

Functionality: Trademark Rights Cancelled

By Darrell G. Mottley, Esq.*

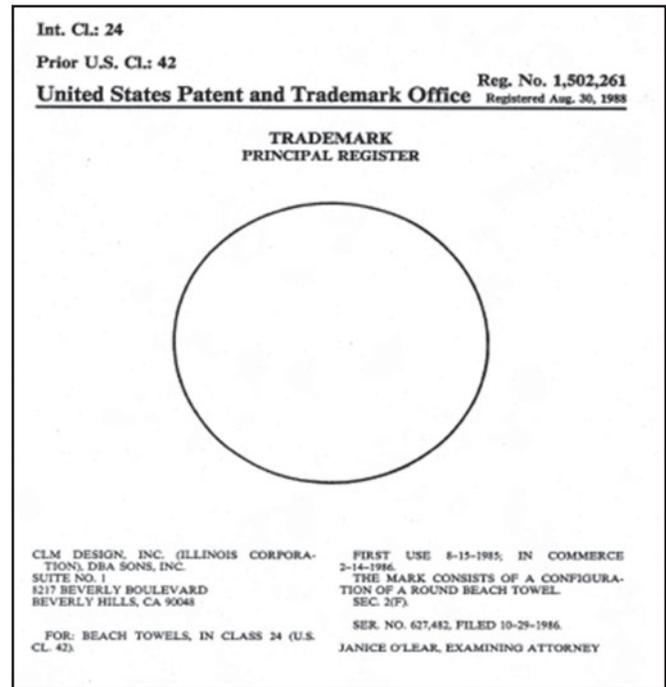
Intellectual property rights in trademark are an important business tool. The owner of the mark can possibly extend the term of the trademark indefinitely as long as the mark is in continuous use in commerce. To be entitled to trademark rights, the mark must be capable of functioning as a source identifier and cannot be confusingly similar to existing marks. A three-dimensional product design can be protected under Federal trademark law. For a product design to be protectable as a trademark, it must have acquired “secondary meaning”, which serves to identify the product with its manufacturer or source. In general, there must be evidence that suggests that consumers viewing the product design can associate it to a source of the product based on the design.¹

In our analysis of a product-design-mark law, we review a recent case opinion issued from the U.S. Court of Appeals for the Seventh Circuit, *Jay Franco & Sons, Inc. v. Clemens Franek*,² pertaining to a circular beach towel product design trademark. This case is important from an intellectual property perspective because the consequence of the failure to use the product design as an indicator of product source can be grave for the trademark owner.

Case Background

In the mid-1980s Clemens Franek’s associated company, CLM Designs, Inc., marketed and sold a round beach towel. CLM Designs advertised the towel, for example, as “[b]ound to the round! Don’t be Square!” and “[t]he round shape eliminates the need to constantly get up and move your towel as the sun moves across the sky. Instead merely reposition yourself.”³ The round beach towel was a success. CLM Designs sold over 30,000 circular beach towels in 32 states by the end of 1987.⁴ Millions of dollars worth of the “most radical beach fashion item since the bikini” (as one of CLM Designs’ ads proclaimed) were sold.⁵ Uplifted by the initial commercial success, CLM Designs sought a trademark registration for a design of the round beach towel in 1986. On August 30, 1988, the U.S. Patent and Trademark Office registered Trademark No. 1,502,261 for a configuration of a round beach towel to CLM Designs, Inc.

The mark was simply a circle pertaining to a round beach towel. Unfortunately, CLM Designs, Inc. later dissolved as an on-going business enterprise and the registered trademark was assigned to Mr. Clements Franek, who continued to sell the circular beach towels covered by the registered trademark. Now, twenty plus years later from 1987, Mr. Franek sued Walmart



Stores, Inc. and Target, Inc. under §32 of the Lanham Act for trademark infringement of his round beach towel trademark. Jay Franco and Sons, Inc. was the ultimate manufacturer of the round beach towels distributed by WalMart and Target. Jay Franco defended its customers and filed a separate action to invalidate the trademark registration for the round beach towel. The District Court consolidated the two cases.

At trial, Jay Franco sought a declaratory judgment that Franek’s trademark was invalid because it was functional. The District Court agreed and invalidated the round beach towel trademark based on the doctrine of functionality.⁶ The District Court ruled that towel design was functional based on several factors including: (1) existence of a third party utility patent that involved or described the functionality of the towel’s round element; (2) the utilitarian properties of the towel’s unpatented design elements; (3) advertising of the towel that highly touted the utilitarian advantages or benefits of the towel’s design; (4) the lack of, or difficulty in creating, alternative designs for servicing the purpose of the design; and (5) the use of the design’s round feature on a towel’s quality or cost.⁷ Consequently, The District Court concluded there was no trademark infringement by WalMart or Target. Franek appealed to the U.S. Court of Appeals for the Seventh Circuit and the Court of Appeals affirmed the decision of the District Court.

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Example of a Round Beach Towel

From a search of the world-wide web, below is an example of a round beach towel.



Sundial Towel Example from www.mysizeusa.com

Product Configurations and Functionality

A product design that produces a benefit other than source identification might be considered functional. In the Supreme Court case of *Traffix Devices, Inc. v. Marketing Displays, Inc.*,⁸ a design is functional when it is “essential to the use or purpose of the device or when it affects the cost or quality of the device.”⁹ In that event, no trademark protection is available.¹⁰ In *Traffix*, expired utility patents provided “strong evidence that the features therein claimed are functional.”¹¹ In *Jay Franco & Sons, Inc. v. Clemens Franek*, the Court of Appeals of the Seventh Circuit evaluated functionality of the trademarked design in light of the utilitarian nature of the design features regardless of whether the features were patentable or could infringe a utility patent.¹²

Functionality Analysis in Round Beach Towel Case

The first problem was that the advertisements of the round beach towel highly touted its functional utilitarian features. Hence, there is strong evidence that the first prong in *Traffix* is satisfied (e.g., essential to the use or purpose of the device). For example, CLM Designs advertised its towel with the following text - “NOW WHEN THE SUN MOVES, YOUR TOWEL DOESN’T HAVE TO - 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.”¹³ In another example of an advertisement, CLM Design proclaimed that “[t]hese unique round towels stay put on the beach while

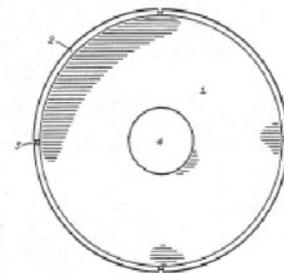
sun-worshippers rotate to follow the sun.”¹⁴

When reviewing these advertising statements of CLM Designs, a key functionality theme stands out for analysis. The advertisements clearly link the towel’s shape to a primary functional/utilitarian advantage. In this regard, Franek associated the benefits of the towel shape to sunbathers repositioning themselves with the movement of the sun across the sky to enhance the act of sunbathing. In essence, he advertised a heliotropic benefit of the round towel shape, e.g., solar tracking of the sun by sunbathers.

The second problem for Franek was that third party patents provided evidence of functionality and Franek’s advertisements were similar to text of a patent claim. The Court of Appeals discussed U.S. Patent No. 4,794,029, which describes a round beach towel that can be pulled together to convert the towel into a bag. The front page of the noted patent is reproduced below:

The Court of Appeals reviewed the claims of the noted patent and focused on claim 2 reproduced below:

United States Patent [19]		[11] Patent Number: 4,794,029
Tennant et al.		[45] Date of Patent: Dec. 27, 1988
[54]	TOWEL THAT CONVERTS INTO A BAG	3,016,564 1/1982 Puksey 2/49 R
[76]	Inventors: Lyness H. Tennant; Ashley A. Harris, both of 344 Thirteenth St., N.E., #101, Atlanta, Ga. 30309; Garrett L. Simmons, 176 Broadway, Fourth Floor, New York, N.Y. 10003	3,646,896 3/1972 Derajinsky et al. 5/419 X 4,195,378 4/1980 Pickett 5/419 4,274,719 7/1981 Szwedki 436/78 4,337,812 7/1982 Tonaker 306/541 X 4,609,128 6/1987 Puggag 2/69 4,203,538 11/1987 Rolfe 190/2 X 4,309,430 12/1987 Noori 5/417
[21]	Appl. No.: 18,388	Primary Examiner—Henry F. Epstein
[22]	Filed: Feb. 24, 1987	Attorney, Agent or Firm—Robert W. Fiddler
[31]	Int. Cl. ⁴ A48C 9/00; A47G 9/00	[57] ABSTRACT
[52]	U.S. Cl. 428/309; 5/417; 190/1; 363/4	A circular section of woven terry fabric, with a circular section of woven nylon fabric having precisely one-fourth the area of the circular woven terry fabric attached to the inferior plane of the circular woven terry fabric, which has four sections of woven terry fabric cut on the bias and of equal lengths and widths attached along the perimeter on both the superior and inferior planes to form a casing encompassing a cotton cord or drawstring thereby allowing conversion of the fabric into a bag.
[58]	Field of Search 2/49 R; 69; 5/417; 418; 5/419; 420; 190/1; 363/4; D6/595; 596; 603; 428/78; 79; 101; 102	10 Claims, 5 Drawing Sheets
[56]	References Cited	
	U.S. PATENT DOCUMENTS	
	189,073 5/1908 Whitebridge 2/49 R	
	2,395,232 10/1948 Heyer 2/49 R	
	2,442,203 5/1948 Hudson 2/49 R	
	2,735,097 1/1956 Meath et al. 363/4	
	2,761,811 2/1957 Ditar et al. 428/92 X	



2. A towel-bag construction as set forth in claim 1 wherein said towel is circular in shape, whereby a user while sunbathing may reposition his or her body towards the changing angle of the sun while the towel

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remains stationary. (emphasis added).

The Court pointed out that claim 2 of the patent almost sounded like Franek's advertisement about the towel's round shape. The Court also noted that patent's specification that a circular towel is central to the invention because of its benefit to sunbathers. Franek argued that the patent was filed years later than he first started selling the round towel. Thus, the patent (according to Franek) was invalid. In response, the Court of Appeals rejected Franek's contention and stated that a design feature in a patent can be good evidence of the functionality of the product configuration trademark.¹⁵

The third problem for Franek was that his advertisements declared that the round towel was primarily utilitarian. He stated the towel was a fashion statement as "the most radical beach fashion item since the bikini." The Court of Appeals pointed out that fashion is a form of function and noted that a design's aesthetic appeal can be as functional as its tangible characteristics.¹⁶

The fourth problem for Franek was that there was a lack of alternative designs for servicing the purpose of the trademarked round beach towel and this issue did not comport with the tenets of trademark law. The Court of Appeals noted for policy reasons that trademark owners should not have exclusive rights that last forever in basic shapes.

[A] trademark holder cannot block innovation by appropriating designs that undergird further improvements. Patent holders can do this, but a patent's life is short; trademarks can last forever, so granting trademark holders this power could permanently stifle product development.¹⁷

Franek obtained a trademark registration on a basic design element in the relevant market industry that foreclosed competition. The basic shape of the circle is so rudimentary and general that the trademark for the beach towel likely significantly impaired competition.

Franek wants a trademark on the circle. Granting a producer the exclusive use of a basic element of design (shape, material, color, and so forth) impoverishes other designers' palettes.¹⁸

Finally, the Court of Appeals sums up why this basic shape product configuration trademarks is invalid. "A circle is the kind of basic design that a producer like Jay Franco adopts because alternatives are scarce and some consumers want the shape regardless of who manufactures it."¹⁹ Hence, the

Court Appeals did not permit Franek "to keep the indefinite competitive advantage in producing beach towels this trademark creates."²⁰

PRACTICAL APPLICATION

This case is important from an intellectual property perspective to see how a trademark owner's product advertisements and third party utility patents can be used to invalidate a product-design-mark. The consequence of the failure to use the product design as an indicator of product source can be problematic for the trademark owner. Some of the following lessons learned can be gleaned from the *Jay Franco* case:

- Avoid advertising and touting the shapes of product using as functional language in product configuration trademarks. Otherwise, the trademark owners open their product configuration mark to potential challenges of invalidity.
- Avoid slogans or phrases that recite features found in any patent claims, including expired patents or patent application publications of third parties.
- Avoid touting features in utility patents or patent publications that claim the features that are the subject of the product configuration trademark. Here, it was a patent by a third party which provided strong evidence of functionality.
- When evaluating trademark protection on three-dimensional products, consider searching of patents and patent application publications that touts or claim key features of the product.
- For new product designs, consider evaluating whether design patent protection is available.



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opinions contained in this article are his alone and do not necessarily represent the opinion of Banner & Witcoff, Ltd.

¹ See generally, *Wal-Mart Stores, Inc. v. Samara Brothers, Inc.*, 529 U.S. 205, 120 S.Ct. 1339, 146 L.Ed.2d 182 (2000).

² 615 F.3d 855 (7th Cir. 2010).

³ *Jay Franco & Sons, Inc. v. Clemens Franek*, 615 F.3d 855 - 856, 96 USPQ.2d 1404 (7th Cir. 2010).

⁴ *Jay Franco*, 615 F.3d at 856.

⁵ *Jay Franco*, 615 F.3d at 856.

⁶ See generally, *Clemens Franek v. Walmart Stores, Inc.*, Nos. 08-58 and 08-1313, 2009 U.S. Dist. LEXIS 20361 (N.D. Ill. Mar. 13, 2009).

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⁷ Id. at *34; *See generally, In re Morton-Norwich Products, Inc.*, 671 F.2d 1332, 1340-1341, 213 USPQ 9, 15-16 (C.C.P.A. 1982) (applying four factor test of functionality to register a product configuration mark).

⁸ 532 U.S. 23 (2001).

⁹ *Traffix*, 532 U.S. at 33.

¹⁰ *Traffix*, 532 U.S. at 26. (“[S]econdary meaning is irrelevant because there can be no trade dress protection in any event.”); *See also*, Trademark Manual of Examining Procedure (TMPEP) 1202.02(a).

¹¹ *Traffix*, 532 U.S. at 29.

¹² *Jay Franco*, 615 F.3d at 858. (“Functionality is determined by

a feature’s usefulness, not its patentability or its infringement of a patent.”)

¹³ *Franek*, 2009 U.S. Dist. LEXIS 20361, at * 19-20; *Jay Franco*, 615 F.3d at 856.

¹⁴ *Franek*, 2009 U.S. Dist. LEXIS 20361, at * 20.

¹⁵ *Jay Franco*, 615 F.3d at 858.

¹⁶ *See Qualitex Co. v. Jacobson Products Co.*, 514 U.S. 159, 169–70, 115 S.Ct. 1300, 1306-1307 (1995).

¹⁷ *Jay Franco*, 615 F.3d at 859.

¹⁸ *Jay Franco*, 615 F.3d at 860.

¹⁹ *Jay Franco*, 615 F.3d at 861.

²⁰ *Jay Franco*, 615 F.3d at 861.

Joseph K. West... *continued from page 1*

the President of the American Bar Association (“ABA”) to the Commission on Racial and Ethnic Diversity in the Profession and Co-Chair of the ABA Minority Counsel Program and the ABA’s Spirit of Excellence Awards program.

Joe also cares about his community. During Hurricane Katrina, he chose to ride out the storm at Methodist Hospital in his hometown of New Orleans. He worked shoulder-to-shoulder with his wife, an OB/GYN, literally helping to save the lives of patients abandoned and stranded at her hospital during this natural disaster.

Despite his busy schedule, Joe makes time to meet and assist young and old African-American attorneys with grace and élan. Joe would be the first to tell you he has not done this alone. Working with Tom Mars, Jeff Gearhart, Kerry Kotouc, Angela Washington, Walter Sutton, Sam Reeves, Elvin Sutton, Sharon Butcher, Matthew Carter, and the Walmart legion, Walmart now sends \$60M, of its total \$300M Outside Counsel spend to diverse attorneys. In addition, he authored the new certification procedure that Walmart requires of its Outside Counsel to ensure diverse and relationship partners receive their fair share of credit come compensation time.

There is more to Joe West than meets the eye. Ensuring diversity compliance is but a small part of his duties as head of the Outside Counsel Management group at Walmart. He is also responsible for negotiating and approving rates, approving conflict waivers, investigating firm ethical issues, selecting firm relationship partners and ensuring compliance

with the terms of Walmart’s outside counsel guidelines. He manages over 500 firms and over 25,000 timekeepers; which include partners, associates and paralegals at all approved Walmart-approved firms.

Prior to joining Walmart and its litigation section, Joe was Assistant General Counsel with Entergy Corporation, the lone Fortune 500 company in New Orleans, where he developed an outstanding reputation as a trial lawyer. Prior to that time, Joe was also an accomplished trial lawyer in private practice. The sky is the limit for Joe, whether at Walmart or anywhere else his career path may take him.

The NBA’s Commercial Law Section was indeed fortunate to present the 2011 In-House Counsel of the Year Award to a road builder, roads on which we may all walk, run, and drive -- our friend, Joe West.



**Benjamin F. Wilson is the Managing Principal of Beveridge & Diamond, P.C. He has been a past member of the Firm’s Management Committee and past Chairman of the Litigation Practice Group. His present litigation practice encompasses a wide range of activities in both state and federal courts, including commercial litigation matters, and environmental litigation matters. Mr. Wilson can be reached at (202) 789-6023.*

**UPCOMING
EVENTS**

NBA Crump Law Camp
July 10-23, 2011

NBA 86th Annual Convention
Hilton Baltimore
Baltimore, Maryland
July 31 – August 4, 2011

Congressional Black Caucus Reception
Washington, DC
September 21, 2011

Judicial Council/Small Firms & Solo Practitioners/ Young Lawyers Division Mid-Winter Meeting
Sonesto Maho Beach Resort & Casino
St. Maarten
January 18-22, 2012

25th Annual NBA-CLS Corporate Counsel Conference
Doral Golf Resort & Spa
Miami, Florida
February 23-25, 2012