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Apple undressed

It may seem as if the US Court of Appeals dealt Apple a tremendous blow by reversing its victory on the trade dress claims, but is this really the case?

Matthew J Faust explores

In what has been described as one of the “most large scale (and bitter) patent lawsuits seen in the last decade”,¹ the Apple-Samsung dispute seemed to have greatly resolved in Apple’s favour after a US District Court entered judgment. However, a large part of Apple’s victory was undone this past month when the US Court of Appeals (CAFC) reversed the jury’s verdict on Apple’s trade dress claims.² In its opinion, the court did not break any new legal ground, but instead applied existing law in reaching its conclusion.³ This article will provide a brief overview of the court’s reasoning.

Apple v Samsung

In 2011, Apple sued Samsung in the US District Court for the Northern District of California, alleging, among other things, that Samsung’s smartphones infringed Apple’s trade dresses and patents. The jury entered a verdict in Apple’s favour and found that Samsung had infringed Apple’s patents and trade dresses. After hearing a partial retrial on portions of Apple’s claimed damages, the district court entered judgment in Apple’s favour in the amount of \$929,780,039. After entering judgment, the district court denied Samsung’s motion

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for judgment as a matter of law. Samsung appealed and because the claims included patent claims, the matter was heard by the CAFC instead of the Court of Appeals for the Ninth Circuit. The reviewing court affirmed the district court’s judgment on Apple’s patent claims, but reversed the judgment as it related to Apple’s trade dress claims.

The Federal Circuit’s application of the functionality doctrine

The functionality doctrine is applied to prevent overlap with patent protection.⁴ Before summarising the reviewing court’s analysis of the

functionality doctrine in *Apple v Samsung*, this article will first provide a brief overview of the functionality doctrine in the trade dress context.

An overview of the doctrine of functionality

"[I]n general terms, a product feature is functional, and cannot serve as a trademark, if it is essential to the use or purpose of the article or if it affects the cost or quality of the article."⁵ Accordingly, "a functional feature is one the exclusive use of [which] would put competitors at a significant non-reputation-related disadvantage."⁶ In the registration process, the examining attorney must demonstrate the functionality of trade dress before refusing registration.⁷ Registration of the trade dress will constitute plaintiff's *prima facie* showing of non-functionality.⁸ When enforcing an unregistered trade dress at trial, the plaintiff bears the burden of proof at trial in proving that the mark is not functional.⁹ Both the US Patent and Trademark Office (USPTO), when examining trade dress applications, and the Ninth Circuit, when requiring a plaintiff to prove that their unregistered trade dress is not functional, consider four factors:¹⁰

- Whether the design yields a utilitarian advantage;¹¹
- Advertising by the applicant that touts the utilitarian advantages of the design;
- Facts pertaining to the availability of alternative designs; and
- Facts pertaining to whether the design results from a comparatively simple or inexpensive method of manufacture.¹²

In *Apple v Samsung*, the CAFC applied these factors and found that the district court erred when it denied Samsung's motion for judgment as a matter of law on Apple's trade dress infringement claims.

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The CAFC explained that Apple had not provided substantial evidence at trial to support its claims that the sued-upon trade dresses were non-functional. At trial, Apple sought to enforce two trade dresses, with one being registered (US Reg. No. 3,470,983) and the other unregistered. The registered trade dress is described as "the configuration of a rectangular handheld mobile digital electronic device with rounded silver edges, a black face, and an array of 16 square icons with rounded edges. The top 12 icons appear on a black background, and the bottom four appear on a silver background."¹³ The unregistered trade dress was described as the combination of the following factors:

- A rectangular product with four evenly rounded corners;
- A flat, clear surface covering the front of the product;
- A display under the clear surface;
- Substantial black borders above and below the display screen and narrower black borders on either side of the screen; and
- When the device is on, a row of small dots on the display screen, a matrix of colourful square icons with evenly rounded corners within the display screen, and an unchanging bottom dock of colourful square icons with evenly rounded corners set off from the display's other icons.¹⁴

The CAFC first addressed the unregistered trade dress, then addressed the registered trade dress.¹⁵ The court first considered whether the sued-upon trade dress offered a utilitarian advantage.¹⁶ The court noted that Samsung had provided that each element of the trade dress offered a utilitarian advantage. For instance, it found that the rounded corners, flat and protected surface, and the raised borders all increased the product's "pocketability" and "durability". Against this showing Apple explained that these features were implemented to promote the product's "beauty", and while the court did not reject this explanation *per se*, it nonetheless held that the stated goal of beauty did not overcome Samsung's showing. Accordingly, the court found

the trade dress to offer a utilitarian advantage.

The court rejected Apple's arguments on the second factor, namely advertisements touting the utilitarian advantages of the product. While Apple explained that its advertisements featured a 'product-as-hero' style, the court explained that the substance of Apple's advertisements focused on users interacting with the design features at issue.¹⁷

In regards to the third factor, the availability of alternative product designs that offer the same features, the court also found the evidence lacking. Apple argued that other designs existed and catalogued other competitor's products and identified its own rejected prototypes.¹⁸ However, the court rejected Apple's argument because Apple did not demonstrate that any of these alternatives offered the same features as those it sought to protect.

Finally, the court found that the fourth factor – the method of manufacture – was also unsupported by the evidence. Apple posited that its use of high-end materials, particularly the steel for the case and the glass for the display, resulted in a more expensive manufacturing cost.¹⁹ But, the court noted, the high-end steel and glass were not among the elements that Apple was seeking to enforce.²⁰ Thus, the court found that Apple had not carried its burden on any of the four factors. Accordingly, the court reversed the judgment as to the unregistered trade dress.

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The court then dealt with the registered trade dress. In reversing the verdict as it related to the registered trade dress, the court noted that Apple did not argue in the framework of the four-factor test. Instead, the court noted, Apple primarily attempted to rely upon its registration to defend the verdict, with only a few references to evidence.²¹ The court put great emphasis on testimony provided by Apple's own expert that explained that the icons identified in the registration "promote[d] usability" and directly linked the icons to "certain functionality [that] will occur on the phone."²² As a result, the court also reversed the judgment as to the registered trade dress.

Summary

At first blush, it may seem as if the CAFC dealt Apple a tremendous blow by reversing its victory on the trade dress claims, but Samsung



had not sought to invalidate Apple's registered trade dress in this case and the CAFC did not order any such relief in its opinion. Further, the CAFC's opinion affirmed the findings related to Apple's patent infringement claims, which included findings of willful infringement. After all of this, Apple will still emerge from this case with a major monetary victory over Samsung and the world will continue watching to see how the next step in this contentious litigation will unfold.

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Footnotes

1. Smartphone stalemate: What was the point of *Apple v Samsung*, *Intellectual Property Magazine*, October 2014.
2. See *Apple, Inc v Samsung Elecs, Co*, US App, 8096 (2015). At the time this article is written, the court's opinion is downloadable from the court's website at the following URL: <http://www.cafc.uscourts.gov/images/stories/opinions-orders/14-1335.Opinion.5-14-2015.1.PDF>.
3. Id at *7 (“When reviewing Lanham Act claims, we look to the law of the regional circuit where the district court sits. We therefore apply Ninth Circuit law.”)
4. *Qualitex Co v Jacobson Prods Co*, 514 US 159, 164-65 (1995) (“it is the province of patent law, not trademark law, to encourage invention by granting inventors a monopoly over new product designs or functions for a limited time...”). This doctrine has similar applications in copyright, which declines protection to utilitarian aspects of a work. *Brandir Int'l, Inc v Cascade Pac Lumber Co*, 834 F2d 1142, 1147 (2d Cir 1987).
5. *Traffix Devices, Inc v Mktg Displays, Inc*, 532 US 23, 32-33 (2001). [CHECK]
6. Id (original alteration).

7. United States Patent and Trademark Office, TRADEMARK MANUAL OF EXAMINING PROCEDURE [hereinafter TMEP] § 1202(a)(iv) (2015)
8. 15 USC § 1057 (2015).
9. 15 USC § 1125, subdivision (f)
10. TMEP § 1202.02(a)(v); *Globefill, Inc v Elements Spirits, Inc*, 473 Fed Appx 685, 686 (9th Cir 2012), citing *Disc Golf Ass'n v Champion Discs*, 158 F3d 1002 (1006 9th Cir 1998).
11. The first factor listed above is that applied by the Ninth Circuit; it should be noted that the USPTO enquires whether the utilitarian advantage is disclosed in a design patent. Id.
12. Id.
13. US trademark reg No 3,470,983 (issued 22 July 2008). The description of the mark is quite lengthy and includes a description of each of the 16 icons referenced above. For brevity purposes these descriptions were omitted from this article.
14. *Apple*, 2015 US App LEXIS 8096, *10-11.
15. In its analysis, the Federal Circuit accounted for the different burdens relating to the registered versus the unregistered claims. On the unregistered trade dress, the court explained that Apple did not provide substantial evidence to support its claims. *Apple*, 2015 US App LEXIS 8096, *18. On the registered trade dress, the court reasoned that Samsung had provided sufficient evidence to rebut Apple's registration certificate and further held that Apple had not provided substantial evidence to rebut Samsung's showing.
16. Id at *12-13.
17. Id at *15-16.
18. Id at *14-15.
19. Id at *16-17.
20. Id at *17.
21. Id at *21.
22. Id at *20.

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