Patent Pending

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Introduction

Patents have long served as a fundamental component in American inventions. Today, we live in the land of Thomas Edison, Alexander Gram Bell, and the Wright Brothers, where our government promotes the Progress of Science and useful Arts (Gleick, 2000). Inventors give up secrets, in lieu of the glory of seeing their work get published, in exchange for a 20-year government sanctioned monopoly.

Since the 1790s, many amendments have occurred. In 1952, the Patent Act under Section 122 was enacted, and recently President Clinton signed into the Intellectual Property and Communications Omnibus Reform Act of 1999 (Sievers, 2000). In 2001, another problem arose in patented packaging in the case of Traffix Devices Inc, v. Marketing Displays Inc,. (MDI). The court ruled that after a utility patent runs out, normally after 17-20 years, the company cannot then keep competitors from using packaging design by threatening to sue them for theft of "trade-dress" (Barlas, 2001).

Background Information

There are two types of patents discussed: design and utility. A design patent is directed toward the non-technical features of a package, the new and original shape or the combination of the shape and color of a product. A design patent can also be classified by the aesthetics of a package. A utility patent, however, lends its focus to an inventor of a useful process, machine, or any new or useful improvement. A utility patent is filed when the shape of the package has a technical effect.

Generally, the most common patent that a packaging professional applies for is the utility patent. Although, it may be necessary to apply for both design and utility patents concurrently, if the function and overall appearance of the product are of importance.

History

Patents have been in existence since the 1790s and have developed parallel to society. The first patent was issued to William Pollard of Philadelphia, in 1790, for a machine that roves and spins cotton. Since then, the United States Patent and Trademark Office has issued nearly five million patents. Below are previous patents that have been issued to the packaging industry.

- 1856, corrugated or pleated paper (Healey and Allen)
- 1866, tin can with key opener (J Osterhoudt)

- 1871, corrugated as a shipping material - 1874 improved
- 1927, aerosol can
- 1952, bar code issued (Joseph Woodland and Bernard Silver)

Trade-Dress Protection Disappears

Trade-dress protection was established by the 1946 Lanham Act and states that functional features never qualify for trade-dress protection (Barlas, 2001). Professionals in the packaging industry agree that this would pose a problem considering that the function of the package is quite important. Court rulings will give explanation to why the disappearance of trade-dress is hurting the packaging industry.

First, previous cases must be acknowledged reflecting the time when the court ruled in favor of trade-dress. This favoritism was seen approximately ten years ago in the ruling that protected the interior décor of a Mexican restaurant through trade-dress, regarding the case of Two Pesos, Inc. v. Taco Cabana, Inc., 1992. Three years later, as a follow-up to the above mentioned case, the court ruled that in given time customers will come to recognize a particular color on a product or its packaging as a certain brand. The Qualitex Co. v. Jacobson Products Co. case is a great example (1995). For instance, breakfast cereal companies that use too much purple in the design of their raisin bran package may be in violation. The effort could be associated with trying to develop a relationship between the quality of their imitation of raisin bran and that of the leader, Post, Raisin Bran. That would be a violation of Post's trade-dress.

The outcome of these two court cases emphasizes the idea that trade-dress is easy to come by. However, it will become quite apparent that there is a problem with patented packaging, as further cases are presented.

The Courts Fall-out

The court backlashed and decided that it would be difficult for a company to claim a product design was protected by trade-dress in this ruling. The case involved a children's clothing manufacturer, Samara,, who was suing Wal-Mart, for the sale of several knock-off outfit designs (Wal-Mart Stores, Inc. v. Samara Brothers, March 2000).

In this case, Samara argued that Wal-Mart was causing confusion by selling these imposter knock-offs, which brought it under the Lanham Act. However, the ruling in the courts did not go according to the Lanham Act. The court ruled that Samara had failed to show "secondary meaning" for consumers. This meant Wal-Mart customers associated the knock-off designs with Samara's designs in the same way people associated the Coke bottle with Coca-Cola (Barlas, 2001).

The Wal-Mart decision concerning packaging was more implied than stated. It separated product design from product packaging and said that as far as design goes, a company would have to show "secondary meaning" to qualify for this trade-dress protection.

Parallel to the Wal-Mart v. Samara court case, the court again ruled that after a utility patent runs out, the company cannot then keep competitors from using a packaging design by threatening to sue them for theft of "trade-dress." (Traffix Devices, Inc v. MDI, Inc.) The meaning of this ruling essentially stated that if a company employs a patent protection against copying, it cannot later try to use trade-dress for the same protection once the patent expires (Barlas, 2001).

According to Justice Kennedy in Packaging Digest, "The design or packaging of a product may acquire a distinctiveness which serves to identify the product with its manufacturer or source; and a design or package which acquires this secondary meaning . . . is a trade-dress which may not be used in a manner likely to cause confusion as to the origin, sponsorship or approval of goods" (2001).

Another Fall-out

In the following case, MDI sued Traffix, alleging infringement of trade-dress because Traffix had reverse engineered the dual spring mechanism that MDI used on its traffic signs. MDI's argument was that the dual spring was distinctive and consumers identified with it, making it eligible for trade-dress. In parallel with the lawsuit, MDI's two utility patents had expired. The federal court, after learning that the patents had expired, ruled against MDI, disputing that the utility patents proved functionality, so trade-dress assistance was unavailable (Barlas, 2001).

In an earlier lawsuit, MDI forced one company out of business after a successful infringement suit, which claimed the competition infringed upon MDI's patent because the company's product served the same function. After winning this lawsuit, MDI argued that the mechanism had a distinctive appearance. But MDI was not as lucky as they were in the prior case because the Supreme Court stated, "You can't have it both ways, . . . the more aggressive you are with your patent claims, the more difficult for you to seek trade-dress protection."

This decision found another reason to emphasize that a product design had to be more than just distinctive to be protected by trade-dress. The design had to be nonfunctional too. Moreover, it explained that a utility patent is very strong evidence of functionality.

Invention: Novel or Non-Obvious?

Often it is hard to verify whether an invention is novel or non-obvious. The examiner reviewing the patent determines the novelty and obviousness of a patent. Each patent examiner has a various number of patents that can be compared to the existing patent which gives rise to another problem with patented packaging; words do not exist to show if the patent is novel or non-obvious.

Idea Gaps in Patents

Most patents are narrower, when read carefully, than they sound at first (Gleick, 2000). Such as measuring breasts with a tape measure to determine bra size (U.S. 5,965,809) and executing a tennis stroke while wearing a kneepad (U.S. 5,993,336). Would one not consider these obvious patents?

The conversion of invention to words allows for unintended idea gaps that cannot be satisfactorily filled (Greenburg, 2002). Often if the invention is novel, words do not exist to describe it. The reason for this according to Justice Kennedy is that "things are not made for the sake of words but words for things." Most of the time there are two meanings to everything. If two people look at one picture they both may see two very different images, just as with patents. What one examiner may see as novel may be different from what the judge who bears the decision may think.

Dating back to 1851, the Supreme Court invalidated a patent on door-knobs made of porcelain or clay, arguing that the substitution of these materials for wood was obvious (Hotchkiss v. Greenwood). Non-obviousness must be present for a patent to be valid, as practiced in this case. The decision was based on the improvement being made by a skilled mechanic, not an inventor (Hunt, 2001).

In 1952, as stated previously, Congress amended the Patent Act to include statutory requirement (Hunt, 1999). With this amendment in place, guidelines were established which laid the groundwork for deciding if one's invention met the requirement of non-obviousness (Graham v. Deere).

The 1966 decision of Graham v. Deere invalidated a patent on a combined sprayer and cap used on bottles of household chemicals (Calmar, Inc. v. Cook Chemical Co). The elements of the sprayer had been developed by others but had never been assembled in this particular way, which made the use of automated bottling equipment possible and reduced handling costs (Hunt, 1999). Although this product became quite successful, which would have suggested that the invention was non-obvious, the court ruled the differences between the products design an that of preexisting ones were minimal (Hunt, 1999). To demonstrate that novelty lies in opinion, the District Court said, "To me this language is descriptive of an element of the patent, but not a part of the invention" (Calmar, Inc. v. Cook Chemical Co).

With these two decisions stated, it is clearly shown that the courts decide upon whether one's patent is non-obvious.

The Incentive to Invent is Diminishing

Another problem with patented packaging is whether or not there is an incentive to invent. The infringement process gives support that there is not an incentive to invent. Infringement is the unauthorized making, using, or selling of a patented invention within the United States. There are two problems with the infringement process. First, when finding infringement, it is up to the patentee to remain up-to-date with the current technologies and locate the infringed upon claims. Second, is the cost associated with finding infringement (Dawson, 2001).

Patentee Rights Same as Infringer

The first of two problems associated with the infringement process and the diminishing incentive to invent are the options given to the patentee. The patentee does not receive many options when it comes time to collect damages. However, the accused infringe is given many opportunities to defend their case. In order for the patentee to receive any damages, there must be proof that the accused infringer had notice of the patent. Notice can be in the form of a letter to accused infringer, marking on the product or package (pat or patent), or filing an action of infringement. Even though there are three ways for the patentee to send proof to the infringer, the best way is by marking the product or package. A letter to the accused infringer may not be beneficial for jurisdictional reasons. Why is this? The infringee may bring a declaratory judgment against the owner of the patent in an unfavorable jurisdiction to the patent owner. Also, the patent owner has is the right to collect monetary damages to compensate for infringement.

The defense options that the accused infringer has are filed as followed; the accused infringer may claim that there is no infringement at all. The accused may attack the validity of the patent and its claims. And, the accused may also use prior art that the examiner did not use when issuing the patent. This proves that that the invention was obvious to one skilled in the art at the time of filing for the patent protection.

Cost

The second reason that there is little incentive to invent is the cost associated with the infringement process. Patent suits tend to be long, complex, and are usually filled with expensive legal testimony. When a company or individual files an infringement suit, it could then lead to civil action brought in the Federal Court, where an expert legal witness is needed. Expert legal witness fees can and will vary. The fees range from about $150 to $500 per hour, depending on the area of expertise. The average patent infringement suit costs around $1.5 million (Dawson, 2001). This cost takes into account, according to an attorney from Kirkland and Ellis in Chicago, that most infringement suits are usually settled before they are brought before a Federal court. Actually, only 6.9 percent of all patent infringement lawsuits over the last 20 years made it to trial; and in the year 2000, $4.2 billion was spent on legal fees to litigate patent infringement lawsuits (Pearl Ltd, 2000).

Other fees may be encountered, Figure 1 shows estimates acquired from Neustel Law Offices:

Figure 1:

Patent search (includes copies of located patent)	$400
U.S. Search & Patentability Opinion	$600
U.S. Patent Application (includes professionaldrawings)	
Mechanical	$3,500
Electrical	$6,000
E-Commerce	$8,000
Software	$8,000

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Here's an example of how a patent infringement suit can play out in the patent process. Perhaps you invent a new way to package potato chips that can be exploited and earn you $1 million. However, your research costs $800,000. Thus, your new package has a commercial value of $200,000. If the invention turns out to be especially innovative, it may spawn improvements and further technological progress. This value is the social value. So you will have at least $200,000 profit without factoring possible litigation costs. Now assume you pursue a couple of small litigation cases that amount to $300,000, this leaves you at –$100,000, which makes you aware that there is no incentive to invent, despite the positive commercial and social values (Dawson, 2001).

Conclusion

The materials mentioned above relate to the problems with patented packaging, and are only a few of the misconceptions within the patent system. Another problem related to the patent system is the legal game played by companies as a defense mechanism. New developments in patents are not marked by considerable originality (Correa, 2002).

These problems have addressed how patented packaging is affected by everything that occurs within the patent system, whether it is directly or indirectly related to packaging. Such problems can be seen in the case Two Pesos, Inc. v. Taco Cabana, Inc., 1992, where trade-dress was allowed in the interior décor of a Mexican restaurant, which meant that the packaging of a product could also be protected.

Research and evidence imply potential problems with patented packaging. Solving these problems will give protection to what needs to be protected. It will give protection to our novel ideas, and will save time and money.

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