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DISCUSSION OF CURRENT INDUSTRIAL DESIGN LAW ISSUES*

Mr. Pegram (introducing O. Charles Leinbach): Chuck is a designer with Fitch RichardsonSmith, a leading design firm located in Columbus, Ohio. He has the unique perspective of being both a designer and a lawyer. In addition, he has taught intellectual property law as an adjunct professor at Ohio State University.

Mr. Leinbach: I would like to suggest that my own struggle with it has led me to the conclusion that industrial designers are stuck in between two systems. Cooper Woodring, and other people I know, contemporary designers, do not see themselves as doing either pure art or pure utilitarian design. In fact, there is an interesting catch-22 that jumps up to bite us, when we do a good job of design. I think a good job of industrial design is integrated, which means, among other things, that form and function are integrated. There are a lot of other twists to that integrated activity. You are compelled, if you are a designer put on the witness stand, to assert that your design was arbitrary, if you want to win. Nothing could be further from the truth. I cannot believe that people can suggest that industrial design these days is arbitrary.

I heard the General Motors person say it costs between \$4.5 million and \$10 million to create a fender. I can tell you that for even minor products, small consumer products in the range of \$10 to \$30, people routinely spend with organizations like ours over \$100,000 before they even begin to design. They track down the right target market, learn about the consumer, and other things that are the peripheral activities which are paid for by the company that eventually introduces the design. All these activities contribute to the development cost, none of which is paid for by copiers. So I think, if anything, the economic arguments about stealing designs are understated.

Let me elaborate on some of these other aspects of what design brings to consumer products, that I do not think is accounted for. I think that most good designers would assert that they try to do several things in their integrating activities. It is difficult to articulate. We try to make things simpler, more self-evident, more aesthetically pleasing, more operable, more fun, more prestigious, more practical, as a symbol of practicality, if that is your inclination. All of these I call the soft aspects of the product or soft goods.

On the other hand, utility patents take care of the hard goods. I do not want to suggest that utility patents do not make a contribution, but over time, my guess is that you could take just about any category of product and

* This is an extract of a discussion of the conference session on current industrial design law issues. 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.

determine that the technical [research and development] is a minor portion of the overall investment. The major portion is what I call the soft goods, soft attributes. They are brought about by the designers. We are stuck with the fact that if we do that well, we expose it, hand it over to the public. We teach everybody how to make these things, and then we are punished for exposing it. It is inherent in the nature of visual objects. You cannot keep visual design as a trade secret. Why reward the people who keep it a secret, and punish the people who disclose it? When I say punish, I mean punish in a direct sense. Copies are to the economic detriment of the people who invested in the product design.

. . . .

For example, take the car industry. BMW just announced, to the whole industry's surprise, that BMW had a considerable upsurge in sales and profits during a period in which other car manufacturers suffered a slump. Why BMW? They are the most over-priced automobiles I have ever inspected. I have to ask, is there really \$60,000 worth of utility, in the strict utility patent sense, in a BMW, as opposed to a Hyundai? I doubt it. For one-tenth of the price you can get from A to B. What is another \$50,000 buying? It is buying soft attributes. It is buying things wrought by design. I insist that if anybody is complying with the constitutional covenant, to stimulate the economy and do things which promote the arts, and promote invention, in terms for which they will be able to recoup their investment, it is industrial design.

Mr. Burke (responding to question on the significance of the United States Supreme Court decision in *Graham v. John Deere Co.*, 383 U.S. 1 (1966)): What difference did it make? In determining patentability under 35 U.S.C. § 103, one of the first elements, defined by *Graham* is the field of endeavor, that is, what prior art should the person having ordinary skill in the art be charged with knowledge of. Under the ordinary intelligent man test, there was no clear definition as to what would constitute pertinent prior art, whereas under the obviousness standard, as set forth in section 103 [interpreted in *Graham*], the pertinent prior art is that which is closely related to the subject matter to which the claim is directed. If we are talking about automobiles, we would be more concerned with searching subject matter in the transportation area to determine patentability. For example, an automobile does not compete with eyeglasses. The biggest concern that we as examiners had was the interpretation of what was considered pertinent prior art.

Mr. Thompson: I would like an opportunity to respond to comments on my fuel nozzle example. At the Senate hearing where I testified, there were exhibits with the actual nozzles. The nozzles had discretionary and arbitrary rings cut in the nozzle. . . . Certain people copied that shape, to sell nozzles that looked like ours, for the purpose of deceiving the buyers.

None of these nozzles, which we bought on the open market, met our flow limits. One of them stuck fully open and would not close. If you were to put that nozzle in your engine, it would burn up the cylinders in very short order. In many of these cases, we ended up paying the warranty claims ourselves, not recognizing that it was someone else's nozzle.

The point of it is that people think that this is dirty and grubby stuff, something like a nozzle, that is way down inside an engine. People in the trade are looking at these things, and they are drawing certain perceptions of identity and differentiation from the arbitrary character of certain configurations. It is really no different from the nut that I showed you, which had distinctive shape and arbitrary corners that were put on it. It becomes identified. We are really seeking product differentiation when we urge this kind of protection. We encourage that it be done in such a manner that any of the shapes that are necessary to make the alternate part fit that location, and do the job, would not be protected. People would be free to make alternative designs and shapes.

We urge this for our own protection, our own product differentiation, and because we think it has a lot of significance in the competitive environment in which we exist. Now I do not care whether this bill says distinct, or it says distinctive. I do not think that it is very significant. The test is whether the design is attractive or distinct or distinctive to the purchasing or using public. That means it has to be something more than a mere draftsman can pick up, but something that you, the purchaser and consumer, can recognize and begin to identify. I do not want you to think that I am so secretive a guy that by removing "ive" from the word distinctive, I was trying to do something along the way.

Question: When the insurance company mandates that look-alike parts be used to repair the vehicle, which by the way seems somewhat inconsistent with your stated goal of having the buyer able to have the car repaired in any manner that they want, what quality control procedures are used to ensure that the parts that are used to repair the vehicle are not the ones that you say your mother-in-law would not even want to eat off of?

Mr. Fitzpatrick: That is a fair question. The insurance companies have been looking at parts to establish those that are of like-kind and quality. A certified automobile parts association in Detroit has a testing lab that subjects parts to quality standards. We have asked the auto companies to have their parts subjected to the same quality control standards. We have tried, without much success, to get the auto companies' quality control standards, as we are making a major effort to ensure that comparable quality parts are put on a car. It happens that the manufacturers of competitive parts have a much more generous warranty than the auto companies. The OEMs' [original equipment manufacturers'] warranties are moving up the scale in response to competition. The insurance commissioners require that

you put a part on of like-kind and quality. All I can say is that there is a strong intent to ensure that an owner is going to get a part that is a satisfactory replacement.

Comment from audience: What are the results? You say that it's all an attempt. That leads me to believe that none of it has been successful so far.

Mr. Fitzpatrick: No, it is not a matter that it has not been successful. The program is just getting under way. I think parts which are unsatisfactory have been segregated from an industry point of view. From an antitrust point of view, this is not a matter that companies have agreed to deal only with particular suppliers. That is an individual company decision. I think this process is moving along. I think it is going to be a much more mature process in another year or two or three, and we would urge the auto companies to join and have their parts included in this *Good Housekeeping*-type test. We found in some instances that after-market parts are superior in quality to OEM parts. Ultimately, the marketplace is going to sort that out.

Comment from audience: I am a little bit confused on the new design legislation, and I guess I agree with Mr. Leinbach that there appears to be a need for some sort of legislation. I also read the *Bonito* case, where Justice O'Connor said that possibly we should go to our congressmen. Then, I came here today, and I found out that we have been going to our congressmen for the last thirty years, and they have been telling us to go home. I am wondering whether there is something that we can do to the proposed legislation that could possibly enhance its passage. I cannot help but think that the crash parts on the automobiles are an anomaly in industrial design. There are people representing many other industries here that are talking about entire products, like furniture and OEM parts. I am wondering if crash parts cannot effectively be eliminated from the proposed legislation and keep Mr. Fitzpatrick and his lobby home?

Mr. Fitzpatrick: We would not fight that.

Comment from audience: One feeling I have, as I listen to the crash parts insurance debate, is that those guys really are not talking about me. That is seventy dollars that disappeared from the price of that product. As I understand, it came out of General Motors' pocket, and went into the insurance company's pocket. Now maybe they are going to give me a better break on my insurance, but if I assume that both of these industries are going to operate with traditional profitability goals, then I have to assume that the auto company is going to charge me more for my car. So I do not have the seventy dollars. It is between them.

Mr. Stannard: I chair a committee on design protection for the American Society of Furniture Designers. The two of you have expressed your feelings very well. It seems that where much of the problem in passing the legislation comes is in answering the question of whether it is in the best interest of the consumer. Somehow we as designers and the manufacturers of the other things are left here without any protection because of that debate. Now, have you ever considered the idea of handling it in much the way that the Kodak company did? It was forced to license the film that they invented, in the interest of the consumer and competition. There I think it was a win situation. Is there any way for us to do that here?

Mr. Fitzpatrick: Let me just say that the industrial design bill had met with a massive yawn in the Congress for a long time before the crash parts issue came along. It was stricken from the comprehensive Copyright Revision Legislation in 1976 because Congress said it was creating a monopoly without a commensurate benefit to the public. So that is a bit of significant history. I believe one will find in the record that this stall on the bill is not simply because we are disagreeing. There are indeed broader economic issues, and I think there has been a difficulty in dramatizing the direct economic harm that is occasioned by the lack of design protection. That is a matter of an effective legislative presentation—carrying the burden affirmatively. It is a different question than our working out an agreement between two major industries that look at this as a major economic battle.

Comment from audience: I am a designer on the outside watching congressmen, senators, lobbyists, legislators, and attorneys argue over America's economic future. If you are an industry that copies, you oppose this legislation. If you are an industry that creates, you are in favor of it. It is just that simple. If the copiers want to be exempt, let them be exempt, because they will probably all go away in five years anyhow, since they are not innovating. They are not creating. If the clothing industry wants to be exempt, let them.

Ms. Castle: Let me say the reason why the Industrial Design Coalition was formed about three years ago was because of the frustration of being able to articulate this issue so that congressmen could understand it. Outside of the Judiciary Committees, intellectual property rights is an issue that glazes most people's eyes in thirty seconds. If you can fix this issue in economic gain or loss of jobs, pain and suffering of the colleagues from the auto industry, the blood on the wall, you are going to get people's attention. It has taken our coalition about three years to get that message across to our own members. What I am suggesting is that if there is consensus within the companies represented in this room and outside this room that we need industrial design protection legislation, then we have to put our shoulder to

the wheel and understand how the legislative process works. Look at the coalition, or other places: the NAM [National Association of Manufacturers] and the Chamber of Commerce are both on board as supporters, and they elevate the debate. I am saying things that are strategically important. It is nothing new to Mr. Fitzpatrick. There is nothing magical about lobbying a bill, but an academic discussion of the issue does not get you results.

Mr. Enborg: Let me say that we have no intention of allowing automotive design to be carved out of this bill, or have it treated any differently from any other product design. On the other hand, we are willing to consider various flexible approaches. We do not want to be a stumbling block to this bill going through. Maybe there is some common ground. I do not know if Jim is a horse trader. He looks like a horse trader. He walks like one. He smells like one. I think we will leave it to him and his client to see if they are one. We are willing to consider some flexible approaches. I will leave it at that. If you have some flexible ideas, I would appreciate hearing them.

Question: I am asking my question as a consumer. Today, my own insurance coverage is with an extremely competitive carrier which authorizes the use of genuine OEM parts, and charges no more than other carriers. So the question should be for the carriers that are not using genuine OEM parts is: Are they charging their customers lower premiums? If so, where is the money coming from to do all this lobbying against this bill?

Mr. Fitzpatrick: Well, the money that is coming to lobby this is a paltry effort.

Mr. John Shurtleff (a patent attorney): Industrial design is a very little known profession. When most people say the words "ornamental designs," they think of industrial designers as artists that put pretty flowers on things, and that is all they do. Industrial designs are a combination of form and function. They are not just form. They are not just function. You cannot separate the two. I think that to solve our problem we must define industrial design as the combination of form and function to create a distinctive overall appearance.

Mr. Robert Tiffany (an industrial designer): I think everything goes in cycles in our society. Our society is in a cycle right now. I asked my patent attorney why we cannot get protection. If we get a patent, why is it not going to hold up? He said it is very simple. We do not believe in monopolies. This is restraint of trade and America does not want to restrain trade. . . . I think everyone is looking at his own little survival. They are not looking at the society we are in. We should focus on survival, on what is good for society. . . . If we are going to continue to be a society where we

are going to resell someone else's productivity, we are not going to survive long in the world. It is a world of productivity. If we are going to allow people to sell other people's creativity, without having first paid for it, we are not going to survive.