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Midwest Industries Inc.v. Karavan Trailers,Inc. Case Note

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I. Scope of Presentation

This paper provides background information and a case note on the May, 1999 Court of Appeals decision in the *Midwest Industries Inc. v. Karavan Trailers, Inc.* case, 50 USPQ 2d 1672, 1999 U.S. App. LEXIS 8490. This is intended to supplement the in-depth analysis prepared by Ken Germain, which is included elsewhere in these materials. Please refer to documents from the record, following this note, for further information. ¹

II. Background

Midwest and Karavan both manufacture boat and personal water craft trailers. On some of its models, Midwest has what it claims is a unique feature. Most boat trailers have v-shaped, angular winch/bow stops, whereas the Midwest winch/bow stop is in a single piece and curved upwards. It is this upward-curving bar in the center of the trailer that is the subject of this litigation, which I will call the Curved Winch Mark.

¹ I would like to thank very much Thomas. J. Oppold, Esq. of Henderson & Sturm, Des Moines, Iowa, counsel for Midwest Industries, Inc. and G. Brian Pingel, Esq. of Pingel & Templer, West Des Moines, Iowa, for their gracious provision of portions of the court record before the CAFC and their time in discussing the case with me. The statements made in this note are entirely those of the author and are not to be construed as the opinions of counsel for either party.

Midwest manufactured the boat and personal water craft trailers under license for a utility patent for a boat trailer, No., 5,518,261 and a design patent, No. 346,772, also for a boat trailer. Both patents have in their drawings a curved winch/bow stop feature which is the same as the Curved Winch Mark.

Midwest obtained two different Iowa state trademark registrations for this feature. One is for a “boat trailer winch/bow stop post portion”. The other, for the identical mark, is for a “curved winch post.” Both applications claim use of the mark for at least four years, but no claim of secondary meaning, analogous to a Section 2(f) claim was made. Midwest also filed , and has obtained approval for registration of, federal registration of the mark, claiming secondary meaning under Section 2(f).

Karavan is a competitor of Midwest. It began making personal water craft and boat trailers with curved winch/bow stop posts which look like the Curved Winch Mark. Midwest initially sued for utility and design patent infringement, then amended its claim to delete the claim for utility patent infringement because the patent was in re-issue. Midwest also amended its complaint to add allegations of common law and statutory trademark infringement under Iowa state law and trade dress trademark infringement of the Curved Winch Mark under Section 43(a)of the Lanham Act.

Karavan moved to dismiss these t on the registered trademark and trade dress infringement portions of the claim under Iowa state registration statutes, Iowa common law and Section 43(a) of the Lanham Act.

Judge Pratt for the Southern District of Iowa treated the motion to

dismiss as a motion for summary judgement, which he granted, and dismissed all of Midwest's trademark/trade dress infringement claims. The Court did not base its opinion on 8th Circuit precedent, but rather relied on the 10th Circuit opinion in *Vornado Air Circulation Systems, Inc. v. Duracraft Corp.* 58 F. 3d 1498 (10th Cir. 1995), cert denied 116 S. Ct.. 753. ("*Vornado*"), apparently on the assumption that both parties relied on *Vornado* and that therefore the rationale of this 10th Circuit opinion should apply.

Vornado dealt with a cooling fan and claimed trade dress protection for features of the fan that were also features of utility patents on the fan. The *Vornado* court grappled with the issue of whether trade dress protection could be upheld in product features that are also described in patents. *Vornado* formulated the following test, which Judge Pratt cited:

“[w]here a disputed product configuration is part of a claim in a utility patent, and the configuration is a described, significant inventive aspect of the invention, see 35 U.S.C. Section 112, so that without it the invention could not fairly be said to be the same invention, patent law prevents its protection as trade dress, even if the configuration is nonfunctional. 58 F. 3d 1508.”

Judge Pratt then reviewed the utility patent licensed by Midwest and noted that the Curved Winch Mark is described in Claim 10, a dependent claim , noting:

“Of special significance to the court is that the arcuate winch post [the Curved Winch Mark] is set out in particular and specifically described as an enhancement in the Disclosure of the Invention section. This certainly indicates that the arcuate winch post is an inventive aspect of greater significance than most other elements and especially any alternative winch post designs claimed.. As the winch post of claim 10 is a significant inventive aspect of the trailer patent, the court holds that federal law bars any federal trademark protection. *Vornado*, 58. F.

3d at 1510.”

Thus under the *Vornado* test, as applied by the District Court, the Section 43(a) claim was barred because the mark was a “significant inventive aspect” of a patent. The companion state common law and registered trademark infringement claims were dismissed on the ground that the federal patent law pre-empted the state trademark law statutes, citing *Bonito Boats, Inc. v Thunder Craft Boats, Inc.*, 489 U.S. 141, 151 (1989).²

Both sides appealed Judge Pratt’s decision to the Court of Appeals for the Federal Circuit. Counsel for Midwest argued that 8th Circuit, not 10th Circuit law should apply and that under 8th Circuit law, the disclosure of the features of the Curved Winch Post Mark in the patents did not preclude trade dress or state trademark infringement enforcement. Counsel for Karavan argued that application of the *Vornado* 10th Circuit opinion was proper, but that even if it were not, 8th Circuit law also supported dismissal of the trademark infringement claims. Counsel for Midwest argued that the Court erred by failing to determine whether or not the Curved Winch Post Mark was “functional”. Counsel for Karavan argued that this point was irrelevant under the test set forth in *Vornado* and under applicable 8th Circuit

² The issue of pre-emption is somewhat muddled by this holding. The state trademark registration and unregistered state trademark rights under Iowa law are not different from those provided under federal law by the Lanham Act. The trademark protection features of the Lanham Act co-exist with the federal patent law, without pre-emption, so that comparable state provisions also would not be pre-empted. The statute pre-empted by the Patent Act in *Bonito Boats* was a plug-molding statute that provided protection against duplication of boat hulls by making plug molds. The statute there was not a state trademark statute.

precedent.

The Court of Appeals for the Federal Circuit declined to apply either 8th or 10th Circuit law, and instead ruled, en banc, that Federal Circuit law should apply. The CAFC then reversed the dismissal of the Section 43(a) and state trademark infringement claims on the grounds that the District Court did not determine whether or not the claimed mark – the Curved Winch Post Mark – was functional.

III. The CAFC Opinion

The opinion is divided into two parts and is significant for two reasons. Part A of the decision is an en banc holding that the Federal Circuit should follow the law of the Federal Circuit, not the law of the circuit from which the appeal is brought, in reviewing the merits of whether or not trademark rights may not be asserted because of patent claims. Part B of the decision, which is not en banc, holds that the lower court erred in dismissing the trademark claims because it did not consider the functionality of the mark.

Karavan asked for a re-consideration of this ruling, which was refused, and is expected to file an appeal to the Supreme Court.

A. Part A of the Opinion

Perhaps the most far-reaching aspect of the opinion is the en banc ruling that the law of the Federal Circuit, not the circuit of origin, should apply to the question of whether claiming features in a patent prevents those features from being protected as trademarks. The Federal Circuit noted the policy underlying its exclusive jurisdiction in deciding patent matters:

“We apply Federal Circuit law to patent issues in order to serve one of the principal purposes for the creation of this court: to promote uniformity in the law with regard to subject matter within our exclusive appellate jurisdiction. . . . When we apply regional circuit law to nonpatent issues, we do so in order to avoid the risk that district courts and litigants will be forced to select from two competing lines of authority based on which circuit may have jurisdiction over an appeal that may ultimately be taken, and to minimize the incentive for forum-shopping by parties who are in a position to determine, by their selection of claims, the court to which an appeal will go.”

The Court noted that it has not always been easy to distinguish between “patent issues” and “nonpatent” issues and went on to discuss the instances where it has held that Federal Circuit law applies. These included, for example, determining personal jurisdiction over a defendant in a patent suit, right to preliminary injunctive relief in a patent case, right to bring a declaratory relief action, whether the issue of inequitable conduct is a jury issue and the relevance of certain discovery in a patent case.

In particular, the Court noted two opinions, *Pro-Mold & Tool Co. v. Great lakes Plastics, Inc.*, 75 F. 3d 1568 (Fed Cir 1996) and *Nobelpharma AB v. Implant Innovations, Inc.*, 141 F. 3d 1059 (Fed Cir. 1998) in support of its holding that Federal Circuit law should apply. Pro Mold applied Federal Circuit law to the question of whether inequitable conduct in the prosecution of a patent constituted unfair competition. Nobelpharma applied Federal Circuit law to determine whether a patentee’s exercise of patent rights was actionable under the antitrust laws. By analogy, therefore, the Court concluded that the law of the Federal Circuit should apply “in this case, which calls upon us to decide whether any principle of patent law bars Midwest from pursuing its federal or state trademark claims.”

Elaborating the policy issue, the Court noted:

“[O]ur responsibility as the tribunal having sole appellate responsibility for the development of patent law requires that we do more than simply apply our law to questions of substantive patent law. In order to fulfill our obligation of promoting uniformity in the field of patent law, it is equally important to apply our construction of patent law to the questions whether and to what extent patent law preempts or conflicts with other causes of action.”

The concern raised by this portion of the holding is that the Federal Circuit will continue to expansively define what issues are “patent issues” and thus controlled by precedent in the Federal Circuit. The stated purpose of achieving uniformity and avoiding forum shopping by having a single Federal Circuit body of patent law arguably could be thwarted if all a litigant had to do to avoid the law of a particular Circuit and forum shop Federal Circuit law is involve patent law in some portion of an action.

B. Part B of the Opinion

The second part of the opinion criticizes the holding of the *Vornado* opinion, nothing, accurately enough, that it stands alone among the Circuits in its holding, namely that if a product configuration is named in a patent and is a “described, significant inventive aspect” of the invention, it is not protectable under the trademark laws because patent law prevents it.

Distinguishing *Vornado*, which in this author’s view is in fact an anomalous and confusing opinion, the Federal Circuit applies its own test of determining trademark protectability, which rests, as does the law of most Circuits, on whether or not a mark is “functional”. Under this doctrine no trademark protection can be obtained for a trade dress

or product configuration that is primarily utilitarian, or “functional”, which means, in the CAFC’s view, a feature that is needed by competitors. As summarized by the Court: “The functionality doctrine prevents trademark law, which seeks to promote competition by protecting a firm’s reputation, from instead inhibiting legitimate competition by allowing a producer to control a useful product feature.”

In determining functionality in this sense – the sense that the feature must be available to freely compete – the CAFC determined that the existence of a patent on the product or product feature is not determinative, although statements in a patent could provide *evidence* that the asserted trade dress is functional. But the Court emphasized its view that the fact that a patent has been acquired does not convert what otherwise would have been protected trade dress into nonprotected matter.

In this connection, the Court discussed the Supreme Court opinion in *Bonito Boats*, supra, noting that that opinion did not foreclose the protection of traditional rights such as trade dress in the face of the patent statute. The CAFC noted *Bonito Boats*’ observation that patent law cannot pre-empt aspects of trademark law such as trade dress protection because both statutes co-exist at the federal level. Citing *Bonito Boats*, the Court noted that if trade dress protection extends only to “protection against copying of nonfunctional aspects of consumers products which have acquired secondary meaning such that they operate as a designation of source”, then it is permissible alongside patent law.

The actual holding in this part of the opinion is relatively narrow

and to that extent, uncontroversial. The Court required that a determination be made whether or not the Curved Winch Post Mark is functional; since no such determination was made, the opinion was reversed and remanded.

The opinion arguably leaves open more questions than it answers, although it does make clear its view, which is consistent with most Circuit's, that there is no "bright line" test for determining trade dress functionality based on the existence of a patent. The issue remains, how is "functionality" to be determined? Is it enough to prove a product feature "functional" if it is part of a claim in a design or utility patent? Or is that "functionality" further to be limited by whether or not competitors need that particular feature in order to compete? If so, how is this to be proven? Further, what has the CAFC opinion added if all the lower court must do is amend its opinion to state that the existence of the Curved Winch Post in the patent proves functionality (which it did not do in so many words), and that the claimed right is clearly anti-competitive because competitors could not use it after expiration of the patent?

The CAFC clearly states its view that Midwest was not claiming trademark rights in all curved winch posts, but only the particular Curved Winch Mark that it uses as trade dress, and which has come to function as a mark. The Court's conclusion is:

"If that particular design is sufficiently distinctive to serve as a designation of source and if the protection of that particular design does not result in a meaningful restriction on Karavan's ability to compete in the market, either before or after the expiration of [utility] patent, then Midwest's state law claims, as well as its Lanham Act claim, would not be barred by any overriding federal policy."

