

NOTES

It's Hip To Be Round: The Functionality Defense to Trademark Infringement

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I. INTRODUCTION

Clemens Franek and his company, CLM Designs, Inc., were responsible for creating, marketing, and selling a circular beach towel in the late 1980s.¹ CLM advertised the towel as the perfect accessory for the lazy beachgoer, who could merely turn her body with the sun's rays rather than constantly standing up and rearranging the towel.² In 1986, Franek sought and received a trademark to protect his "configuration of a round beach towel."³ Although CLM dissolved in 1991, Franek continued to sell his signature beach accessory until 2006, when he discovered that Jay Franco & Sons, Inc.,⁴ was distributing circular beach towels to its customers, including discount retail outlets Target and Walmart.⁵

After settlement negotiations between Franek and Jay Franco failed, Franek sued Target and Walmart under section 32 of the Lanham Act for unauthorized use of the trademark.⁶ The agreement between Jay Franco and the discount retailers included an obligation on the part of Jay Franco to indemnify and defend its customers in trademark lawsuits.⁷ As a result, Jay Franco filed suit against Franek to invalidate the beach towel trademark.⁸ The United States District Court for the Northern District of Illinois consolidated the two lawsuits and granted summary judgment for Jay Franco.⁹ Franek appealed the grant of summary judgment.¹⁰ The United States Court of Appeals for the Seventh Circuit *held* that Franco's trademark was invalid because the circular shape of the beach towel was

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1. Jay Franco & Sons, Inc. v. Franek, 615 F.3d 855, 856 (7th Cir. 2010).
 2. *Id.*
 3. *Id.*
 4. Jay Franco & Sons, Inc., is a distributor of bath, bedding, and beach accessories. *Id.*
 5. *Id.*
 6. *Id.*
 7. *Id.*
 8. *Id.*
 9. *Id.* The district court also dismissed the remaining claims and counterclaims.
 10. *Id.* Target and Walmart are not involved in the noted case.

functional and allowing a functional design to be protected by trademark law would undermine public policy. *Jay Franco & Sons, Inc. v. Franek*, 615 F.3d 855, 857 (7th Cir. 2010).

II. BACKGROUND

The objective of trademark and patent law in the United States is to foster innovation and fairness in the marketplace.¹¹ In the absence of trademark or patent protection, competitors could enter the market and imitate a successful product or invention, selling it for less or making improvements upon it.¹² Although social welfare increases in the short term as a result of competition—consumers can buy goods at lower prices and the imitation products are often better than the original—an inventor has little incentive to introduce new designs into the marketplace for fear that other producers will profit from an inventor’s hard work and ingenuity.¹³ Moreover, imitators can mislead consumers as to the source of the product by employing the original creator’s source identification.¹⁴ For this reason, patent laws encourage innovation and trademark laws prevent consumer confusion by protecting certain classes of inventions and designs from imitation.¹⁵ With trademark and patent laws in place, an inventor can introduce his product into the market with the confidence that an imitator cannot undercut him.¹⁶

Although grouped together as competition regulation laws, trademarks and patents serve different objectives because they protect different subsets of creations. United States trademark law grants in a trademark holder potentially indefinite ownership of the trademark.¹⁷ Patent law, by contrast, provides the patent holder limited ownership rights in the patent, after which the design enters the public domain.¹⁸

11. See Lee Burgunder, *Trademark Registration of Product Colors: Issues and Answers*, 26 SANTA CLARA L. REV. 581, 584 (1986).

12. *Id.* at 583-84.

13. *Id.*

14. *Id.* at 587.

15. See *id.* at 584-89.

16. See *id.* at 583-84.

17. See 15 U.S.C. § 1058(a) (2006) (requiring that the minimum duration of a trademark be ten years, after which the trademark holder can reapply to retain her mark); see also *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 165 (1995) (“[T]rademarks . . . could be extended forever (because trademarks may be renewed in perpetuity).”).

18. See 35 U.S.C. § 154(a)(2) (2006) (regulating that a patent registration last for a maximum of twenty years). This period of exclusive use allows the patent holder sufficient time to recoup a reasonable return on his investment in the design. Burgunder, *supra* note 11, at 584. “Patent law” refers to utility patents, rather than design patents, which are not considered functional. *Id.* at 584-85. The noted case refers explicitly to utility patents. *Jay Franco & Sons, Inc. v. Franek*, 615 F.3d 855, 857 (7th Cir. 2010).

Substantively, trademarks protect designs that are unique to particular brands and that, by association with the brand, confer upon the consumer some benefit.¹⁹ Patents, by contrast, protect designs that benefit the consumer beyond mere source identification.²⁰ The key feature of a patentable design is functionality, which means that the design is either essential to the use of a product or improves the quality of the product.²¹ Thus, a critical distinguishing factor between trademarks and patents is that trademarked designs must lack functionality, whereas valid patents require functionality.²² For instance, a design that is particularly useful, or functional, rather than merely important for brand association, will be denied a trademark.²³ This same design could potentially be patented, but if left unprotected, the design belongs to the public and is free to be used by anyone.²⁴ The underlying policy justification against granting a trademark on a functional design is that such protection provides the designer with unlimited competitive advantage over a useful product and as a result, discourages innovation and improvement.²⁵ The effect of the functionality requirement is that useful products will eventually reach the public domain, whereas designs that provide no more than source identification will potentially belong to the designer forever.²⁶

Federal jurisprudence is careful to note the distinctions, as well as the interplay, between the two forms of regulation, particularly when functionality is at issue. For instance, in *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, the United States Supreme Court upheld a district court ruling that found no trademark infringement when the defendant copied the color of a product with an expired patent.²⁷ The plaintiff, a drug manufacturer, held the patent on a particular drug, as well as the

19. See Burgunder, *supra* note 11, at 586-87.

20. See *id.* at 584-86.

21. See Theodore H. Davis, Jr., *Of "Ugly Sticks" and Uglier Case Law: A Comment on the Federal Registration of Functional Designs After Shakespeare Co. v. Silstar Corp. of Am.*, 51 WASH. & LEE L. REV. 1257, 1268 (1994).

22. See Burgunder, *supra* note 11, at 593.

23. See *id.* ("[T]he great weight of authority holds that a functional design cannot be protected by trademarks.")

24. See Davis, *supra* note 21, at 1268; see also *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 863 (1982) (White, J., concurring) ("A functional characteristic is 'an important ingredient in the commercial success of the product,' and, after expiration of a patent, it is no more the property of the originator than the product itself." (quoting *Ives Labs, Inc. v. Darby Drug Co.*, 601 F.2d 631, 643 (2d Cir. 1979))).

25. See Burgunder, *supra* note 11, at 593; see also *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 165 (1995) (explaining that a product with an expired patent cannot receive a trademark because this would "impede competition . . . by frustrating competitors' legitimate efforts to produce an equivalent" product).

26. See Burgunder, *supra* note 11, at 584.

27. See *Inwood*, 456 U.S. at 858-59.

trademark on the drug's name.²⁸ When the patent expired, the defendants began manufacturing a medically identical generic substitute of the drug in capsules that were the exact same color as the plaintiff's capsules.²⁹ The plaintiff filed suit for trademark infringement on the grounds that the defendants had "falsely designated the origin of their products by copying the capsule colors used by [the plaintiff] and by promoting the generic products as equivalent to [the plaintiff's product]."³⁰ To support this claim, the plaintiff alleged that the color of the capsules was not functional and therefore protected by trademark.³¹ The district court disagreed, reasoning that the color was essential to the use of the drug because a familiar color prevents confusion on the part of patients and pharmacists.³² Although the circuit court reversed the district court's findings, the Supreme Court affirmed the district court and articulated a two-pronged test to determine the functionality of a design: "a product feature is functional if it is essential to the use or purpose of the article or if it affects the cost or quality of the article."³³ This test became the benchmark for determining the validity of a trademark challenged for its functionality under 15 U.S.C. § 1115(b)(8).

Thirteen years after the *Inwood* decision, the issue of trademark of a color again came before the Supreme Court. Once again, the validity of the color's trademark turned on its functionality. In *Qualitex Co. v. Jacobson Products Co.*, the plaintiff, a dry cleaning press pad manufacturer, used a special green-gold dye to color its press pads.³⁴ After the defendant, a competitor, began using the same color to dye its press pads, the plaintiff sought and registered a trademark for the color.³⁵ The plaintiff then added a trademark infringement claim to its previously filed claim against the defendant.³⁶ The Supreme Court emphasized competition regulation by adding to the *Inwood* test for functionality that a design might also be functional when its "exclusive use . . . would put competitors at a significant non-reputation-related disadvantage."³⁷ The Court explained that the functionality doctrine is primarily a protection

28. *See id.* at 846-47.

29. *See id.* at 847.

30. *Id.* at 850; 15 U.S.C. § 1125(a)(1) (2006) (forbidding the use of false designations of origin).

31. *See Inwood*, 456 U.S. at 850.

32. *See id.* at 852-53.

33. *Id.* at 851 n.10.

34. 514 U.S. 159, 161 (1995).

35. *Id.*

36. *Id.* The plaintiff brought the trademark infringement claim under 15 U.S.C. § 1114(1), which establishes grounds for liability for trademark infringement.

37. *Inwood*, 514 U.S. at 165.

for competitors seeking to “replicate important non-reputation-related product features.”³⁸ Applying the old test, the Court determined that the color was sometimes essential to the use of the press pad, but had no effect on cost or quality.³⁹ The Court applied the new anticompetitive prong and reasoned that because other colors were “equally usable” in the manufacture of the press pad, the competitive advantage gained by the particular shade of green-gold was insufficient to satisfy the public policy prong.⁴⁰ Because the green-gold colored press pads did not definitively meet any of the three prongs, the Court held that the design was not functional and therefore the trademark was valid.⁴¹ As the twentieth century came to a close, the Supreme Court’s interpretation of the functionality doctrine was used both to invalidate and sustain trademarks on colors.

In the first months of the twenty-first century, the Supreme Court applied the functionality doctrine to an invention that was complex and useful enough to be worthy of patent protection.⁴² In *TrafFix Devices, Inc. v. Marketing Displays, Inc.*, the Court used the existence of an expired patent on a product to determine that the same product may not be trademarked.⁴³ The original plaintiff, Marketing Displays, Inc. (MDI) at one time held a patent in wind-resistant road signs.⁴⁴ Once that patent expired, the defendant, TrafFix, began producing an identical product.⁴⁵ MDI filed suit under 15 U.S.C. § 1051 for trade dress infringement.⁴⁶ The Court reasoned that the expired patent was “strong evidence” that the product was functional.⁴⁷ The Court considered the patent applications for the original product and applied the two-pronged *Inwood* test for functionality.⁴⁸ The Court found that the particular design of the wind-resistant road signs was necessary to the purpose, improved the quality, and lowered the cost of the signs.⁴⁹ The Court then explained that the *Qualitex* prong for competitive disadvantage was superfluous because the wind-resistant signs met both prongs of the *Inwood*

38. *Id.* at 169.

39. *See id.* at 166.

40. *See id.*

41. *Id.* at 174.

42. *See* 35 U.S.C. § 101 (2006) (describing the criteria necessary to obtain a patent); *TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 25-26 (2001).

43. *TrafFix*, 532 U.S. at 29-30.

44. *Id.* at 25-26.

45. *Id.* at 26.

46. *Id.*

47. *Id.* at 29-30.

48. *See id.* at 31-32.

49. *Id.*

functionality test.⁵⁰ The Court held that the design was functional and as a result, the trademark was invalid and could not be infringed.⁵¹

The United States Court of Appeals for the Federal Circuit hears numerous trademark and patent cases each year. In one example, during the years between the Supreme Court's decisions in *Inwood* and *Qualitex*, the Federal Circuit heard *Brunswick Corp. v. British Seagull Ltd.*, another case that involved the ability of a color to be trademarked.⁵² Brunswick Corporation applied for a trademark, under 15 U.S.C. § 1052(f), on the color black for its boat motors.⁵³ After the trademark was approved, British Seagull Ltd., along with several other boat motor manufacturers, filed an opposition to the Patent and Trademark Office's Trial and Appeal Board's (the Board) decision to approve the trademark.⁵⁴ Under *Inwood*, the Board found that Brunswick's black color was not essential to the purpose of the motor, nor did it add to the quality or lower the cost of the product.⁵⁵ With the *Inwood* test exhausted, the Board turned to the policy considerations to determine whether allowing a trademark on black outboard motors would be detrimental to competition.⁵⁶ The Board found, based on surveys, that consumers would rather purchase a black motor because the color is compatible with more boat colors and causes the motor to appear smaller in proportion to the boat.⁵⁷ From this evidence, the Board reasoned that the proposed trademark was functional because the color provided consumers with benefits beyond merely brand association, which meant that "a competitive need [existed] for engine manufacturers to use black on outboard engines."⁵⁸ As a result, the Board refused to register the color black for Brunswick Corporation's outboard boat motors and the Federal Circuit affirmed the decision on appeal.⁵⁹ Although this decision came in the year preceding *Qualitex* (in which the Supreme Court developed the policy-based prong of the functionality test), this decision represents a shift in circuit court jurisprudence toward protecting competition.

50. *Id.* at 32-33.

51. *Id.* at 35.

52. *Brunswick Corp. v. British Seagull Ltd.*, 35 F.3d 1527, 1529 (Fed. Cir. 1994).

53. *Id.*; see also 15 U.S.C. § 1052(f) (2006) (providing that five years of continuous and exclusive use of a design in commerce is prima facie evidence of the design's exclusiveness and when a design is exclusive, that design may be registered with a trademark).

54. *Brunswick*, 35 F.3d at 1529.

55. *Id.*

56. *Id.* at 1531 ("The color black . . . does not make the engines function better as engines. The paint on the external surface of an engine does not affect its mechanical purpose.").

57. *Id.*

58. *Id.*

59. See *id.* at 1533.

Nine years prior to the decision in *Brunswick*, the Seventh Circuit addressed the issue of functionality in another trademark infringement suit. In *W.T. Rogers Co. v. Keene*, the Seventh Circuit established its earliest standard for functionality.⁶⁰ The plaintiff, Rogers, filed suit under 15 U.S.C. § 1125(a) against Keene for trademark infringement of a unique hexagonal shape of plastic stacking letter trays.⁶¹ In district court, the jury found that the shape was functional and the court entered a verdict for Keene.⁶² Rogers appealed on the grounds that the district court judge gave an incorrect jury instruction on the issue of functionality.⁶³

The case presented the Seventh Circuit an opportunity to determine the standard for functionality in trademark cases.⁶⁴ The court explained that a generic design, such as a simple shape, is functional if the design is either “intrinsic to the entire product consisting of this manufacturer’s brand and his rivals’ brands” or one that “different brands share rather than a feature designed to differentiate the brands.”⁶⁵ The court presented the example of the oblong sphere shape for the football: the relatively generic shape is intrinsic to the use of the product (the football) and as a consequence, all manufacturers of footballs must employ this shape.⁶⁶ Therefore, the shape of the football cannot be trademarked.⁶⁷ Emphasizing public policy, the court held that a design is functional when granting exclusive use to one producer puts all other producers in the market at a competitive disadvantage.⁶⁸ The court reversed the jury verdict in favor of Keene and remanded for consideration of functionality consistent with this new standard.⁶⁹

In the years following *TraFFix*, the Seventh Circuit was able to use the existence of an expired patent at one time to justify finding a product to be functional.⁷⁰ In *Eco Manufacturing LLC v. Honeywell International Inc.*, the defendant, Honeywell, held the patent to a particular design of thermostat dial.⁷¹ When the patent expired, Honeywell sought trademark

60. 778 F.2d 334, 337 (7th Cir. 1985).

61. *Id.*

62. *Id.* at 338.

63. *Id.* at 341.

64. *See id.* at 337.

65. *Id.* at 339.

66. *Id.*

67. *See id.*

68. *Id.* at 346.

69. *See id.* at 348.

70. *See Eco Mfg. LLC v. Honeywell Int’l Inc.*, 357 F.3d 649 (7th Cir. 2003).

71. *Id.* at 650.

registration for the dial but was denied.⁷² The company applied again ten years later and was successful in registering the trademark.⁷³ The plaintiff, Eco Manufacturing (Eco), manufactured a thermostat dial substantially similar to Honeywell's.⁷⁴ When Honeywell sent a cease-and-desist letter to Eco to stop manufacturing the dial, Eco responded by seeking a declaratory judgment that it was not infringing Honeywell's intellectual property rights.⁷⁵ The district court, applying the Supreme Court's reasoning from *TrafFix*, found that the thermostat design was functional, as evidenced by the expired patent.⁷⁶ The Seventh Circuit agreed, reasoning that "the grant of a utility patent . . . show[s] that the patented feature is functional. After the patent expires, the covered elements of the design are available to all."⁷⁷ Thus, Honeywell could not preclude another manufacturer from producing a functional product.⁷⁸ The court further explained that even absent the existence of a prior patent, the usefulness of the product could also be used to show functionality.⁷⁹ The court applied the two-pronged test from *Inwood* and found that although the round thermostat dial was not essential to the use of the product, the particular design did have certain benefits, beyond mere source identification, that improved its quality.⁸⁰ Thus, the court held, the design was functional and available for use in the market.⁸¹

Therefore, although the Seventh Circuit took a competition-protective approach in *Keene* and seemed to ignore the *Inwood* test for functionality, the *Honeywell* court finally folded in all three prongs of Supreme Court jurisprudence on the issue. The relevant test for the functionality of a design in the Seventh Circuit is now the *TrafFix* test: (1) whether the design is essential to the use of the product, (2) whether the design affects the product's quality or cost, and (3) whether exclusive use of the design would put other manufacturers at a competitive disadvantage.⁸²

72. *Id.*

73. *Id.*

74. *Id.*

75. *Id.*

76. *See id.* at 654-55. For a number of reasons, the district court refused to issue a preliminary injunction against Eco. *Id.* at 651.

77. *Id.*

78. *See id.*

79. *Id.*

80. *See id.*

81. *See id.* at 655.

82. *See Jay Franco & Sons, Inc. v. Frenek*, 615 F.3d 855, 857 (7th Cir. 2010).

III. THE COURT'S DECISION

In the noted case, the Seventh Circuit followed its precedent from *Honeywell* and applied all three prongs of the Supreme Court's *Traffix* test to find that the round shape of Franek's beach towel was functional and therefore could not be trademarked.⁸³ The court began by discussing Jay Franco's defenses.⁸⁴ A direct attack of the validity of the trademark was unavailable to Jay Franco because Franek's continuously used trademark was incontestable as to its distinctiveness.⁸⁵ Jay Franco could, however, invalidate Franek's trademark by claiming one of the affirmative defenses provided for alleged infringers in the Lanham Act.⁸⁶ Jay Franco raised the affirmative defense of functionality, which is "a design that produces a benefit other than source identification."⁸⁷ The court agreed with Jay Franco that the towel's circular design was functional by analyzing a patent—which, by definition, must be functional—of a substantially similar product.⁸⁸ The court also evaluated the trademark's functionality under the two-pronged test from *Inwood* and found that the circular shape was not necessarily essential to the towel's use, but did improve the quality of the product.⁸⁹ Although the shape was sufficient to find the design functional, the court gave all reasonable inferences to Franek as the party opposing summary judgment and went on to apply the *Qualitex* prong.⁹⁰ The court ultimately found that invalidating Franek's trademark was in the best interest of public policy to protect competition and innovation.⁹¹

The court first found that the defendant's trademark could not be challenged based upon its distinctiveness, because Franek's continuous use of the trademark made it incontestable.⁹² Under 15 U.S.C. § 1065, when a trademark is incontestable, the trademark owner does not have to prove its distinctiveness in an infringement suit.⁹³ Thus, the court reasoned, although Jay Franco could not contest the distinctiveness of

83. See *id.* at 859-61.

84. *Id.* at 857.

85. *Id.*; see 15 U.S.C. § 1115(b) (2006); *id.* § 1065 (defining incontestability as arising from continuous use of a trademark for five years from the date of registration).

86. *Franco*, 615 F.3d at 857.

87. *Id.*

88. *Id.* at 857-60.

89. See *id.* at 858-61.

90. See *id.* at 860.

91. See *id.* at 860-61.

92. *Id.* at 857.

93. *Id.*; see also 15 U.S.C. § 1065 (2006).

Franek's trademark, Jay Franco could still assert the affirmative defense that its infringement was justified.⁹⁴

Under the Lanham Act, one of the affirmative defenses available to Jay Franco was the defense that the trademark is functional.⁹⁵ The court distinguished functionality from a design that evokes source identification, which can be trademarked.⁹⁶ A design evokes source identification if the design helps the consumer to identify and choose that specific product over its identical competitors on the basis of the pleasure or status derived from buying the particular brand.⁹⁷ The court used the two-pronged rule from *Inwood* for determining whether a trademark is functional or merely confers the benefit of source identification.⁹⁸ First, a functional design may be "essential to the use or purpose of the device."⁹⁹ Second, a functional design may "affect[] the cost or quality of the device."¹⁰⁰ When a design falls within either prong, that design cannot be trademarked.¹⁰¹ Franek argued that the roundness of the circular towel was not functional because the shape was not essential to the purpose.¹⁰² According to Franek, "any towel can satisfy a heliotropic tanner if it has enough surface area—the issue is size, not shape."¹⁰³ Franek did not address the second *Inwood* prong as to whether the circular design affects quality.¹⁰⁴ The court explained that the test was satisfied when either prong is met.¹⁰⁵ Although the circular design may not have been essential to satisfying the purpose of the towel, the circular design was comparatively the best design for sunbathers who wish to rotate only their bodies, and not the towel, as the sun moves.¹⁰⁶ As a result, Franek's design was functional under the quality prong of the *Inwood* test.¹⁰⁷

However, the court gave Franek the benefit of all reasonable inferences as the party opposing summary judgment and proceeded under the assumption that the round towel was "not measurably better for

94. See *Franco*, 615 F.3d at 857; see also 15 U.S.C. § 1115(b)(1)-(8) (listing the defenses available when a mark is incontestable).

95. 15 U.S.C. § 1115(b)(8).

96. See *Franco*, 615 F.3d at 857.

97. *Id.*

98. See *id.*

99. *Id.* (quoting *TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 33 (2001)).

100. *Id.*

101. *Id.*

102. See *id.* at 859.

103. *Id.*

104. *Id.*

105. See *id.*

106. *Id.*

107. *Id.* at 860.

spinning with the sun.”¹⁰⁸ Under this analysis, Franek did not meet either prong of *Inwood*.¹⁰⁹ The court considered Franek’s advertisements touting the circular towel as a fashion statement and applied the rule that “fashion is a form of function” that cannot be trademarked so long as the design is more than “merely pleasing.”¹¹⁰ In order to determine whether Franek’s fashionable towel was functional absent the elements of *Inwood*, the court reasoned that the *Qualitex* test was appropriate.¹¹¹ In *Qualitex*, the Supreme Court held that regardless of whether a design is essential to the product’s purpose or improves product quality, when the exclusive use of a design puts all other producers at a “significant non-reputation-related disadvantage,” that design is functional.¹¹² The court qualified this test by applying the Seventh Circuit reasoning from *Keene* that trademarks on particularly “rudimentary and general” fashion designs, such as shapes, tend to be more restrictive of competition.¹¹³ Here, the court held that the shape of a circular beach towel greatly limited the shape options available to other beach towel producers.¹¹⁴ Because a trademark can potentially last forever, the court refused to sustain Franek’s trademark and potentially “indefinite competitive advantage.”¹¹⁵

Because the issue of functionality was so “tricky,” the court exhausted all arguments in order to find Franek’s trademark functional.¹¹⁶ Similar to the Supreme Court’s analysis of an expired patent in *Traffix*, the court here analyzed a utility patent on a product substantially similar to Franek’s circular beach towel.¹¹⁷ The court reasoned that because utility patents are presumptively useful, a utility patent on a design much like Franek’s would be objective proof of its usefulness and thus its functionality.¹¹⁸ The court chose a patent with two claims as the basis for the towel’s utility.¹¹⁹ The first claim described a “towel-bag construction comprising: a non-rectangular towel” with a drawstring threaded through the perimeter of the towel so that it can be pulled into a sack.¹²⁰ The second claim related back to the towel-bag design of the first claim but

108. *Id.* at 859.

109. *See id.*

110. *Id.* at 860.

111. *Id.*

112. *Id.* (quoting *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 165 (1995)).

113. *Id.* (citing the rule in *W.T. Rogers Co. v. Keene*, 778 F.2d 334, 343 (7th Cir. 1985)).

114. *Id.* at 861.

115. *Id.*

116. *Id.* at 857.

117. *Id.* at 858.

118. *Id.*

119. *Id.*

120. *Id.*

specified that the towel be circular in shape for the purpose of allowing the “user while sunbathing [to] reposition his or her body towards the changing angle of the sun while the towel remains stationary.”¹²¹ The court drew a strong comparison between the description in the second claim and Franek’s advertisements, in which CLM marketed to the sunbather who prefers only to reposition her body, and not her towel, as the sun moves.¹²²

Franek argued that the *TraFFix* presumption of functionality did not arise because his towel did not include the elements of a drawstring bag and therefore could not have infringed the utility patent described by the court.¹²³ Franek based his argument on the fact that his design was substantially similar only to the second claim of a circular towel, which incorporated and was dependent upon the first claim of a drawstring towel-bag.¹²⁴

Franek relied on *Monsanto Co. v. Syngenta Seeds, Inc.*, in which the United States Court of Appeals the Federal Circuit held that an “item can infringe a dependent [patent] claim only if it also violates the independent claim incorporated by the dependent claim.”¹²⁵ Based on this ruling, Franek asserted that infringement on the utility patent was impossible because his design did not infringe upon the necessary and independent first claim of a drawstring bag.¹²⁶ Franek argued in the alternative that even if he was infringing upon the utility patent, that patent was invalid because it was sought in 1987, two years after Franek starting selling his product.¹²⁷

In response to Franek’s first argument that he did not infringe upon the independent claim and thus could not have infringed upon the utility patent, the court found that a showing of patent infringement may be sufficient, but is not necessary, to prove that the trademark is functional.¹²⁸ For instance, the court cited an expired patent that was used to prove a design’s functionality.¹²⁹ Although by definition the design could not infringe upon the expired patent, the existence at one time of a patented product substantially similar to the design could still be used to

121. *Id.*

122. *Id.*

123. *Id.*

124. *Id.*

125. *Id.* (citing *Monsanto Co. v. Syngenta Seeds, Inc.*, 503 F.3d 1352, 1359 (Fed. Cir. 2007)).

126. *Id.*

127. *Id.*

128. *Id.*

129. *Id.*

show that the design is functional.¹³⁰ Therefore, proof of infringement is unnecessary to establish functionality.¹³¹ From this, the court reasoned that even if it accepted Franek's argument that he did not infringe upon the patented towel-bag, this would not be sufficient to establish lack of functionality.¹³² The court explained that, "functionality is determined by a feature's usefulness, not its patentability or its infringement of a patent."¹³³

The court next considered the critical factor of usefulness in order to determine the functionality of the trademarked circular towel.¹³⁴ The court again used the utility patent as a guidepost.¹³⁵ Although Franek argued that the second claim for a circular towel was dependent upon the first claim for a drawstring towel-bag, the court applied the rule that each claim of a patent is evaluated individually and presumed valid.¹³⁶ Thus, each claim is also presumed useful.¹³⁷ The second claim for the circular towel, the court held, was useful, regardless of its relation to the first claim for the drawstring towel-bag.¹³⁸ Therefore Franek's towel, which was substantially similar to the second claim, was also useful and, as a result, was functional.¹³⁹

Franek's alternative argument was that the timing of the patent, which was sought two years after Franek began selling his own circular beach towel, rendered it invalid.¹⁴⁰ The court disagreed with Franek.¹⁴¹ The court again used the example that an expired patent can be proof of a design's functionality and drew an analogy between an expired patent and a patent that is invalid for reasons other than its lack of functionality.¹⁴² The court applied the rule that usefulness, not patentability or patent infringement, is the determinative factor for a design's functionality.¹⁴³ Therefore, the court held that the fact that the patent may have been invalid because it was registered too late with the patent office did not mean that Franek's substantially similar design was not useful.¹⁴⁴

130. *Id.*

131. *Id.*

132. *Id.* at 859.

133. *Id.* at 858.

134. *Id.* at 859.

135. *See id.*

136. *Id.*

137. *See id.*

138. *Id.*

139. *Id.*

140. *Id.*

141. *Id.*

142. *Id.* at 858.

143. *Id.*

144. *Id.* at 860.

The court ultimately held that even absent all of the logical arguments for finding the functionality of Franek's design, under the *Qualitex* prong, the public policy underlying patent and trademark law necessitated finding the design functional.¹⁴⁵ The court distinguished between trademark protection, which can potentially last forever, and patent protection, which has a short life.¹⁴⁶ The usefulness requirement that exists for patents, but not for trademarks, prevents trademark holders from blocking useful innovations to their design and "permanently stiffl[ing] product development."¹⁴⁷ The court reasoned that if it found Franek's design nonfunctional, this would prevent all future circular beach towel producers from creating and improving upon the design.¹⁴⁸ This result would undermine the purpose of trademark and patent law.¹⁴⁹

IV. ANALYSIS

Judge Easterbrook's exhaustive, watertight opinion discussed every possible argument, even combing through patent records to find a patent of a product substantially similar to Franek's towel.¹⁵⁰ The thoroughness of the analysis, however, may serve to detract from the strength of the argument. The primary distinction between Judge Easterbrook's method of reasoning and precedent is that federal courts, when relying on the existence of a patent to determine functionality, typically employ the patent for the exact same product.¹⁵¹ Usually, the patent is expired and another manufacturer has entered the market making the exact same product or a product that is not materially different.¹⁵² In the noted case, however, the Seventh Circuit used a patent on a different product that contained a claim in addition to and incorporated by the claim for a circular beach towel.¹⁵³ When Franek pointed out that he was only infringing on the dependent claim of the patent and raised the Federal Circuit rule that patent infringement of a two-claim patent requires infringement of both the independent and dependent claims, the court was then compelled to discuss why patent infringement is sufficient but

145. *Id.* at 861.

146. *Id.* at 860.

147. *Id.* at 859.

148. *Id.* at 860.

149. *Id.*

150. *Id.* at 858.

151. See *TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23 (2001); *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844 (1982); *Eco Mfg. LLC v. Honeywell Int'l Inc.*, 357 F.3d 649 (7th Cir. 2003).

152. See *Franco*, 615 F.3d at 858.

153. *Id.* at 857-58.

not necessary to show that a product is functional.¹⁵⁴ The resulting tangent, combined with the fact that no binding precedent goes so far as to bring in an extrinsic patent for comparison, suggests that the court might have composed a more concise opinion using only the *TrafFix* framework. The fact that Judge Easterbrook resorted to analyzing a similar patent suggests that he may have doubted the functionality of Franek's round beach towel and therefore sought out an objective guidepost.

Nonetheless, Judge Easterbrook's application of the *TrafFix* test clearly shows that the towel is functional, regardless of the existence of a substantially similar patent. Following Seventh Circuit precedent, which tends to emphasize the *Qualitex* competition prong more than other circuits (and even the Supreme Court), Judge Easterbrook's opinion used as a backstop the policy argument for protecting competition.¹⁵⁵ This is a powerful and important argument, especially because Franek's round towel only met one prong of the *Inwood* test (its round shape adds to the quality of the product).¹⁵⁶ The policy argument carries even more weight because the design at issue is a generic one. Judge Easterbrook pointed out, as the final nail in Franek's coffin, that a trademark on a generic design is particularly harmful to competition because it limits a greater proportion of designs available to other manufacturers.¹⁵⁷ This observation is a common thread across all of the cases dealing with the trademark of shapes and colors. The policy argument, which is found on the last two pages of the opinion and is without question the strongest aspect of Easterbrook's argument, should have received more attention. Merely removing the substantially similar patent analysis would have achieved this by shifting the focus from issues like patent infringement to the core objectives of trademark law: guarding competition and encouraging innovation.¹⁵⁸

In terms of future ramifications, this opinion could encourage later Seventh Circuit plaintiffs and defendants to also comb through patent records to find a substantially similar patent as proof of functionality when no expired patent on the product at issue exists. On the other hand, the fact that the opinion explicitly stated that patent infringement is

154. *Id.* at 858-59.

155. *See Eco*, 357 F.3d 649 (explaining that the functionality of the design requires that the product enter the public domain for use); *W.T. Rogers Co. v. Keene*, 778 F.2d 334 (7th Cir. 1985) (holding that the Seventh Circuit's functionality test will primarily consider the effect that granting exclusive use would have on competition).

156. *Franco*, 615 F.3d at 859.

157. *Id.* at 861.

158. *See Burgunder*, *supra* note 11, at 584-87.

sufficient, but not necessary, to show functionality may keep these avenues of analysis closed, or at least rarely traveled.¹⁵⁹ Regardless, federal jurisprudence provides guidelines for determining functionality, using a competition protective policy argument as a backstop. Judge Easterbrook's analysis might be useful for future litigants and judges in cases where the design is more complex and could fall on either side of the *TraFFix* prongs. It is hard to imagine a case that does not appear to be conclusively functional or nonfunctional under the prudential criteria yet is still somehow substantially similar to a product that met the standards to receive a patent. If this were the type of patent submitted, then the door opens to courts reanalyzing patents to determine if they were granted in error or to exploring the material differences between the patented design and the design at issue in the case. Like Judge Easterbrook's tangent, deciding on these incidental issues tends to detract from the strongest and most important aspect of the issue of functionality—the policy concern for protecting competition.

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159. See *Franco*, 615 F.3d at 858.

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