

BOUND TO BE ROUND



BY: DARRELL G. MOTTLEY

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 the product with its source 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*, 615 F.3d 855 (7th Cir. 2010), 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., 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.”² The round beach towel was a success. CLM Designs sold over 30,000 circular beach towels in 32 states by the end of 1987.³ Millions of dollars worth of the “most radical beach fashion item since the bikini” (as one of CLM Designs’ ads proclaimed) were sold.⁴ 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 United States Patent and Trademark Office (USPTO) 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. 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 manufacture 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.⁵ The District Court ruled that towel design was functional based on several factors including:

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

³ *Jay Franco*, 615 F.3d at 856.

⁴ *Jay Franco*, 615 F.3d at 856.

⁵ 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).



Sundial towel example from www.mysizeusa.com

- (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.⁶

Consequently, 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.

PRODUCT CONFIGURATIONS AND FUNCTIONALITY

A product design that produces a benefit other than source identification may be considered functional. In the Supreme Court case of *Traffix Devices, Inc. v. Marketing Displays, Inc.*, 532 U.S. 23 (2001), 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."⁷ In that event, no trademark protection is available.⁸ In *Traffix*, expired utility patents provided "strong evidence that the features therein claimed are functional."⁹ The Court of Appeals evaluated the functionality in light of the utilitarian nature of the design features regardless of whether the features were patentable or could infringe a utility patent.¹⁰ **MORE ►**

⁶ *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).

⁷ *Traffix*, 532 U.S. at 33.

⁸ *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 (TMEP) 1202.02(a).

⁹ *Traffix*, 532 U.S. at 29.

¹⁰ *Jay Franco*, 615 F.3d at 858. ("Functionality is determined by a feature's usefulness, not its patentability or its infringement of a patent.")

United States Patent [19]

Tennant et al.

[11] Patent Number: **4,794,029**

[45] Date of Patent: **Dec. 27, 1988**

[54] TOWEL THAT CONVERTS INTO A BAG
 [76] Inventors: **Lynne H. Tennant; Ashley A. Herrin,**
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[21] Appl. No.: **18,358**

[22] Filed: **Feb. 24, 1987**

[51] Int. Cl.⁴ **A45C 9/00; A47G 9/00**

[52] U.S. Cl. **428/101; 5/417;**
 190/1; 383/4

[58] Field of Search 2/49 R, 69; 5/417, 418,
 5/419, 420; 190/1; 383/4; D6/595, 596, 603;
 428/78, 79, 101, 102

[56] **References Cited**

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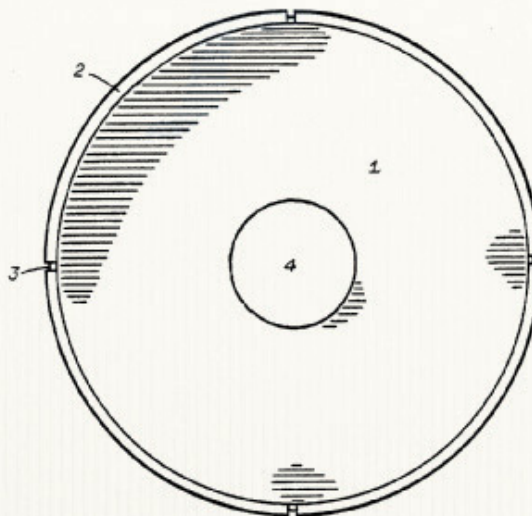
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4,195,378	4/1980	Parker	5/419
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4,337,812	7/1982	Trinkner	206/541 X
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4,703,528	11/1987	Rolle	190/2 X
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[57] **ABSTRACT**

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 fabrics into a bag.

10 Claims, 5 Drawing Sheets



[ROUND, FROM PAGE 13]

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 of 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.”¹¹ 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.”¹²

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:

- (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 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 after 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.¹³

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.¹⁴

The fourth problem for Franek was that there was a lack of alternative designs for serving 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 **MORE>**

¹¹ *Franek*, 2009 U.S. Dist. LEXIS 20361, at * 19–20; *Jay Franco*, 615 F.3d at 856.

¹² *Franek*, 2009 U.S. Dist. LEXIS 20361, at * 20.

¹³ *Jay Franco*, 615 F.3d at 858.

¹⁴ See *Qualitex Co. v. Jacobson Products Co.*, 514 U.S. 159, 169–70, 115 S.Ct. 1300, 1306–1307 (1995).

[ROUND, FROM PAGE 15]

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.¹⁵

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.¹⁶

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."¹⁷ Hence, the Court Appeals did not permit Franek "to keep the indefinite competitive advantage in producing beach towels this trademark creates."¹⁸

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 merely 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. ■

¹⁵ *Jay Franco*, 615 F.3d at 859.

¹⁶ *Jay Franco*, 615 F.3d at 860.

¹⁷ *Jay Franco*, 615 F.3d at 861.

¹⁸ *Jay Franco*, 615 F.3d at 861.