not be a concern under patent law. It may not be a concern under copyright or design law. It may be a concern under trademark law. It is a concern to the automobile industry. The problem is that the slavish imitations are not good enough imitations. When these parts fail in the field, it is the vehicle manufacturer, its parts, and its repair system that are likely to be blamed by the customer, thereby jeopardizing the product quality reputation that the domestic manufacturers have worked so hard to achieve in recent years.

As to the question of safety, the Federal Motor Vehicle Safety Standards, with which all motor vehicle manufacturers comply, are performance oriented rather than component oriented.[11] The parts provided by the motor vehicle manufacturer in the after-market are identical to the parts which form the vehicle that were crash tested for compliance with Federal Motor Vehicle Safety Standards.

For example, consider hoods, which do play an important role in safety and occupant protection. The hood is designed to carry some of the energy in a severe frontal crash, for a very short period of time, and then buckle

11. The National Traffic and Motor Vehicle Safety Act of 1966, § 108, 15 U.S.C. § 1397(a) (1988), requires that manufacturers of new vehicles sold in the United States comply with Federal Motor Vehicle Safety Standards. Pursuant to the Act, the Secretary of Transportation has issued 50 safety standards to promote automotive safety and to reduce death and injuries from traffic accidents. Federal Motor Vehicle Safety Standards, 49 C.F.R. §§ 571.100-.127; 571.201-.222; 571.301-.302 (1989).

like an inverted "v." This design keeps the hood hinges from becoming overloaded and the hood from being forced through the windshield. The location of the dimples and notches on the hood that allow this buckling, and the strength and number of welds that keep the hood's upper and lower panels operating as a system, are of critical importance to occupant protection in frontal crashes.

Another concern in hood design is balancing attention to buckling loads and usage loads. A too flimsy hood may buckle in time to prevent windshield intrusion, but it may not be strong enough to resist the loads placed on the hood when it is opened and closed in normal use or when it is propped upon a disabled vehicle on a roadside and subjected to wind created by passing trucks.

Automobile manufacturers evaluate these tradeoffs carefully and test their hoods repeatedly under various conditions. More important, they are required to certify that their vehicles meet Federal Motor Vehicle Safety Standard 219, which sets forth windshield intrusion requirements for hoods in thirty-mile-per-hour barrier crashes.[12] The automobile manufacturers' parts that we are talking about are original equipment parts, made with the same tooling and the same materials used to manufacture the parts put on the car when it was new and that passed all the safety standards. We are not aware of any procedures that assure that after-market hoods meet the same performance level.

Why do we say that these parts are being forced on consumers? Well, when the need arises in automotive repair, the insurance companies often mandate that the cheapest available parts be used. It is like having your car rebuilt with parts made by the cheapest bidder. Now, surprisingly, State Farm and other insurance companies have discovered that it is less costly to require the use of these cheaper parts than to buy from the original equipment manufacturers that had to incur the cost of designing the body panel. There is no legal barrier to requiring inferior copies of selected body panels.

An entire vehicle program includes an obligation of warehousing tens of thousands of parts in addition to the one being copied. It is not surprising that it is cheaper to copy parts than it is to design, engineer, and build the original item. This substitution, in the case of the insurance industry, goes on as long as you have your insurance policy. Most of us are required to have insurance. You do not have much choice. In any event, the result is that the vehicle is not returned to its original specifications after its repair.

States are attempting to come to grips with this problem. An increasing number of states have struggled, over the objection of the insurance industry, to enact legislation for regulations requiring some form of notice when the cheapest available nonoriginal parts are used. Even when the disclosure is made, whether under legal compulsion or otherwise, the

12. 49 C.F.R. § 571.219 (1989).

insurance industry often resorts to what we believe are misleading statements. The parts are not described as being nongenuine, or nonoriginal, but rather they are stated to be "economy," "quality," "competitive," or "equivalent" parts. Rarely does the real manufacturer's name appear on the part. In most cases, nobody knows who made it. We believe that consumers are being misled and forced to accept parts that they do not know are typically inferior. General Motors is going to continue to advocate adequate disclosure at the state level, to deal with problems relating to parts which do not qualify for industrial design protection under this legislation. We anticipate that not all of them will be protected.

From our standpoint, in the automobile industry, we believe that the real issue is who should receive the rewards from the sale of replacement body parts. Should the benefit go to the automobile manufacturer that has to invest millions of dollars to design the part and face vigorous interbrand competition? Or, should the benefit go to the insurance industry that has a monopoly in the United States? The insurance industry is shielded from competition and the antitrust laws by the McCarran-Ferguson Act.[13] For the long-term development of the automobile industry, to foster creation of new vehicle designs, and to benefit consumers, we believe that the answer to this question is obvious. It is the automobile industry, which created the designs and is accountable and responsible for all the associated risks, that should receive the rewards.

13. 15 U.S.C. §§ 1011-1015 (1988).