

U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON THE JUDICIARY
SUBCOMMITTEE ON COURTS, THE INTERNET AND
INTELLECTUAL PROPERTY

HEARING ON DESIGN LAW -- ARE SPECIAL
PROVISIONS NEEDED TO PROTECT UNIQUE
INDUSTRIES

STATEMENT OF

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I. U. S. Product Appearance Design Protection

A. Introduction

Product market success includes improvements in how a product works and how it looks. The look of a product is very important in product marketing, as consumers like to have their products appeal to their visual senses.

Product appearance creation is the work of industrial designers who combine art and function to make the products we want to buy (*See* the web site of the Industrial Designers Society of American at URL: <http://www.idsa.org>). It is clear that a successful company and national economy must encourage product design. The U.S. has several laws that protect product appearance design, also called here product design or industrial design.

There is serious concern about product piracy, and to stop it there needs to be immediate and simplified protection systems to provide a level of protection in an efficient way. Where there is need for registration, the administrative procedures need to be relatively simple for the users and the registration office and the process should be relatively quick.

B. Traditional U.S. laws that Protect Product Design

1. Design Patents. The design patent is the principle form of design protection (35 U.S.C. " 171-173). Similar national systems were established as far back as the 1800s, to provide a network of laws linked under the Paris Convention for the Protection of Industrial Property (text available on the WIPO web site at URL: <http://www.wipo.int>). In addition, many of these national laws are part of the Hague Agreement Concerning the International Registration of Industrial designs treaty that provides simplified filing for protection in member countries (The U.S. Senate recently ratified the Hague Agreement Geneva). Design patent application are subject to detailed substantive examination and there is significant delay in granting rights.

2. Trademarks. Federal trademarks have limited use in protecting product designs (15 U.S.C. " 1051-1141). Under existing law a product design trademark must have significant recognition as a mark, delaying any protection for a significant time.

3. Copyright Law. There are some product designs that are protected by copyright law (17 U.S.C. " 101 - 805). Protection is immediate upon creation of th design, but the statutory requirements are very strict. A protected product design must be separable from any functional features, usually, so

that most product design cannot be protected by copyright law.

C. Sui Generis (industry based) U.S. Statutes Protecting Product Designs

1. Introduction. There are two major sui generis product design protection laws that stand alone, effectively. They are limited to industries where market conditions have demonstrated a need for immediate protection upon the entry of a product into a market, referred to here as market entry protection. These statutes included delayed administration, so that the user can file the necessary papers after use begins. These laws have been aimed at product piracy situations in industries that have demonstrated significant impact. They are unique statutes, not patent, trademark or copyright law. They provide a special form of protection. The industries that have this protection are computer chip companies and boat manufacturing companies. Each of these statutes will be described briefly, before the legislation related to the boat industry protection is analyzed in more detail.

2. The Semiconductor Chip Act (1984). The Chip Act was enacted to reduce the extensive copying of U.S. computer chips (17 U.S.C. 901-914). It prevented copying for two years of the images that made the chip layer designs, including the functional features. Protection was immediate when the product was put on the market, and the no application for protection had to be made initially. The application had to be filed within two years of the first market use, to obtain protection for the rest of the 10 year term. The application review was relatively simple, without substantive examination. The Copyright Office administered the law, because it was familiar with similar copyright registration that was prompt and efficient. The Chip Act has served its purpose in development of U.S. technology.

3. Vessel Hull Design Protection Act (VHDP Act) (1998). The VHDP Act was enacted to prevent copying of vessel hull designs (17 US. " 1301-1332). The ease of new technology molding techniques was one big reason for enacting this law. These techniques allowed competitors to quickly copy the boat structure that took significant investment to develop.

The VHDP Act protected a vessel that was ready for the market, and there was no need to file for a registration immediately. A two year period of

unregistered protection was provided. Before that the two years ended the registration application had to be filed, to obtain the remaining 8 years of protection. There were extensive provisions that prevented innocent persons from becoming infringers and protecting the legitimate rights to use vessel designs. This author testified before the House Judiciary Committee Subcommittee on the VHDP Act legislation (*See* testimony on this author=s professional web site, URL:<http://www.fryer.com>, Newsletters 6, June 5, 2003, and Newsletter 7, March 9, 2005).

It is apparent that the same form of protection was used for the Chip Act and the VHDP Act, except the latter law did not protect merely functional features, leaving that protection to utility patents. Also if a design patent was obtained on the same design, the VHDP Act ended. The reason for the common features of the Chip Act and the VHDP Act was because their content was essentially the same as legislation that had been pending in the 1990s and did not pass. This author participated in the review of this earlier legislation as a member of the American Bar Association, Section of Intellectual Property Law Industrial Designs Committee. For a more detailed review of earlier legislation history, See William T. Fryer III, *Industrial Design Protection in the United States of America B Present Situation and Plans for Revision*, J. Pat. Trademark Off. Soc=y 820-846 (1988).

A five year review of the VHDP Act, with industry and other participants, was held by the Copyright Office and the Patent and Trademark Office (PTO). The report was completed in 2007, and it favored retaining the law (See U.S. Copyright Office web site for a copy of the review report and submitted statements, URL: <http://www.copyright.gov>). This author participated in this review, and links to the VHDP Act review report and documents on earlier history of that law can be found on the author=s professional web site, URL <http://www.fryer.com>, Newsletters 6, June 5, 2003) and Newsletter 7, March 9, 2005).

There has been one court decision involving the VHDP Act, *Maverick Boat Company v. American Marine Holdings, Inc.*, 2004 U.S. Dist. S.Fla., 2004 U.S. Dist. Lexis 9412, 70 U.S.P.Q. 2d (BNA) 1493. The District Court decision denied protection and found no infringement. This decision was reviewed by the 11th Circuit Court of Appeals and affirmed on the no protection holding, and it did not review the infringement holding, *Maverick Boat Company v. American Marine Holdings, Inc.*, 418 F.3d 1186 (2005)

This litigation raised concerns in the boating industry that a vessel

lower structure could not be separately protected apart from the deck including the upper structure. The terms hull and deck used in the VHDP Act and in the industry created some confusion. Legislation pending before this Committee, S.1640 (110th Cong. 1st Sess.), and one of the subjects for this hearing to amend the VHDP Act. For that reason, a more detailed analysis of the pending legislation will be given below.

II. Comments on VHDP Act Proposed Amendment, S.1640 (110th Cong. 1st Sess.)

A. This legislation will clarify the VHDP Act. In the Act=s current form, if the entire boat design is submitted for registration, the design reviewed for protection will be the entire vessel shown in the application for registration. The applicant needs to be able to select the lower or upper parts of the boat, or all of the boat design for protection. Each of these parts can have important designs to protect. The pending legislation provides clear definitions of what the vessel hull is and what the deck includes. Under the current law the registration applicant has the option to alter the application entire boat design, by using broken lines to remove features from protection. This technique is familiar to design attorneys, but design owners that often file the applications need a simpler format for identifying what is to be protected. The legislation will allow the Copyright Office to make the changes in the current regulations and allow either option for identifying the protecting design.

III. Comments on Fashion Design Legislation, H.R. 2033 (110th Cong., 1st Sess.)

A. The fashion design industry has proposed legislation, The Fashion Piracy Prohibition Act (FPPA), that uses the same basic approach as the Chip Act and the VHDP Act to protect selected product designs. As with the VHDP Act, the FPPA does not protect merely functional features. The FPPA adds a category to the basic protection of the VHDP Act, which is a convenient approach. The basic provisions remain the same, except for a few changes mentioned below. Chapter 13 of Title 17 is set up, under the heading

A Protection of Original Designs to accommodate the addition.

B. The FPPA selection of products to protect is very broad, but the extent of protection in terms of how long protection is given is much shorter than the VHDP Act. This difference represents the needs of the industrial, and it is apparent that they are minimum needs to stop piracy. The FPPA provides protection when the products go on the market for three months, and a registration application has to be filed within that three months to continue protection. The design owners will have to make a quick decision on what to protect, as the registration application is needed to continue the protection. The total protection term is three years.

C. Other changes in Title 17, Chapter 13, that affect both the VHDP Act and the FPPA have to be considered by both the fashion industry and the boat manufacturing industry. The FPPA does not change the basic protection for vessel designs. The boat manufacturers should retain the protection they negotiated with Congress and any changes that may occur from the pending VHDP Act legislation. The FPPA does change a few provisions common to vessel protection. These provisions should be reviewed carefully. In particular, the following provisions should be considered

1. Section 1309 of the proposed legislation was revised. It appears to be a justifiable extension of the infringement right, based on the fact that a person has had a reasonable ground to know that a design was protected under the Act. The burden to prove the basis for the liability is on the design owner.
2. Another change created by the FPPA adds secondary liability, based on a reference to the Copyright statute, Title 17, Chapter 5. A review of this chapter did not identify clearly any specific provision on this topic, which probably indicates case law is involved. This provision would appear to need clarification.
3. The FPPA increases the recovery for statutory infringement, based on number of infringing copies. The change is clear. It will benefit the fashion design industry and the boat manufacturers, and it is one of the ways now used to discourage piracy.

4. There is a change in ' 1330 that adds a provision t stating copyright protection is not excluded when there is protection under the FPPA or the VHDP Act provisions. The change is a clarification and should have been in the original law, as there was no intention to this author=s knowledge to exclude copyright protection.

IV. Comments on International Trend in Unregistered Protection Like the VHDP Act

A. There is clear evidence of a international trend to create market entry, unregistered protection, similar to the approach in the Chip Act, the VHDP Act and the FPPA. A comprehensive review of this trend was made in 1999 by this author (*See William T. Fryer III, The Evolution of Market Entry Industrial Design Protection: An International Comparative Analysis*, 21 *European Intellectual Property Review* 618 (1999)). The trend has continued, with the approval of the EU Community Design Registration (See text and general information of EU web site a URL: [Http://www.ohmi.eu.int/en/design/default.htm](http://www.ohmi.eu.int/en/design/default.htm)). The international need to prevent piracy is one reason for the trend. Another reason is that design patents in most countries take time to obtain and while they are not as expensive as in the U.S., the large number of countries where protection is needed makes the total cost significant. The combination of shorter term unregistered protection followed by a longer term after registration has been widely accepted around the world. It is an idea that the U.S. should aggressively consider.

V. Conclusions

A. Product design laws are an important form of intellectual property protection. They are needed particularly where there is product piracy due to technology that makes copying easier.

B. Unregistered product design protection is a worthwhile approach, at least in certain industries. The limitations for that protection can be tailored to meet the justified needs of an industry. The fact that the Chip Act and the

VHDP Act have not created extensive litigation is a blessing, and the VHDP Act appears to have had an effect in reducing copying in the boat manufacturing industry according to the 5 year review report. It is good news when a law appears to be respected and litigation is not necessary.

C. The VHDP Act has been shown, through its five year review, to be a useful form of protection, and it can benefit from the clarification provided by S. 1640 (110th Cong., 1st Sess.). The Copyright Office has administered the VHDP Act effectively, and it is receptive to make registration procedures that are more user friendly.

D. The international trend to reduce design piracy by providing unregistered design protection supports the favorable consideration of the FPPA bill H.R. 2033 (110th cong., 1st Sess.), with appropriate review of the changes that affect both the vessel design protection and the fashion design industry, including clarification of the secondary liability provision.

E. One question that needs to be answered, each time an industry requests sui generis legislation, is whether a broad based unregistered design protection system for useful article designs would be a more realistic and a sounder economic approach. The answer is likely to be that industry based and justified is the best way to go for now.

The history of design protection in the U.S. has shown that product design copiers have strong interests and political influence. The inevitable political battle is best fought from the high ground, where there is a strong industry need. Otherwise, no U.S. industry at this important time will be able to benefit from market entry protection against piracy of product designs in the U.S, even though this form of protection is now accepted in a large part of the world.

There is no harm in trying to obtain a broad scope market entry design protection system to proceed design patent protection. The combination makes sense.

F. It has been an honor to present this Statement to the House Judiciary Committee, Subcommittee on Courts, Internet and Intellectual Property. The author wishes to thank the Chairman for the opportunity to testify on these important subjects. Since this Statement was best provided in brief form, it

could not provide extensive references on many of the topics. If there is any topic on which more details are needed, it would be the author=s privilege to provide the information.

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