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## United States: Federal Circuit: Design Patents Valuable In Protecting Product Trade Dress

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*Apple Inc. v. Samsung Electronics Co. Ltd. et al.*, \_\_\_ F.3d \_\_\_ (Fed Cir. 2015)

Those of you following the continuing U.S. infringement case between Apple Inc. ("Apple") and Samsung Electronics Co., Ltd. ("Samsung") based on their respective iPhone and Samsung Galaxy designs undoubtedly recall the \$1 billion in damages awarded to Apple by the jury in 2012 in the Northern District of California. That judgment, based on infringement of Apple's asserted design patents and its claim of registered and unregistered trade dress rights in the iPhone design, was later reduced to about \$900 million. The verdict and award was also, not surprisingly, appealed by Samsung to the Federal Circuit Court of Appeals.

On appeal, the Federal Circuit upheld the infringement of Apple's asserted design patents, but reversed the finding of trade dress infringement, finding Apple's claimed trade dress to be functional and therefore unprotectable. The difference in how Apple's design patents and trade dress were treated by the appellate court is both interesting and instructive.

In the U.S., design patents cannot claim a product design that is purely functional in nature. There must be some ornamental features present in the design to make it eligible for design patenting. Yet, the Federal Circuit decision shows that a product design can be deemed functional and therefore unprotectable as trade dress, even where the same design is protected by a valid design patent and found to be infringed.

Trade dress rights are, in effect, trademark rights that are claimed in the overall design of a product, such as a mobile phone. To be protectable, the trade dress cannot be "functional" in nature, that is, it cannot be comprised of product features that are so useful and utilitarian in nature that recognizing exclusive rights in the design would inhibit others from offering competing products that are used in the same way. In addition, trade dress protections require a substantial evidentiary showing that the design is known and has acquired distinctiveness in identifying a particular commercial source among the public at large. Once established, trade dress rights can be perpetual, so long as the trade dress continues to be in use.

Design patents, meanwhile, cover novel and non-obvious designs as expressed in the ornamental features of a product. In a design patent, the claimed design is set out in drawings or photos and these illustrations define the patent's scope. In an infringement context, the drawings are compared to accused infringing products, and infringement is then determined based on whether, in the eyes of an ordinary observer, the accused product design is substantially the same as the patented design. *Egyptian Goddess Inc. v. Swisa Inc.*, 543 F.3d 665 (Fed. Cir. 2008) (en banc). Design patents filed after May 13, 2015 have a term of 15 years from issuance (formerly they had a 14 year term).

In its case against the Samsung Galaxy phones, Apple asserted its design patents in the shape and outline of its iPhone, as well as on the icons and graphical user interface displayed by the phone. Apple also asserted trade dress rights based on a

U.S. trademark registration that also covers the display screen and icons of the iPhone, and based on common law trade dress rights in the iPhone shape and outline. Under U.S. law, trade dress rights and design patent rights can co-exist for the same design features, and asserting infringement of both rights is not inconsistent (indeed, obtaining a design patent while the owner develops rights in that trade dress through use over time can be a valid protection strategy).

However, in asserting claims of trade dress infringement against the Samsung Galaxy phones, Apple relied on a claim of infringement by dilution, and not likelihood of confusion which is the traditional claim made in trade dress or trademark infringement cases. Dilution requires a showing of **fame** of the asserted trade dress at the time the accused infringing design entered the market, and seeks to protect the design's widespread reputation, often resulting in potentially broader protections. A dilution claim is not intended to protect consumers from confusion as to the source of similar trade dress, so the presence or absence of actual confusion in the marketplace is not dispositive. Thus, dilution protects the owner of a well-known mark from suffering adverse effects as to its strength or value, and assumes that an infringing article blurs the consumer's association of the famous design as an exclusive identifier of its goods/services.

Although Apple's dilution claim did not require them to establish that consumers would confuse the Samsung designs with Apple's trade dress, it may have created other challenges. For one, dilution reflects a substantial broadening of traditional trademark rights that some commentators feel may adversely affect competition. This may compound the burden of persuasion in a trade dress case where many also take the view that broad claims of trade dress rights adversely affect competition, given their potentially inhibiting effect on developing new product designs and their potentially perpetual duration. Therefore, courts may be more wary of a trade dress dilution claim that could grant too great a scope of design rights.

In this respect, the Federal Circuit decision may have telegraphed the court's wariness from the outset. At the beginning of its analysis, the court stated: "Protection for trade dress exists to promote competition. The protection for source identification, however, must be balanced against a fundamental right to compete through imitation of a competitor's product. This right can only be temporarily denied by the patent or copyright laws [but] in contrast, trademark law allows for a perpetual monopoly and its use in the protection of physical details and design of a product must be limited to those that are nonfunctional." *Slip Op.* p. 7, 2015 WL 2343543 (C.A.Fed. 2015). Other citations omitted.

While the District Court specifically found the question of whether Apple's trade dress was functional to be a question of fact for the jury to decide, the Federal Circuit seemingly reached the exact opposite conclusion. The circuit court held that no reasonable jury could have found Apple's trade dress to be protectable, as the asserted trade dress was "clearly functional," and that Apple failed the applicable functionality test of showing that its trade dress served no other purpose than of identifying a particular commercial source. This was a test derived from the law of the Ninth Circuit, which the Federal Circuit was obligated to apply in an appeal on an Lanham Act case taken from a California court (indeed, the court pointed out that Apple could cite no prior case in the Ninth Circuit where product design trade dress was found to be nonfunctional). This "high bar for non-functionality" standard prompted reversal of the jury verdict and a finding that Apple's registered and unregistered trade dress, and the individual design features shown therein, were both functional and not protectable. *Slip Op.* p. 9, 2015 WL 2343543 (C.A.Fed. 2015)

In contrast, the circuit court treated Apple's design patents more favorably. It rejected Samsung's arguments that the District Court should have instructed the jury to not consider the same elements found to be functional in the trade dress when determining design patent infringement. According to the Federal Circuit, excluding any components was not a proper reading of its design patent case law. Rather, individual product features, whether functional or not, should not be read out from a design patent claim since the comparison must be of the entire designs.

Although the circuit court's finding seems to be at odds with the rationale for rejecting Apple's trade dress rights, it must be noted that the validity of Apple's design patents was not at issue (this issue had been decided by the district court, and appealed, before the case below went to the jury, and validity was not part of the jury verdict). But it seems apparent from the decision that "functionality" applies differently to design patents and to trade dress. In the design patent context, "functionality" is interpreted very narrowly, and design patents will be applicable to cover product designs that would otherwise be considered to be functional and unprotectable as trade dress. Therefore, the value of filing design patent applications first on a product design is crucial, as no amount of sales, promotions or "look for" advertising will suffice to overcome the "high bar of non-functionality" courts will likely apply (especially in the Ninth Circuit) to the design of useful articles such as electronic devices and other utilitarian items.

In sum, this decision shows the value of obtaining design patents for any new and unique product designs, rather than relying on common law trade dress rights (or even trademark registrations) in an infringement context. Even where the trade dress is "non-functional," there are challenges in both establishing acquired distinctiveness of the trade dress and in demonstrating that consumers are likely to be confused by accused infringing product designs, let alone meeting the necessary threshold of

establishing fame of the trade dress before pursuing a dilution claim. Design patents should be filed promptly to avoid prior art issues (including prior disclosures of the design by the owner itself—the U.S. affords only a one-year grace period for filing design patents after the design is disclosed to the public, and other countries automatically preclude coverage after disclosure). Therefore, proper consideration and planning of a strategy for protection of product designs is critical.

*The content of this article is intended to provide a general guide to the subject matter. Specialist advice should be sought about your specific circumstances.*

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