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ORNAMENTAL DESIGN AND INCREMENTAL INNOVATION

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I. INTRODUCTION

"[F]orm follows function."¹

"Any customer can have a car painted any color he wants, so long as it is black."²

The protection of esthetic product designs is the most intractable issue in intellectual property law.³ For more than one-hundred years, designers and academics have complained that the United States provides inadequate incentives for commercial artistry.⁴ While sleek styles undoubtedly add value to many consumer goods, most designs are deemed part of the public domain and thus receive no legal protection

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1. LOUIS H. SULLIVAN, *THE AUTOBIOGRAPHY OF AN IDEA* 258 (1956).

2. JAMES P. BARRY, *HENRY FORD AND MASS PRODUCTION* 55 (1973).

3. This Article uses "ornamental design," "product design," "commercial art," "esthetic design," and "industrial design" interchangeably to describe styles that affect the appearance of goods rather than their functional operation.

4. See, e.g., Jay Dratler, Jr., *Trademark Protection for Industrial Designs*, 1988 U. ILL. L. REV. 887, 888-89; Richard G. Frenkel, *Intellectual Property in the Balance: Proposals for Improving Industrial Design Protection in the Post-TRIPs Era*, 32 LOY. L.A. L. REV. 531, 534-35 (1999); David Goldenberg, *The Long and Winding Road: A History of the Fight Over Industrial Design Protection in the United States*, 45 J. COPYRIGHT SOC'Y U.S.A. 21, 21-23 (1997-1998).

at all.⁵ Despite intense lobbying efforts that predate the first World War, Congress has rejected every proposal to grant designs broad property rights.⁶

This steadfast resistance is puzzling. After all, during this same period Congress gleefully handed out other new copyright, trademark, and patent rights.⁷ Proponents of design protection have a simple explanation for this disparate treatment. They claim that powerful interest groups such as insurers and retailers block reform simply because it would raise their costs.⁸ Meanwhile, only poorly organized consumers and researchers fight against the expansion of other intellectual property rights. Design advocates insist, therefore, that there is no principled basis for withholding protection from product designs while granting generous privileges to ordinary creative works.⁹

This Article concludes that there are sound public policy reasons against extending a property right to most commercial art and explores other ways to promote design innovation.¹⁰ Product designs occupy a unique position in the law because they sit at the confluence of patent, copyright, and trademark doctrine. Indeed, commercial art is the only form of property that can be protected under any of these three traditional categories. Thus, the subject provides an ideal opportunity to reexamine the bedrock principles of intellectual property and is the

5. See, e.g., *Cheney Bros. v. Doris Silk Corp.*, 35 F.2d 279 (2d Cir. 1929) (L. Hand, J.) (setting forth the basic issues).

6. See generally *Goldenberg*, *supra* note 4 (providing a comprehensive history of congressional debate on product design bills).

7. See, e.g., Copyright Term Extension Act of 1998, Pub. L. No. 105-298, § 102, 112 Stat. 2827-28 (increasing the copyright term by twenty years); Federal Trademark Dilution Act of 1995, Pub. L. No. 104-98, 109 Stat. 985 (creating an expansive new remedy for owners of famous trademarks); Semiconductor Chip Protection Act of 1984, Pub. L. No. 98-620, 98 Stat. 3347 (establishing a property right for semiconductors); Copyright Act of 1976, Pub. L. No. 94-553, 90 Stat. 2541 (extending copyright protection to a variety of new media); Trade-Marks Registration and Protection Act of 1946 (Lanham Act), Pub. L. No. 489, 60 Stat. 441 (granting extensive trademark rights under federal law).

8. See, e.g., *Goldenberg*, *supra* note 4, at 59-60. The motivation for this opposition is pretty clear. Retailers are probably concerned that robust design protection will impose costly due diligence obligations on them to weed out products that infringe on an existing design. Meanwhile, insurers may worry that greater design property rights will increase costs for replacement spare parts that they are often obligated to provide under their policies.

9. See, e.g., *Dratler*, *supra* note 4, at 906-07 n.106; *Hearings on S. 791 Before the Subcomm. on Patents, Copyrights and Trademarks of the Senate Comm. on the Judiciary*, 100th Cong. 14 (1987) (testimony of Judge Giles Rich).

10. For other views on the ornamental design question, see, for example, Ralph S. Brown, *Design Protection: An Overview*, 34 UCLA L. REV. 1341 (1987); Note, *Protection for the Artistic Aspects of Articles of Utility*, 72 HARV. L. REV. 1520 (1959).

best starting point for developing a unified theory for intellectual property law.¹¹ Upon reviewing those tenets and their application in the design context, the evidence is persuasive that the costs of a property right outweigh the benefits. That judgment is reinforced by the observation that, notwithstanding the lack of protection afforded to commercial art, consumers already have an incredibly diverse selection of product designs from which to choose.

Designs represent just one facet of a broader problem that the legal system faces in encouraging incremental innovations in intellectual property.¹² Dynamic societies need small improvements *and* massive breakthroughs in art and technology to prosper. Yet it is difficult to develop incentives that can spur the less dramatic type of creativity without imposing crippling costs. For instance, subtle innovations usually generate small benefits that are exceeded even by the mere cost of administering a property rule.¹³ In addition, the margin of error for protecting these improvements is slim because their life span is so short. If copyrights are granted protection that runs six months beyond their already lengthy optimal terms, any resulting distortion in incentives is limited because the excessive protection would be small in percentage terms.¹⁴ Esthetic designs and other marginal improvements, by contrast,

11. Just as a single approach for analyzing real property eventually supplanted the ancient division of property issues into different writs, so too has the time come to think about developing one conceptual framework for intellectual property to replace the traditional tripartite division of copyright, patent, and trademark. While some have started down this path, see John Shepard Wiley, Jr., *Copyright at the School of Patent*, 58 U. CHI. L. REV. 119 (1991), much remains to be done. Since commercial art straddles all three intellectual property categories, it provides a unique perspective on how those bodies of law might fit together. Though some of the insights about designs found here are the foundation for building such a unified approach, that task is beyond the scope of this Article.

12. See Douglas Gary Lichtman, *The Economics of Innovation: Protecting Unpatentable Goods*, 81 MINN. L. REV. 693 (1997) (analyzing some of the issues raised by protecting marginal improvements); see also J.H. Reichman, *Legal Hybrids Between the Patent and Copyright Paradigms*, 94 COLUM. L. REV. 2432, 2531 (1994) ("[R]egimes of exclusive property rights seem better suited to organizing investment in relatively large-scale innovation than in small-scale innovation . . .").

13. A liability rule can also be used to protect a resource, but this generally involves higher administrative costs than a property rule. See generally Guido Calabresi & A. Douglas Melamed, *Property Rules, Liability Rules, and Inalienability: One View of the Cathedral*, 85 HARV. L. REV. 1089, 1092 (1972) (distinguishing property and liability rules). That is so because the value of the asset protected by a liability rule is indeterminate and can be ascertained only by a jury or judge. Property rights, by contrast, are allocated through voluntary transactions that require less state involvement. Accordingly, in my view the arguments against using a property rule for ornamental designs apply *a fortiori* to using a liability rule.

14. While people disagree about how much protection patents and copyrights should

have an optimal term of only a matter of months. In other words, an equivalent mistake that gives an additional six months of protection to designs creates a much greater distortion in the incentives for developing commercial art.

Evaluating the merits of a new design statute requires a careful examination of whether product designs are a type of incremental innovation that provides a benefit greater than the cost of granting a property right. Three factors suggest that most designs do not meet this test. First, a doctrinal analysis shows that commercial art resembles trademarks more than copyrights or patents.¹⁵ This is significant because trademark is the one head of intellectual property that largely rejects the goal of granting an entitlement to stimulate the production of new resources.¹⁶ Second, in the Nineteenth Century there was a little-known, but disastrous, experiment with extending a property rule over incremental design improvements that gave excessive protection to functional inventions.¹⁷ Finally, there are several pragmatic considerations that counsel against giving commercial art such a strong entitlement.

Although a property rule is not a good choice for regulating designs, an alternative is what will be termed throughout this Article as a possessory rule. Possessory rules are different from property and liability rules because they impose limits on the methods a copier may use rather than on the right to copy itself. The best example of this is trade secret doctrine, which permits the reverse engineering of improvements while barring the use of industrial espionage or other unsavory methods to obtain a competitor's secrets.¹⁸ This gives innovators a modest incentive by enhancing their ability to retain exclusive possession of their work. Compared to a property right, a

receive, there is a consensus that their property rights should last for many years. Even advocates of design reform, however, agree that protection for commercial art should end much sooner. See, e.g., Frenkel, *supra* note 4, at 574.

15. See, e.g., David S. Welkowitz, *Trade Dress and Patent—The Dilemma of Confusion*, 30 RUTGERS L.J. 289 (1999).

16. See, e.g., Gerard N. Magliocca, *One and Inseparable: Dilution and Infringement in Trademark Law*, 85 MINN. L. REV. 949, 980 (2001); Melissa R. Gleiberman, Note, *From Fast Cars to Fast Food: Overbroad Protection of Product Trade Dress Under Section 43(a) of the Lanham Act*, 45 STAN. L. REV. 2037, 2057 (1993).

17. See *infra* Part IV.B.

18. See, e.g., Robert G. Bone, *A New Look at Trade Secret Law: Doctrine in Search of Justification*, 86 CAL. L. REV. 241, 250 (1998); Vincent Chiappetta, *Myth, Chameleon or Intellectual Property Olympian? A Normative Framework Supporting Trade Secret Law*, 8 GEO. MASON L. REV. 69, 78 (1999).

possessory rule is cheaper for the state to administer and better at reducing error costs because the decision of how much protection an improvement deserves is left in the hands of the market.

Nevertheless, implementing a possessory rule in the design context is difficult. The problem is that commercial art, unlike other forms of marginal improvements, is easy to copy because it is obvious on the face of a product. Simply prohibiting certain copying techniques, therefore, is not going to help an innovator retain exclusive control of the work. Only a broader formulation of possessory principles that stops some people from copying designs altogether has a chance of being effective. Expanding the possessory concept in this manner, however, raises hard questions that cannot be resolved without more information on design piracy.

The other alternative to using a property rule for esthetic designs is to retain the status quo by giving them no protection and just importing what we need from countries that start from a different premise about the rights of designers. Indeed, over the last hundred years imports have been the solution to the design dilemma. It should come as no surprise, therefore, that agitation for design reform often coincides with periods of strong protectionist sentiment.¹⁹ Turning to trade as a way of closing the gap between the amount of intellectual property society wants and the amount that legal rules can help create is not always desirable. Relying on imported product designs, however, raises no significant concerns. Thus, unless one is broadly sympathetic to protectionism, there should be serious reservations about abandoning our longstanding policy of importing designs in favor of imposing new regulations.

Part II explains the appeal of a new industrial design statute by examining the byzantine state of the law with respect to commercial art. Part III reviews what goes into deciding whether to grant property rights and discusses the special problems posed by incremental innovations. Part IV uses a variety of doctrinal, historical, and pragmatic tools to show why most ornamental designs do not deserve property protection. Part V explores the nuances of possessory rules and describes the problem of crafting one to fit the design context. Part VI examines why trade is still the best approach for consumers who seek variety and

19. See Brown, *supra* note 10, at 1404 (noting that a design protection statute might be appropriate "if it can be purged of its protectionist dross."); Goldenberg, *supra* note 4, at 58 ("Design protection was seen as a way to protect American industry without raising trade barriers or other tariffs.").

beauty at an affordable price.

II. A RAGGED QUILT OF PROTECTION

Although product designs are the outlaws of intellectual property, there are still options for innovators who want to secure their work from copying by aggressive competitors. This Part explores how commercial art may be classified as a patent, a copyright, or a trademark. A doctrinal review reveals the gaps in the current protective scheme that fuels the interest in a new design statute.

A. Design Patent

Design patents are the primary tool for encouraging the development of commercial art in the United States.²⁰ While Great Britain was using copyright principles to protect designs when our Constitution was framed, the issue was ignored by Congress during the early years of the Republic.²¹ By 1842, however, the Patent Commissioner began lobbying for an amendment of the patent statutes to aid designers.²² He explained that "[m]any who visit the Patent Office learn with astonishment that no protection is given in this country to this class of persons."²³ Echoing the equal treatment argument of modern design reform proponents, the Commissioner asked "if authors can so readily find protection in their labors, and inventors of the mechanical arts so easily secure a patent to reward their efforts, why should not discoverers of designs, the labor and expenditure of which may be far greater, have equal privileges afforded them?"²⁴

The decision to place designs under patent law rather than under copyright or trademark was largely an accident of circumstance. At that time, the Patent Office was the only administrative agency that focused exclusively on intellectual property.²⁵ Thus, patent principles wielded

20. See Dratler, *supra* note 4, at 888.

21. See 27 Geo. III, c. 38 (providing "for the encouragement of the arts of designing and printing linens, cottons, calicoes and muslins" through copyright).

22. See Thomas B. Hudson, *A Brief History of the Development of Design Patent Protection in the United States*, 30 J. PAT. & TRADEMARK OFF. SOC'Y 380, 380-81 (1948) (letter of Patent Commissioner Ellsworth).

23. *Id.* at 380.

24. *Id.* at 381.

25. See Act of July 8, 1870, ch. 230, § 1, 16 Stat. 198. It was not until 1870 that a second administrative agency for intellectual property—the Copyright Office—was established. See Pamela H. Bucy, *Corporate Ethos: A Standard for Imposing Corporate Criminal Liability*, 75 MINN. L. REV. 1095, 1118 n.89 (1991).

disproportionate influence over policy makers at the federal level. So, without giving much thought to whether patents and esthetic designs were a good match, Congress just deferred to the Commissioner's request and established a design patent system that has remained remarkably stable over time.²⁶ The modern version of the design patent statute provides, in pertinent part, that "any new, original and ornamental design for an article of manufactur[ing]" shall receive the same bundle of property rights that an invention gets under a utility patent.²⁷ Design and utility patents are governed by comparable substantive standards, and applications for each are subjected to the same tough process of administrative review.²⁸ In fact, other than the subject matter they cover, the only real difference between a design patent and a utility patent is that the former lasts for fourteen years while the latter runs for twenty.²⁹

Although design patents have a long and distinguished history, advocates of strong property rights for commercial art scorn them.³⁰ This hostility stems from the numerous difficulties involved in obtaining and retaining this kind of patent. The result, as one commentator explains, is that "design patent remains a Cinderella who never goes to the ball."³¹ Specifically, innovators who want a design patent face three obstacles that sharply limit their access to protection.

First, the standards that govern utility patents are not suited for regulating esthetic designs and present applicants with a high burden of proof. Established doctrine holds that a patent can be granted only if an invention or design is "novel and not 'obvious at the time the invention was made to a person having ordinary skill in the art to which [the invention] pertains'."³² The novelty and nonobviousness requirements are necessary in the utility patent context to prevent the private ownership of basic scientific and engineering concepts that would

26. See Act of August 29, 1842, ch. 263, § 3, 5 Stat. 543. An exception involves the 1870 amendment to the design patent laws, which turned into the only serious effort to protect marginal improvements with a property rule. See *infra* Part IV.B.

27. 35 U.S.C. § 171 (2000).

28. See *id.* (stating that the laws "relating to patents for inventions shall apply to patents for designs, except as otherwise provided . . ."); Dratler, *supra* note 4, at 892–94.

29. See 35 U.S.C. § 154 (2000); 34 U.S.C. § 173 (2000).

30. See, e.g., Dratler, *supra* note 4, at 888 ("[D]esign patents often do not afford commercially practicable protection."); Welkowitz, *supra* note 15, at 293 ("[M]any designers believe that design patent protection is inadequate for the task and desire more protection than the law currently affords.").

31. Brown, *supra* note 10, at 1356.

32. Dratler, *supra* note 4, at 892 (quoting 35 U.S.C. § 103 (2000)).

impede research and impose serious costs on society.

Mandating novelty and nonobviousness for designs, on the other hand, is confusing and not helpful if the goal is to extend generous protection. To see this point more clearly, think of these two elements as part of a broader test to determine whether an improvement represents an "advance" over the state of the art in a given field. Viewed in these terms, one commentator has observed that, "[w]hereas it may often be possible to recognize a technological innovation as an 'advance' because of its efficiency in promoting economies or in achieving previously unattainable utilitarian ends, there exist no comparable criteria of 'advance' for artistic creations."³³ Indeed, most designs simply involve rearranging basic artistic elements (*e.g.*, colors, shapes, and materials) into a new pattern.³⁴ The result of this reshuffling process can almost always be considered obvious—and hence unpatentable—because any designer could have come up with the combination at issue.³⁵ Put another way, the nonobviousness and novelty requirements often end up restricting design protection to those rare instances when an improvement establishes an entirely new style.³⁶ This leaves most designers out of luck and is at odds with the reality that commercial art is generally incremental in nature.

A second, though related, problem with applying utility patent concepts to ornamental designs is that this inevitably drags patent examiners and judges into making esthetic judgments. Determining the novelty or nonobviousness of an artistic improvement is an inherently subjective inquiry. Lawyers cannot just go into a phone booth and change into art critics. For one thing, members of the bar are not trained to make subtle esthetic assessments—a problem that is exacerbated by the fact that there are no settled criteria for evaluating artistic merit. More importantly, it is impossible to achieve any consistency in results when each design patent is judged by a different person's stylistic sensibility.

33. Note, *supra* note 10, at 1522.

34. See Dratler, *supra* note 4, at 892 ("The designer's art focuses not on the creation of new and nonobvious techniques . . . but on the use of old ones in well-known ways to develop useful products.").

35. While the drafters of the last major amendment to the patent laws (in 1952) were aware of this problem, they could not agree on an alternative test for designs. See *In re Nalbandian*, 661 F.2d 1214, 1218–19 (C.C.P.A. 1981) (Rich, J., concurring).

36. See, *e.g.*, Goldenberg, *supra* note 4, at 22 ("A new pattern for silverware, a new typeface, or a new lace pattern are not 'novel' under the definition set up by the patent office . . .").

Injecting artistic tastes into the heart of the patent process has, unsurprisingly, resulted in a judicial invalidation of a substantial number of design patents. Indeed, a study in the early 1980s showed that seventy percent of all design patents granted by the Patent Office were voided when their validity was challenged.³⁷ One explanation for this significant reversal rate is that, on an appeal of a decision to grant a patent, the Federal Circuit applies *de novo* review to the issues of novelty and nonobviousness.³⁸ In conducting that analysis, the esthetic sense of the appellate panel could easily contradict the views of the patent examiner and produce a different outcome. Just imagine the immense frustration this creates for designers. Even if a product meets all of the strict standards for a design patent, its fate ultimately rests with the esthetic preferences of a few judges.

Finally, these difficulties are compounded by the significant cost of obtaining a design patent. It typically costs thousands of dollars and takes twenty months for a design patent to be approved by the Patent Office.³⁹ These administrative burdens are more tolerable for people seeking a utility patent than for those seeking a design patent. While the ordinary mechanical invention generates a substantial and durable revenue stream, the average design produces a much smaller and more fleeting benefit. Yet despite the clear difference in the income that flows from utility and design patents, the effort involved to obtain each is about the same. This misguided symmetry discourages many designers from even bothering to apply for protection.

With all of these troubles swirling about the Patent Office, it is no wonder that supporters of broad rights for commercial art avoid design patent like the plague. Instead, they look to other branches of intellectual property that might supplant patent as the dominant paradigm for ornamental design protection.

B. Copyright

In the search for a better way to regulate designs, the first logical place to turn is copyright. The Copyright Office already protects many

37. See Thomas B. Lindgren, *The Sanctity of the Design Patent: Illusion or Reality? Twenty Years of Design Patent Litigation Since Compro v. Day-Brite Lighting, Inc., and Sears, Roebuck & Co. v. Stiffel*, 10 OKLA. CITY U. L. REV. 195, 209 (1985). There are indications that the Federal Circuit has been more deferential to the Patent Office in recent years, but that deference should be codified in some fashion.

38. See, e.g., *In re Klein*, 987 F.2d 1569, 1570 (Fed. Cir. 1993).

39. Dratler, *supra* note 4, at 893–94.

items, such as jewelry, that could be considered commercial art.⁴⁰ While the property rights conveyed by a copyright are more limited than those granted by a patent, it is much easier to obtain a copyright.⁴¹ That is because the copyright statute extends protection to all "original" works (*i.e.*, ones that are not copies and show some minimal creativity) that fall within a broad spectrum of expressive media.⁴²

Obviously, from the artist's perspective, this relaxed standard eliminates many of design patent's flaws. The burden facing applicants is slight and allows easy access to protection. The administrative process is cheap and simple. And since there is no need for copyrights to be novel or nonobvious, the sticky issue of having to evaluate the artistic merit of ornamental designs is rendered moot. This bundle of benefits, along with the established protection of some specialized commercial art by copyright law, has convinced most design supporters that this is the best model for a new design statute.⁴³ Consequently, the most serious reform proposal in recent years was "about 95% copyright."⁴⁴

Using copyright to protect designs, however, may violate a fundamental axiom of intellectual property law. Ralph S. Brown, who was a leading light in copyright for decades, once stated that "[t]he dominant concern of the law protecting designs of useful articles has been to keep design and utility separated."⁴⁵ Whatever one thinks about the merits of protecting esthetic innovations, there is a consensus that utilitarian improvements should be given property rights only pursuant to the careful limits established by the utility patent laws. A thread

40. See Robert C. Denicola, *Applied Art and Industrial Design: A Suggested Approach to Copyright in Useful Articles*, 67 MINN. L. REV. 707, 710-11 (1983).

41. For example, a copyright is subject to a number of exceptions that fall under the category of "fair use." See 17 U.S.C. § 107 (2000) (listing fair use exceptions that include the use of copyrighted material for research, criticism, or news reporting). By contrast, there is no fair use doctrine for patents. See Maureen A. O'Rourke, *Toward a Doctrine of Fair Use in Patent Law*, 100 COLUM. L. REV. 1177 (2000) (advocating the creation of a fair use defense for utility patents).

42. See 17 U.S.C. § 102 (2000) (listing eight broad categories of work that can receive copyright protection); *Feist Publ'ns., Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340 (1989) (holding that a compilation of facts cannot obtain copyright protection because no originality was involved in assembling them).

43. See, e.g., Brown, *supra* note 10, at 1357 (cautiously endorsing the use of copyright principles for designs); Frenkel, *supra* note 4, at 565-71 (recommending the adaptation of the special copyright that protects architectural works); see also Denicola, *supra* note 40, at 707-08 (supporting a reinterpretation of the copyright statute to cover esthetic designs).

44. Brown, *supra* note 10, at 1398. Granted, a design copyright would need to have a much shorter term than a standard copyright, see *supra* note 14, but in all other respects it could be the same.

45. Brown, *supra* note 10, at 1341.

running throughout intellectual property doctrine, therefore, is that people must not be allowed to maneuver around the patent examiners by smuggling functional features into other property instruments.⁴⁶

Unfortunately, the problem with using copyright for designs is that such a practice would provide an excellent vehicle for patent smugglers. People who want to dodge the patent process could easily do so by slapping a design on a functional item and claiming that the integrated product deserves copyright protection. That possibility became real in 1954 when the Supreme Court held that a manufacturer could copyright a lamp base that doubled as a statue of a female dancer.⁴⁷ The Court correctly observed that there was "nothing in the copyright statute to support the argument that the intended use or use in industry of an article eligible for copyright bars or invalidates its registration."⁴⁸ The Court did not, however, explain how to separate genuine designs that should receive copyrights from shams intended to circumvent utility patent law.

Filling the void that the Justices left behind, Congress eventually amended the copyright statute and developed a doctrine that is now called "conceptual separability" to draw the necessary distinction. While this revision permitted copyright protection of "[p]ictorial, graphic, and sculptural work[]," the text went on to specify that,

[T]he design of a useful article . . . shall be considered a pictorial, graphic, or sculptural work only if, and only to the extent that, such design incorporates pictorial, graphic, or sculptural features that can be identified separately from, and are capable of existing independently of, the utilitarian aspects of the article.⁴⁹

The legislative history offered little insight into the meaning of this provision, so the thankless task of clarifying what constituted the design of a useful article fell upon the circuit courts. Bereft of any real guidance from Congress or the Supreme Court, the circuit courts have understandably floundered on the issue and created "an increasingly unintelligible body of law."⁵⁰ At the moment, there are at least five tests

46. See *TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 32–33 (2001) (describing the functionality defense to trademark validity); see also *infra* notes 49–52 and accompanying text (setting forth conceptual separability in copyright).

47. *Mazer v. Stein*, 347 U.S. 201, 212–13 & n.22 (1954).

48. *Id.* at 218.

49. 17 U.S.C. § 101 (2000).

50. Keith Aoki, *Contradiction and Context in American Copyright Law*, 9 CARDOZO

being used to delineate the critical boundary between design and utility.⁵¹ Of course, these tests yield widely different results and have all come under fire for one reason or another.⁵²

A more fundamental point is lurking behind this doctrinal mess: any regime of expanded design protection brings with it the cost of allowing some functional improvements to evade the patent laws. Even if the courts could agree on a single test for conceptual separability, this outcome cannot be avoided because the line between design and utility is inherently fuzzy. In the end, the only way to stop the smugglers is by refusing to give designs much protection. Yet this may be an unnecessarily harsh choice. After all, some level of patent smuggling is tolerated in other types of intellectual property. The real question—to be taken up later—is whether the threat of broad patent smuggling is particularly strong in the esthetic design context.

In sum, copyrights do not offer much help to designers. The fault lies mostly with the incoherence of the conceptual separability doctrine, which makes obtaining a design copyright almost as unpredictable as applying for a design patent. Even assuming that this confusion could be removed, however, a deeper question would remain regarding whether the potential for patent smuggling is worth the benefits of broad design protection through copyright.

C. Trademark

Because patents and copyrights do not give designers what they desire, some have urged that trademark law take up the challenge.⁵³

ARTS & ENT. L.J. 303, 383–84 (1991).

51. One approach is the primary-subsidary test, which holds that an article can obtain copyright protection only if its primary purpose is esthetic. See *Kieselstein-Cord v. Accessories By Pearl, Inc.*, 632 F.2d 989, 994 (2d Cir. 1980) (ruling that an artistic belt buckle could be copyrighted). A second formulation states that copyrights can only encompass items where the esthetic aspect is not "inextricably intertwined" with its utilitarian components. See *Carol Barnhart, Inc. v. Econ. Cover Corp.*, 773 F.2d 411, 419 (2d Cir. 1985) (denying protection to human torso mannequins). A third perspective contends that a feature is eligible for copyright, "only when the non-utilitarian concept can be entertained in the mind of the ordinary observer without at the same time contemplating the utilitarian function." *Id.* at 423 (Newman, J., dissenting). Candidate number four is the artistic judgment test, which asks courts to focus on the intent of the designer and grant copyrights only to items that are primarily driven by esthetic motivations. See *Denicola*, *supra* note 40, at 741. Finally, at least one court looked at the totality of the circumstances without picking any specific test. See *Fabrica Inc. v. El Dorado Corp.*, 697 F.2d 890, 892–94 (9th Cir. 1983).

52. For an excellent discussion of these five tests and their flaws, see *Frenkel*, *supra* note 4, at 546–54.

53. Compare *Dratler*, *supra* note 4, at 889 (stating that "trademark principles may be

Trademark doctrine does play an indirect role in spurring design improvements. Yet recent developments indicate that this body of law is also incapable of delivering comprehensive protection for commercial art.

The purpose of trademarks is to assist consumers in obtaining information about goods and services. As a result, trademark doctrine is different from the other branches of intellectual property because it is not concerned with stimulating the creation of new works.⁵⁴ Instead, its goal is to ensure that each manufacturer has an incentive to mark its goods so that a consumer can identify the source, quality, and retail location of those items.⁵⁵ To achieve this limited aim, trademark law extends limited rights. A mark is protected only from commercial uses that substantially interfere with its ability to convey information, which is usually defined as those uses that cause a likelihood of consumer confusion under infringement doctrine.⁵⁶ This is narrower than the scope of copyright or patent protection. On the other hand, copyrights and patents have a fixed term of years, while trademark rights last as long as the mark is used in commerce.⁵⁷

more appropriate for the task" of protecting designs), *with Welkowitz, supra* note 15, at 290 (arguing that "trademark law is being made to serve the wrong role" when it focuses on design rights).

54. *See, e.g.,* Stephen L. Carter, Comment, *The Trouble With Trademark*, 99 YALE L.J. 759, 768 (1991) ("[T]rademark law may be described as indifferent to the creation of marks, in the sense that the number of marks makes no difference."). Trademark law does not care about providing incentives for developing new marks because "[a]n increased number of copyrights and patents may generate social value, but more (or more clever) trademarks do no such thing. Simply put, this is because marks do not actually affect the quality of goods and services." Magliocca, *supra* note 16, at 980.

In a previous article, I left open the possibility that ornamental designs were an exception to this principle because "a pleasing product design might well add value to certain products." *Id.* at n.159. After considering the issue further, however, I have concluded for the reasons stated in this section that there is no such exception. More important than my opinion is the fact that the Supreme Court effectively decided the issue in *Walmart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205 (2000). *See infra* notes 66–72 and accompanying text.

55. This fundamental triad of trademark functions—source, quality, and retail location—is described elsewhere. *See* Magliocca, *supra* note 16, at 956.

56. *See, e.g.,* *Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492, 495 (2d Cir. 1961) (setting forth the modern likelihood of confusion over the test for trademark infringement); Magliocca, *supra* note 16, at 954–55. In addition to infringement, there is a broader theory of relief called dilution, which is defined by federal law as "the lessening of the capacity of a famous mark to identify and distinguish goods and service, regardless of the . . . likelihood of confusion." 15 U.S.C. § 1127 (2000). Trademark dilution is a controversial and poorly understood concept. *See* Magliocca, *supra* note 16, at 951–54; *see also* *Moseley v. V Secret Catalogue, Inc.*, 123 S.Ct. 1115 (2003) (construing dilution narrowly).

57. *See* Magliocca, *supra* note 16, at 979–80; *infra* note 62.

Ornamental designs fit into a trademark paradigm because they sometimes relay useful information to consumers. While most marks are words or logos, there is a category of marks called "trade dress" that refers to the look of a product.⁵⁸ A classic example of trade dress is the tail fin that Cadillac puts on its cars. The tail fin is distinctive and tells consumers that they are looking at a Cadillac. In trademark parlance, this feature acquired secondary meaning through extensive use and became associated with a particular brand. If another company were to add tail fins to its cars, Cadillac would have a claim for trademark infringement on the ground that the competitor was creating a likelihood of consumer confusion by passing its cars off as Cadillacs.

Trade dress also performs a purely esthetic function that opens the door to robust design protection. Quite apart from its properties as a trademark, a tail fin is a pleasing design that makes some people more likely to buy a Cadillac. That is probably what motivated Cadillac to put tail fins on cars in the first place. Thus, a court that enjoins other automobile manufacturing firms from using tail fins based on consumer confusion grounds could also be described as protecting the design itself from unauthorized copying.⁵⁹

Taking advantage of the dual nature of trade dress, designers often try to obtain protection for their work by claiming that it performs an identifying function for consumers.⁶⁰ As long as a design really is acting as a trademark, this does not usually present a problem.⁶¹ One could say that the indirect protection of designs through trademark undermines the design patent system, but the alternative of giving no trademark protection to designs that happen to be appealing would disrupt the

58. See, e.g., *Ferrari S.P.A. Esercizio v. Roberts*, 944 F.2d 1235, 1238-40 (6th Cir. 1991).

59. Trademark protection in this respect acts as a property rule with certain inalienability restrictions. For instance, a firm cannot just license its mark for anyone to use. Since a mark conveys information about the quality of its goods, courts generally require the mark owner to impose some quality controls on a licensee to ensure that the information conveyed to consumers by the mark will not be distorted. See, e.g., *Dawn Donut Co. v. Hart's Food Stores, Inc.*, 267 F.2d 358, 367-68 (2d Cir. 1959).

60. There is an interesting irony here. While in modern times trademarks are used to protect ornamental designs, in the Nineteenth Century, design patents were used to protect trademarks. See *infra* Part IV.A. This symmetry between trademarks and designs is important in assessing the merits of a new industrial design law. See *id.*

61. An exception is made for trade dress that is "esthetically functional," which in most circuits means that "without it other producers of the product could not compete effectively." *W.T. Rogers Co., Inc. v. Keene*, 778 F.2d 334, 346 (7th Cir. 1985). Though some courts take a broader view of esthetic functionality, that disagreement does not affect the analysis in the text. See generally Mitchell M. Wong, Note, *The Aesthetic Functionality Doctrine and the Law of Trade-Dress Protection*, 83 CORNELL L. REV. 1116 (1998) (providing an overview).

trademark system.⁶²

Some commentators have argued, however, that courts in trade dress cases went further and "consciously craft[ed] the law to encourage the development of creative and pleasing designs" by giving protection to designs that were not really marks at all.⁶³ In particular, these critics argue that courts frequently classified designs as "inherently distinctive" marks that did not require secondary meaning to obtain trademark protection.⁶⁴ Simply put, that meant an innovator did not need to offer any proof that a design conveyed information to consumers. Pursued to its logical conclusion, this line of authority would have allowed most commercial art to be considered trademarks. This may well have been the objective of judges seeking to remedy the shortcomings of design patents.

Even though the scope of trademark protection is narrower than the protection copyrights or patents receive, stimulating the development of commercial art through trademark law is still problematic because its term of protection is indefinite. Real marks require this security because consumers do not stop associating a mark with a given brand after the expiration of some arbitrary time limit.⁶⁵ However, permitting

62. This is different from the patent smuggling issue discussed earlier. Here, the protection of designs through trademark is necessary to avoid consumer confusion. Giving protection to commercial art through copyright, however, is not necessary to fulfill the objectives of the copyright system. Moreover, utility patent smuggling involves greater costs than design patent smuggling. In the utility patent context, there is often only one way to achieve a particular gain in efficiency. Thus, granting protection to that unique improvement through a copyright, which lasts much longer than a patent, creates serious problems for subsequent research and development. By contrast, there are almost always some alternatives to a design that gets protection through trademark law. Whether these alternatives are sufficient to support a design property right, however, is another matter. See *infra* Part IV.C.

63. Daniel J. Gifford, *The Interplay of Product Definition, Design and Trade Dress*, 75 MINN. L. REV. 769, 785 (1991); see Brown, *supra* note 10, at 1359; Gleiberman, *supra* note 16, at 2072; Reichman, *supra* note 12, at 2463-64.

64. See *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 773 (1992); Brown, *supra* note 10, at 1374-83; Gleiberman, *supra* note 16, at 2040-44. Inherent distinctiveness refers to marks that have no real purpose other than associating goods with brands. See Dratler, *supra* note 4, at 902. A well-known example is Kodak, which is a coined word that has no meaning apart from the brand.

This should raise a red flag about the propriety of classifying product designs as inherently distinctive. Putting aside the policy objections, we know that design trade dress does have a purpose other than identifying brands; it is esthetically appealing. Thus, the Supreme Court's recent decision that designs can never be inherently distinctive must be correct. See *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205, 212-13 (2000).

65. Unlike copyright law, therefore, the problem of a trademark's lengthy term cannot be cured by a statutory amendment without causing major problems. See *supra* note 44.

designs that are not genuine marks to obtain protection that often lasts forever would harm the balance intellectual property tries to strike between private incentives and the public domain. Though the nature of this compromise will be discussed shortly, just consider the consequences if styles were granted perpetual protection. While the initial effect would be positive—there would be a rush of resources into designs to reap the windfall of future gains—consumers would pay the piper in higher prices and reduced design variety in the long run.

Partisans on both sides spilled wells of ink on whether trademark doctrine should directly protect designs, but the Supreme Court has now rendered this question virtually moot. In *Wal-Mart Stores, Inc. v. Samara Bros.*,⁶⁶ Samara sought trade dress protection for "a line of spring/summer one-piece seersucker outfits decorated with appliques of hearts, flowers, fruits, and the like."⁶⁷ The lower courts held that this combination of basic design elements was inherently distinctive trade dress.⁶⁸ Reversing this judgment, a unanimous Supreme Court held that product designs could never be inherently distinctive and always need secondary meaning to warrant trademark protection.⁶⁹

In articulating this bright-line rule, the Court was keenly aware of the costs of permitting designs to be classified as inherently distinctive. As the Court observed, "[c]onsumers should not be deprived of the benefits of competition with regard to the utilitarian and esthetic purposes that product design ordinarily serves by a rule of law that facilitates plausible threats of suit against new entrants based upon alleged inherent distinctiveness."⁷⁰ Candidly stating its policy views, the Court explained that "the game of allowing suit based upon alleged inherent distinctiveness seems to us not worth the candle[, and this] is especially so since the producer can ordinarily obtain protection for a design . . . by securing a design patent or a copyright."⁷¹

Samara Bros. snuffs out the possibility of using trademarks as a major tool for design protection.⁷² Few ornamental designs can obtain

Think about the confusion that would result if the property rights of brands like Coca-Cola or Nike were suddenly stripped and could be used by anyone.

66. 529 U.S. 205 (2000).

67. *Id.* at 207.

68. *Id.* at 208.

69. *Id.* at 212.

70. *Id.* at 213.

71. *Id.* at 214. The Court's holding was also amply supported by doctrinal considerations. *See supra* note 64.

72. There may be a small gap in this barrier. In its decision, the Court distinguished a

secondary meaning because crossing this magic threshold requires a great deal of time and advertising to create the necessary awareness among consumers. Actually, it probably costs more to infuse a design with secondary meaning than to obtain a design patent. More importantly, it is very difficult for an innovator to prevent others from copying a design during the period when it is trying to garner secondary meaning. Once that design is used by competitors, it will no longer be able to obtain that meaning because consumers will no longer associate the feature with a single brand.

In the end, trademark law provides little help to commercial artists. However, there is something amiss with the Supreme Court's argument that trademark protection for most esthetic designs is not necessary because patent and copyright can easily take up the slack. As the preceding discussion explained, that contention is false. We must therefore address the question of whether a new industrial design statute is necessary.⁷³

III. THE PROPRIETY OF PROPERTY

A balanced assessment of any proposal for design reform should begin by acknowledging the special problems posed by trying to protect incremental innovations. This Part first explores the rationale for granting entitlements and shows how marginal improvements in intellectual property dance along the line that divides property from possession. Then the discussion identifies some markers that can shape the analysis of whether designs are a form of creativity that should be protected by a property rule.

prior case that found the interior and exterior design of a restaurant to be inherently distinctive. *Samara Bros.*, 529 U.S. at 214–15 (citing *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763 (1992)). The Court stated that this trade dress involved product packaging, which could be inherently distinctive, rather than product design, which cannot be. *See id.* at 215 (suggesting that a restaurant design might also constitute "some *tertium quid*"). Thus, designers might try to recharacterize their work as product packaging in order to get inherently distinctive status. The Court anticipated this end run, however, and explained that courts should call ambiguous trade dress product design and require secondary meaning. *Id.* So perhaps there is no room to maneuver after all.

73. One final thought is that designs could be protected under the "misappropriation" doctrine established in *International News Service v. Associated Press*, 248 U.S. 215 (1918). In that case, the Supreme Court held that news wire dispatches that were not subject to copyright were, nonetheless, protected from copying because they were a form of property. *See id.* at 240–41. This decision has not been well received and is now confined to its facts. For the classic statement on why this doctrine does not apply to designs, see *Cheney Bros. v. Doris Silk Corp.*, 35 F.2d 279, 280 (2d Cir. 1929).

A. The Real Property Perspective

Basic economics dictates that property rights help promote the efficient allocation of resources. Without the ability to exclude others from interfering with our possessions, there would be little incentive to invest in improvements that create growth. Given the importance of clear title to a healthy capitalist system, the decision to grant a property right is usually an easy one, with the legal tool of choice being the fee simple. The fee simple arrangement evolved at common law and generally provides the best incentives by granting perpetual protection to the interest in question.⁷⁴ For example, the fee simple's duration gives property owners the flexibility to subdivide their interests in ways that can lead to a superior utilization of resources. A potentially infinite time horizon also gives the ultimate assurance that owners will reap the benefits of their investments. Perhaps most importantly, the fee simple minimizes the administrative costs of having property. The state could, and sometimes does, protect entitlements through complex regulations enforced by armies of bureaucrats. Yet the administrative costs of this scheme are high and often cannot compete with a fee simple world where individual owners make decisions based on superior information.

Nevertheless, there are still administrative costs associated with property rights that should not be overlooked. Specifically, property claims generally need to be recorded and ownership disputes need to be resolved. Maintaining a sound property regime therefore requires that people have some notice of who owns what and a way to handle the inevitable conflicts that arise. Although these administrative costs are an integral part of every property rule, they are usually dwarfed by the efficiency gains created by a property right. As the benefits diminish, however, these costs begin to loom as an important factor.

B. The Nuances of Intellectual Property

The utility of property rules remains strong when information is involved, but intellectual property has special qualities that must be taken into account. At the outset, it is worth emphasizing that most intellectual creations need some property protection. An artist or inventor invests significant time and labor to produce something, while a competitor can then copy the same work for virtually nothing. Therefore, unless the law extends some property rights to innovators,

74. See Robert C. Ellickson, *New Institutions for Old Neighborhoods*, 48 DUKE L.J. 75, 94 (1998).

developers will usually be unable to recoup their investment and will have little incentive to produce anything new.⁷⁵

Intellectual property, on the other hand, is different than real property and cannot be given fee simple protection. Art and invention always build upon prior work and require significant access to the creative past. Modern painters use a form of linear perspective that was developed during the Renaissance. Authors constantly recycle plot lines and motifs. Further, inventors or scientists, in the words of Newton, make discoveries only by standing "on the shoulders of giants."⁷⁶ If breakthroughs such as these were granted the robust rights of a fee simple, the opportunity for future advances would be drastically curtailed. As a result, intellectual property law always seeks to balance private incentives with the need to keep the public domain stocked with raw materials. In operational terms, this equilibrium is usually maintained by some combination of: (1) a time limit on intellectual property rights; and (2) broad exceptions to their exclusivity.

The need to calibrate intellectual property protection means that it is burdened by error costs that exceed the standard administrative costs that apply to all property. In other words, a serious risk involved in granting entitlements to information is that too much protection will go to the current generation at the expense of posterity. Overprotection is the more serious danger because the future has no lobby in Congress. That somewhat cynical assertion is borne out by the relentless expansion of intellectual property rights in recent decades.⁷⁷ While some of those advances were justified, it is striking that Congress has *not once withdrawn* significant protection for artistic or inventive works in favor of the public domain over the last century. Tellingly, the last time Congress did withdraw this type of protection was in 1902, when design patents were rolled back because their broad scope had created too many legal headaches.⁷⁸

C. Incremental Innovations

By melding the observations from the previous two sections, the dilemma of granting protection to marginal intellectual property

75. For a more elaborate discussion of the economics of intellectual property, see Lichtman, *supra* note 12, at 700–08.

76. Letter from Sir Isaac Newton to Robert Hooke (Feb. 5, 1675), in THE OXFORD DICTIONARY OF QUOTATIONS 362 (3d ed. 1979).

77. See statutes cited *supra* note 7.

78. See *infra* note 142 and accompanying text.

changes comes into focus. First, incremental improvements generate small benefits that are often exceeded by the administrative costs that are required to maintain a property right. Second, the short duration of these innovations means that the costs associated with miscalculating the optimal term of protection can be quite high. Each of these issues will be examined in turn.

1. Administrative Costs

The administrative cost point is best analogized to the concept of friction in physics. Friction is always present when bodies are in motion. That force is barely noticeable most of the time because the movement going on around us is so fast. But as these motions slow down, the power of friction becomes quite apparent. Indeed, there comes a point where the force on an object is so low that it cannot overcome friction.

All of these observations apply to the administrative costs of the property system. While these costs are always present, their impact on property is usually invisible because the benefits generated by entitlements are so great. There is an equilibrium position, however, where the benefits become so small that they are matched by the administrative costs of the property rule. Once the tipping point is reached, it becomes difficult to justify granting a property right. Incremental innovations dwell in this twilight zone because the difference between the benefits they generate and the costs necessary to support them is razor thin.

2. The Precision of Protection

If administrative costs were the only stumbling block in deciding whether subtle improvements should get property protection, most legislators would probably not be fazed. After all, an incorrect choice would impose few costs and upset hardly anyone except a few professors. Regrettably, however, there are other serious consequences that flow from an erroneous judgment about incremental innovations in intellectual property.

The short duration of intellectual property benefits means that even a small amount of overprotection can do serious harm to future creativity. This point relates back to the need to balance intellectual property rights between the private and public spheres.⁷⁹ An important part of reaching this balance is putting an appropriate time limit on the

79. See *supra* Part II.

protection of information. Of course, figuring out what is appropriate in a given context is tricky. Luckily, the consequences of making a mistake in the term of something like a copyright are not dire.⁸⁰ Suppose that the optimal term for a new copyright is forty years. If we give copyright owners fifty years of protection instead, that means they would be receiving twenty percent more protection than they should. The resulting distortion in resources, while significant, is probably something that most consumers and future authors can tolerate.⁸¹ That equanimity stems from the fact that the optimal term for copyrights is quite long and thus, on a percentage basis, this mistake in terms of copyright protection is small.

The same is not true for incremental improvements, such as commercial art, which usually have a very short lifespan. Perhaps the best example involves fashion designs, which last for just those few months that comprise the current "season."⁸² Since the term of protection for fashion is so short, a miscalculation of that term is more likely to hamstring future creativity. Let us assume that the optimal term for a given incremental improvement is three months. If we give that item a year of protection—not a big difference from a legislator's point of view—that is 400% of the optimal protection. Put another way, the brevity of an incremental innovation's optimal term means that the margin of error for protecting this type of creativity is exceptionally narrow.⁸³

80. Copyright is the appropriate example here because advocates of broad design protection use it as their model. See *supra* notes 43–45 and accompanying text.

81. In my view, this closely resembles the current state of affairs in copyright. Thirty years ago, Professor (now Justice) Breyer made a convincing argument that "[t]he period of copyright protection is at present too long and should not be extended beyond fifty-six years [plus the life of the author]." Stephen Breyer, *The Uneasy Case for Copyright: A Study of Copyright in Books, Photocopies, and Computer Programs*, 84 HARV. L. REV. 281, 350 (1970). Of course, copyright protection now lasts for seventy years plus the life of the author. 17 U.S.C. § 302(a) (2000). Yet few complaints have been raised beyond academic circles about this gradual progression in copyright's reach. One might wonder, however, whether the increasing acceptance of copyright piracy via the downloading of music and movies on the Internet represents a kind of citizen nullification of the excessive protection being given to copyright owners.

82. See *Cheney Bros. v. Doris Silk Corp.*, 35 F.2d 279 (2d Cir. 1929) (rejecting a misappropriation claim brought by a fashion design house). Obviously, no clothing design goes out of style forever, though neither the hoop-and-corset for women or plus-fours for men will be on runways anytime soon.

83. A strong objection can be made that the analysis in the text is unduly focused on the length of protection rather than on the costs of additional protection. Perhaps a distortion in a utility patent term of four percent is actually more dangerous than a 400% distortion in the esthetic design term because patents have a far greater impact on the economy.

3. An Unruly Cycle

Due to these twin issues of administrative costs and protection precision, the law has oscillated between granting and withdrawing property protection for incremental innovations. The pattern was aptly described by J.H. Reichman as beginning with "chronic underprotection in industrial property laws[, which] leads to chronic overprotection in artistic property law, which in turn inspires further reactive reforms of industrial property law tending to reinstate levels of underprotection that will foster renewed appeals to copyright law."⁸⁴ Characterizing this as a ping-pong between "protection" and "no protection" is appropriate because, as we already know, applying industrial property (*i.e.*, patent) law to designs means that they will get little protection, while applying copyright or trademark law does just the opposite.⁸⁵

The foregoing discussion explains why making an assessment about the property status of incremental improvements is difficult. Now the inquiry turns to how we should make that judgment about commercial art.

D. Application to Designs

The question of whether ornamental designs should be protected by a property rule is a difficult one. There is no hard data available to weigh the competing considerations outlined above. As a result, the analysis turns on subtle inferences drawn from an array of doctrinal, historical, and policy factors. Perhaps the most important of these concerns involve: (1) seeing whether designs look more like copyrights or trademarks; (2) looking to past experience with design protection; and (3) evaluating a set of pragmatic factors.

The forthcoming discussion rests on a premise that has been implicit

This criticism has merit when the comparison is between a design and a utility patent, but when the scene shifts to the more appropriate match of product designs and copyrights, see *infra* notes 89-90 and accompanying text, the point has less force. There is no reason to think that excess protection of the average copyright, with its fair use exceptions and many alternatives for expressing the same idea, would impose a greater cost on society than an equivalent length of excess protection given to designs. Even if there is a small distinction between copyrights and designs in this respect, however, the distinction is outweighed by the sharp difference in the probable distortions in their terms.

84. Reichman, *supra* note 12, at 2464.

85. Evidence of this cycle is plentiful. The courts have pushed forward and then scaled back the use of trade dress to deal with the design issue. See *supra* notes 63-72 and accompanying text. Congress and the Patent Office have also lurches between over- and under-protection of incremental improvements in the Nineteenth Century. See *infra* Part IV.B.

throughout—that ornamental designs are a type of incremental innovation. Of course, there are some designs that represent a more significant advance in the state of the art and escape the pitfalls that catch the more marginal changes. These exceptional breakthroughs are sometimes solicited through lucrative contracts, but most of the time they are encouraged through design patents.⁸⁶ Safeguarding high-value commercial art is what design patents do well. After all, in spite of their many flaws, some people still apply for and obtain these patents.⁸⁷ Thus, some innovators must believe that the benefits of their work are so great that it is worth the time and uncertainty of going through the design patent process. Viewed from a broader perspective, granting a property right to these "superdesigns" is an easy decision because their benefits clearly exceed any administrative costs and will last for a much longer duration than the average industrial design.

On the harder question posed by incremental design improvements, the best way to start is by finding an appropriate benchmark of comparison. There are three possibilities—the familiar trilogy of patent, copyright, and trademark.⁸⁸ Although commercial art can be protected under any of these categories, one of them must be more similar to product designs than the other two. Deriving the appropriate analogy for commercial art is handy because it is reasonable to conclude that the doctrines of the analogous body of law will be the most illuminating for this inquiry. For instance, we know that patent and copyright are strongly oriented towards granting property rights to encourage the development of new work. By contrast, trademark does not extend a

86. Architecture is one area where contracts stimulate major leaps in industrial art, as architects are often paid large sums to design interesting new buildings. Nevertheless, Congress decided that it was necessary to pass a special statute making buildings eligible for copyright protection notwithstanding their status as useful articles. See Architectural Works Copyright Protection Act of 1990, Pub. L. No. 101-650, § 702, 104 Stat. 5133. Some have argued that this law is a model for design reform. See Frenkel, *supra* note 4, at 566. It is this author's view that the architecture statute is an example of excessive protection that harms the public and future creators.

87. As a result, the current design patent system performs adequately in giving property rights to high-value designs while excluding the bulk of commercial art that should not get protection. There is, however, room for improvement. In particular, the uncertainty created by permitting the Federal Circuit to second guess the Patent Office should be reduced. See *supra* note 37 and accompanying text. The best way to do that is by changing the Federal Circuit's standard of review on the novelty and nonobviousness of design patents from *de novo* to clear error. Although patent examiners may be wrong in their esthetic judgments, there is no reason to think that robust appellate review of those determinations will lead to better results.

88. Trade secret is a fourth option, but that speaks to the issue of whether designs should get protection through a possessory rule. See *infra* Part V.

property rule in order to stimulate the production of new resources. As a result, if commercial art resembles patents or copyrights, this suggests that designs deserve property protection. If designs look more like trademarks, however, then that would lead toward the opposite conclusion.

In reality, the search for guidance in design law comes down to a choice between copyright and trademark. By providing the strongest of all possible intellectual property rights, patents are ideally suited for stimulating large leaps in creativity. At the same time, the patent system is implacably hostile to the idea of protecting marginal innovations.⁸⁹ That is the essence of the novelty and nonobviousness requirements. Indeed, the flaws of design patents are a reflection of the inherent mismatch between most commercial art and patent doctrine. Thus, patents cannot be a valid benchmark for evaluating the protection of incremental esthetic designs.

Copyright and trademark, on the other hand, are still in the running. Not only is copyright a model of choice for many designers, but it also already protects incremental improvements that are purely esthetic.⁹⁰ While the line that separates copyrights for esthetic work from copyrights for useful articles is unclear, that vagueness does not preclude the possibility that copyright law provides the best analogy for designs. Likewise, trademark has also been trumpeted as the best way to protect designs, and trade dress still offers some indirect protection to incremental improvements.⁹¹ Trademark law's failings also do not eliminate its chances of being the best model for thinking about commercial art. As such, deciding whether copyright or trademark is the appropriate yardstick for ornamental designs requires a deeper inquiry.

A second tool that can steer the analysis in the right direction is experience. In other words, what lessons, if any, can be drawn from previous efforts to protect esthetic designs? One answer comes from the cycle of overprotection and underprotection in design law.⁹² The flux in the status of designs over time suggests that it is devilishly

89. See Lichtman, *supra* note 12, at 709–14 (explaining that patent law focuses on protecting valuable innovations and leaves most marginal improvements unprotected).

90. For instance, if an artist modifies a copyrighted painting or sculpture to make a new version of an original work, then that version would also be "original" and receive the full panoply of rights under the copyright statute even though the alteration is clearly incremental.

91. See *supra* Part II.C.

92. See *supra* notes 84–85 and accompanying text.

difficult to develop a stable property right in this context. Perhaps that means society is better off not creating one. Drawing that conclusion on such slim evidence, however, is hasty. To reach an informed judgment, we need more evidence on the past performance of a property rule with respect to esthetic designs.

Finally, while many policy issues bear on the design question, one point worth explaining now is the relevance of the number of expressive alternatives that exist for a protected item. Simply put, the more alternatives there are to express a particular concept, the less costly it is to give someone ownership over one of those alternatives. This principle pulsates across the entire spectrum of intellectual property. For instance, trademark law gives the most protection to arbitrary or fanciful marks, which usually refer to coined words like "Kodak."⁹³ What distinguishes coined words is that there is virtually an infinite number of them. Indeed, their supply is limited only by the imagination of corporate marketing executives. Giving Kodak a virtual monopoly on commercial uses of that term, therefore, presents almost no cost to society because there are so many other coined words that competitors can use. Contrast this with "generic" marks that receive no protection at all, such as the use of the word "car" as a mark for automobiles. The problem here is that there are only a few synonyms for "car," so giving one firm the exclusive use of that term would put competitors at a serious disadvantage.⁹⁴ Just as the number of available alternatives influences whether a particular creative work should get property protection, it should also influence whether designs as a group should be shielded by a property rule.

In sum, intellectual property rights become more problematic as revolutionary improvements give way to gradual evolution. Esthetic designs are just the most visible manifestation of the dilemma posed by incremental improvements. Their status can only be resolved by pulling together clues scattered over a wide range of law and experience.

IV. EVALUATING A NEW DESIGN PROPERTY RIGHT

This Part takes the guidelines laid in the previous section and applies

93. See, e.g., *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 9 (2d Cir. 1976) (developing a sliding scale of protection based on the distinctiveness of a mark's use on a given product).

94. Similar concerns are behind the merger doctrine in copyright, which bars protection when there is only one way to express a given idea. See, e.g., *Herbert Rosenthal Jewelry Corp. v. Kalpakian*, 446 F.2d 738, 742 (9th Cir. 1971).

them to designs. The first section illustrates that trademark is the most analogous body of law for commercial art. Next, the analysis turns to history and reveals that the Patent Office did extend broad property rights to incremental improvements during a brief period in the late Nineteenth Century. That experiment led to such rampant patent smuggling and confusion, however, that Congress was forced to reverse course. Lastly, a review of various pragmatic concerns confirms that a broad property right for designs is unnecessary and potentially harmful.

A. Cousin Trademark

The search for an appropriate benchmark of comparison for ornamental designs leads straight to trademark law. In fact, two of the leading commentaries on commercial art explicitly draw on the doctrinal similarities between designs and trademarks.⁹⁵ Chief among these similarities are: (1) their consumer orientation; (2) their infringement tests; and (3) the widespread use of one to protect the other.

To determine whether designs are more related to trademarks or copyrights, the best place to start is by looking at the fundamental purposes underlying these instruments. From the prior discussion, we know that trademarks focus on the activities of consumers.⁹⁶ Consistent with this rationale, the scope of trademark protection is judged on how one mark relates to others within the marketplace. The test for infringement and dilution is product-specific and involves more than just looking at the similarity between the marks. Indeed, courts in trademark cases spend most of their time analyzing contextual factors such as the commercial proximity of the products identified by competing marks and the strength of their identification by consumers.⁹⁷ Put another way, trademark doctrine is all about ascertaining the concrete impression that intellectual property leaves with consumers. By contrast, copyright law is mainly concerned with protecting authors and their right of expression.⁹⁸ While it is likely that an author will use a

95. See Dratler, *supra* note 4; Welkowitz, *supra* note 15. These pieces reach different conclusions regarding the relevance of these similarities. Welkowitz argues that the links suggest that trademark law is improperly intruding into areas that ought to be governed by patent. *Id.* at 343. By contrast, Dratler contends that trademark is the best way to govern designs. See Dratler, *supra* note 4, at 897.

96. See *supra* notes 54–56 and accompanying text.

97. See Magliocca, *supra* note 16, at 959 (explaining the multi-factor infringement test); *id.* at 984 (setting forth the most common tests for dilution).

98. See, e.g., Reichman, *supra* note 12, at 2452–53 (summarizing the purpose of copyright law).

copyright for commercial purposes, that is not an assumption of copyright doctrine. Thus, the test for copyright protection is not product-specific and does not take consumers into account at all.⁹⁹ Instead, "the standard for copyright infringement is substantial similarity in the abstract, divorced from any relationship with particular products or the marketplace."¹⁰⁰

Viewed from these competing perspectives, ornamental designs fall squarely on the trademark side because their purpose is to influence consumer decisions about specific products. As one commentator correctly observed, "[i]ndustrial designs are not really separate works of authorship by themselves Rather [they] are attributes of products, intended to assist in their marketing, sale, and use."¹⁰¹ In other words, designs, like trademarks, are judged solely by the impression they create in the marketplace. This consumer orientation simply does not exist in copyright law.¹⁰² Moreover, there is basically no such thing as an abstract product design in the manner contemplated by copyright—Cadillac tail fins do not get put on lamps or computers unless someone is trying to evoke that specific brand. Accordingly, with respect to both their underlying rationale and their application, designs look more like trademarks than copyrights.

Even advocates of broad design protection who use copyright as their model concede that the actual function of esthetic designs is closer to trademarks. One supporter of a failed design reform bill in 1987 explained the issue this way in testimony before Congress:

Distinctively shaped articles and parts would be protected [by the bill] serving to establish product differentiation. *It would serve a function similar to trademarks* in identifying the source and quality the consumer has come to expect from the source. It would overcome the natural confusion that what looks the same comes from the same source and has the same quality.¹⁰³

99. Dratler, *supra* note 4, at 914.

100. *Id.* at 915.

101. *Id.* at 913; *see also* Denicola, *supra* note 40, at 742–44 (making this distinction and suggesting that a commercial motivation should be what separates unprotected designs from those that receive copyright protection).

102. *See* Dratler, *supra* note 4, at 914 ("A focus on the product as a whole and its impression in the marketplace is traditionally more a feature of trademark law than of copyright law.").

103. *Id.* (quoting testimony of William S. Thompson, Patent Counsel, Caterpillar, Inc., representing the Industrial Design Coalition) (emphasis added).

This comparison with trademark rings true when we consider that product designs sometimes do nothing more than distinguish one firm's items from another. A new style might involve a feature that is particularly appealing, but often a trend is set by something that is just different from everything else. The law of product differentiation is trademark, not copyright.

Given the close relationship between the foundations of trademark and designs, it is not surprising that both also share a similar test for defining their respective scopes of protection.¹⁰⁴ Unlike copyright infringement analyses, where the inquiry basically begins and ends with a side-by-side comparison of the two works in question, trademark and design patent infringement focus on the commercial impact of the competing works.¹⁰⁵ While the nuances of trademark infringement doctrine were settled only forty years ago, designs were placed under a similar framework nearly a century earlier.¹⁰⁶ In *Gorham Co. v. White*, the Supreme Court articulated the design patent infringement test:

[I]f, in the eye of an ordinary observer, giving such attention as a purchaser usually gives, two designs are substantially the same, if the resemblance is such as to deceive such an observer, inducing him to purchase one supposing it to be the other, the first one patented is infringed by the other.¹⁰⁷

The key here is the Court's emphasis on the ordinary consumer and on the purchasing decision as the guideposts for design infringement. Presented with two esthetic designs, a court does not compare them in a vacuum, as is the case with copyright, but instead attempts to determine how consumers would view the designs and the commercial impression

104. See Welkowitz, *supra* note 15, at 343 ("[E]ven a cursory examination of the elements of trade dress infringement for product configurations and the elements of design patent infringement reveals marked similarities.").

105. The comparison with design patent is sound in this instance even though that body of law is not well-aligned with the distinctive qualities of commercial art. Due to the consumer orientation of designs, the only infringement test that makes sense is one that takes consumer impressions into account. Besides, the main problem with design patent from the pro-designer perspective is that it does not cover enough works. That criticism does not extend to the infringement test applied to those works that do qualify for design patent protection.

106. See *Gorham Co. v. White*, 81 U.S. 511, 528 (1871) (analyzing design patent infringement); *Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492, 495 (2d Cir. 1961) (analyzing trademark infringement).

107. *Gorham*, 81 U.S. at 528.

they create. At its core, "this test appears to be one of confusion of goods: would a consumer buy B's widgets thinking that he or she was buying A's widgets? As such, it looks like a test that could be used in a trade dress infringement case."¹⁰⁸ Thus, another integral aspect of designs tilts away from copyright and towards trademark.

The last telling point in this comparison is the ancient link between designs and trademarks through which one source of law was used to cover perceived shortcomings in the other. In a previous discussion, much was made of the efforts to extend trade dress over esthetic designs.¹⁰⁹ When this pairing is inverted, a similar phenomenon appears. While trademark law was used in the Twentieth Century to protect designs, design patent law was used in the Nineteenth Century to protect trademarks. This reciprocal relationship simply has no counterpart in the pairing of designs and copyright.

For instance, a leading treatise observed in 1914 that "[s]oon after the passage of the [design patent] Act of 1842 attempts were made to protect trademarks under that Act, and some two hundred design patents were issued for 'designs for trademarks.'"¹¹⁰ There is no suggestion that Congress wanted to cover trademarks through design patents, but trademark law was never intended to protect esthetic designs either.¹¹¹ In both cases, the lack of protection in one area—there was no federal trademark system for most of the Nineteenth Century and there are no broad design rights now—led people to press the other closely-related doctrine into service to serve a dual function. Once again, the similarities between trademark and design are much greater than whatever connection links copyright and designs.

Accordingly, on the fundamental pillars of intent, scope of protection, and interchangeability, the answer is the same: designs most closely resemble trademarks. This conclusion provides one answer to the most compelling argument for design protection—that designs deserve the same treatment as copyrights. This otherwise powerful plea

108. Welkowitz, *supra* note 15, at 344. This does not mean that all of the trademark infringement factors should apply to designs, and design patent law has wisely avoided incorporating trademark norms "jot-for-jot." As a practical matter, however, both claims are analyzed in a similar way. *See id.* at 345.

109. *See supra* notes 63–64, 66–68 and accompanying text.

110. WILLIAM L. SYMONS, *THE LAW OF PATENTS FOR DESIGNS* 35 (1914). This practice continued until Congress established a separate trademark system. *See Ex parte King*, C.D. 109 (1870), *reprinted in* HECTOR T. FENTON, *THE LAW OF PATENTS FOR DESIGNS* 245, 246–47 (Philadelphia, Campbell ed. 1889).

111. *See* SYMONS, *supra* note 110, at 35.

for non-discrimination does not work in this context because designs and copyrights are substantially different. Also, given trademark law's rejection of a broad property right, the similarity between designs and marks actually points toward the conclusion that designs are not entitled to sweeping protection.

B. Historical Past

The next fruitful area of inquiry is the law's experience with protecting incremental designs. Delve into design patent law of the Nineteenth Century and a wonderful treasure awaits—the only actual use of a broad property rule for commercial art. Delve a little further, however, and it becomes clear that this experiment was a disaster. In response to the problems created by granting property rights to incremental designs, Congress reestablished the narrow system of design protection that is the subject of so much criticism today.¹¹² Since this fascinating period has not received the attention it deserves, the details of that time are set forth below at some length.

The story begins with an opinion handed down by the Patent Commissioner shortly before Congress amended the design patent statute in 1870.¹¹³ Ruling in *Ex parte Crane* on a design patent application for an elegant box that held women's furs, the Commissioner began by noting that the item was denied a utility patent because it was not "what might properly be termed a 'new invention.'"¹¹⁴ Nevertheless, he held that the box could get a design patent.¹¹⁵ To reach this conclusion, the Commissioner took the line that design patents could be granted for designs that were *ornamental or functional*, even while conceding that this interpretation was a novel one.¹¹⁶ A logical corollary of *Crane's* controversial proposition was that a design could meet the requirements of patent law through a combination of esthetic and utilitarian features even when neither by itself would be sufficient to

112. See *id.* at 21.

113. See *Ex parte Crane*, C.D. 7 (1869), reprinted in FENTON, *supra* note 110, at 225 [hereinafter *Crane*].

114. *Id.*

115. See *id.* at 226.

116. See *id.* ("I am unable to perceive any good reasons why designs for utility are not fairly and properly embraced within the [design patent] statute, as well as those relating to ornamentation merely."); see also *id.* at 225 ("The construction which has been given . . . by the office ever since its passage . . . is that it relates to designs for ornament merely; something of an artistic character as contradistinguished to those of convenience or utility.").

justify protection.¹¹⁷

This result was an ideal blueprint for protecting incremental improvements through a property rule. Functional innovations that could not get a utility patent (*e.g.*, a fur box) could still receive protection if they had an ornamental feature that made up for their lack of functional novelty and nonobviousness. Put another way, the Patent Office was lowering the threshold for obtaining patents to functional changes by allowing their esthetic qualities to count towards that inquiry. Likewise, the opinion reduced the burden for protecting commercial art because an esthetic item that would not qualify for a design patent on its own could now do so as long as it had some functional facet that made up the difference. This expansion of patent law was part of a deliberate effort by the Commissioner to encourage marginal innovations. As the conclusion of his opinion stated,

There is a large class of improvements in manufactured articles that are not regarded as inventions, or as coming within the scope of general patent laws. They add to the market value and saleability of such articles, and often result from the exercise of much labor, genius, and expense. They promote the best interests of the country, as well as the creations of inventive talent. It seems to me to have been the intent of Congress to extend to all such cases a limited protection and encouragement.¹¹⁸

In essence, the Commissioner was seeking to move patent law towards the copyright model that is supported by modern design advocates.

What made *Crane* particularly useful for protecting incremental improvements was the vagueness of its new standard. Although almost every commercial item can be described as a combination of form and function, there was no indication in the opinion regarding how to determine which hybrids should qualify for protection.¹¹⁹ The lack of

117. Actually, the line of authority spawned by *Crane* and the subsequent amendment to the design patent statute went further and held that a functional design with no ornamental aspect could get design patent protection. See *Ex parte Fenno*, C.D. 52 (1871), reprinted in FENTON, *supra* note 110, at 252. Of course, *Crane* also explained that reasonable people could say that any new functional design was also an esthetic improvement. See *Crane*, *supra* note 113, at 226 ("It would be impossible, in the view of such persons, to make any improvement in utility that did not at the same time add to the ornamental and artistic.").

118. *Crane*, *supra* note 113, at 225.

119. To be fair, crafting a clear test was almost impossible. Combining esthetic and functional creativity into a single standard leads to incoherence because each aspect is

specificity in this test would allow patent examiners to protect virtually any marginal innovation by simply claiming that its mix of qualities was sufficient to warrant granting property rights. Furthermore, without a clear standard to frame that inquiry, there was almost no way to challenge a decision giving protection to an improvement.

Against this backdrop, Congress decided to amend the design patent statute as part of a broader reorganization of the intellectual property system. In the initial design law enacted in 1842, Congress had established that a "new and original design" could be patented.¹²⁰ Following the *Crane* decision, however, the design patent statute was revised to read, "any new, *useful*, and original shape or configuration of any article of manufacture."¹²¹ There are two ways of interpreting this statutory change. The addition of the word "useful," with its obvious connotation of functionality, could be construed as congressional confirmation of *Crane's* reasoning.¹²² On the other hand, this change could have been purely stylistic. There is no legislative history to indicate why Congress made the alteration, and it does seem unlikely that such a major policy shift would have been undertaken without any discussion at all.

Though the intent of Congress with respect to the design patent amendment remains unclear, the ambiguity of the new statutory language only intensified the debate sparked by *Crane*. For the next thirty years, confusion reigned as supporters and opponents of broad protection for incremental innovations attempted to gain the upper hand.¹²³ The to-and-fro of their arguments hit on many familiar themes associated with the power and limits of intellectual property. Yet this was not a mere academic exercise; it involved a lengthy and serious fight over the future of design law. The most important lesson from that time is that the people with the most experience with a strong property right for commercial art eventually concluded that it was a bad idea.

Opponents of design reform struck back quickly, as a new Patent Commissioner reversed *Crane* in 1871.¹²⁴ In *Ex parte Parkinson*, he held

measured so differently. See *supra* notes 32–37 and accompanying text.

120. Act of Aug. 29, 1842, ch. 263, § 3, 5 Stat. 543.

121. Act of July 8, 1870, ch. 230, § 71, 16 Stat. 198 (emphasis added). This statute also established federal trademark protection for the first time. See *The Trade-Mark Cases*, 100 U.S. 82, 92 (1879).

122. Of course, *Crane* was interpreting the old statutory language. The Patent Commissioner in that case was either prescient or engaged in serious activism.

123. See *infra* notes 124–43.

124. See *Ex parte Parkinson*, C.D. 251 (1871), reprinted in FENTON, *supra* note 110, at

that "it is clear to my mind that [my predecessor] opened the door to design patents far too widely."¹²⁵ Describing the new practice of the office as "not only liberal but lax," the opinion argued that "[t]he idea of stretching the [design law] to cover slight changes in the form of crow-bars, spades, plows, scrapers, [etc.] is simply ridiculous, and tends to bring the whole system into disrepute."¹²⁶ As for the recent revision of the statute by Congress, *Parkinson* concluded that "[t]he term 'useful' in relation to designs means adaptation to produc[e] pleasant emotions," and not improvements in functional utility.¹²⁷ In other words, "[t]he Legislature never intended . . . to let down the standard for patents. It was never contemplated to grant a design patent for every possible change of form that might be given to a machine or article of manufacture."¹²⁸ Accordingly, the opinion held that a design patent could be granted only if a designer could "produce a new esthetic effect."¹²⁹

The *Parkinson* decision was motivated by the orgy of patent smuggling that broke out following the *Crane* ruling. At the end of *Parkinson*, the Commissioner painted a memorable portrait of the patent smugglers that were given free rein by providing incremental improvements with protection:

In general, such men are imposters, and desire a design patent merely to obtain the right to put the word "patented" upon their manufacture, and thereby deceive the public and wrong real inventors, for they well know that not one person in ten thousand will ever learn the fact that the patent only covers the design.¹³⁰

This quotation identifies an important aspect of the smuggling problem. Not only do broad design rights sweep in functional innovations that should not get protection, but they also allow the smugglers to hide their activity at the expense of other inventors who need to know what is private property and what is in the public domain. Faced with these tangible costs, opponents of expansive design patent law concluded that such an expansion was not worthwhile.

257 [hereinafter *Parkinson*].

125. *Id.* at 259.

126. *Id.*

127. *Id.* at 258.

128. *Id.*

129. *Id.*

130. *Id.* at 259.

Design advocates refused to roll over and play dead after this setback, maintaining that the position set forth in *Crane* was consistent with the actual practice of the Patent Office and was aligning the law with reality.¹³¹ There is some truth in this assertion. After all, hundreds of patents were granted under the design patent statute even though that was not in accord with a strict interpretation of the statute.¹³² Moreover, many functional designs with dubious artistic credentials on objects ranging from axe-heads to propeller blades received design protection even before *Crane* was decided.¹³³ In essence, supporters of *Crane* contended that anti-design forces were the ones engaged in policy activism by ignoring the longstanding custom of the Patent Office.

Spurred by these arguments, in 1879 the tide turned again as another Patent Commissioner overruled *Parkinson* in favor of the liberal standard.¹³⁴ Avoiding the policy issues this time, the Commissioner rested his decision on the congressional amendment to the design patent law.¹³⁵ According to this opinion, "useful" was not a synonym for "ornamental," and the contrary reading "adopted in *Parkinson's* case cannot fairly be imputed to the word useful in the statute."¹³⁶ Unlike the situation in the prior cases, however, there was now a serious obstacle to changing course. In 1872 the Supreme Court had stated that "[t]he acts of Congress which authorize the grant of patents for designs were plainly intended to give encouragement to the decorative arts" and said nothing about functional inventions.¹³⁷ In response, the Commissioner simply dismissed this declaration as dictum.¹³⁸ Clearly, it would take more than a Supreme Court decision to resolve this struggle in the world of patents.

Less than ten years later, the Patent Office flip-flopped yet again and reinstated *Parkinson*.¹³⁹ Displaying a wisdom that his predecessors lacked, the latest Commissioner cut to the heart of the question by

131. See *Ex parte Bartholomew*, C.D. 103 (1869), reprinted in FENTON, *supra* note 110, at 235 ("[A]rticles have been, and are being constantly, patented as designs which possess no element of the artistic or ornamental . . .") [hereinafter *Bartholomew*].

132. See *supra* note 110 and accompanying text.

133. See *Bartholomew*, *supra* note 131, at 103.

134. See *Ex parte Shoeninger*, 15 O.G. 384 (1879), reprinted in FENTON, *supra* note 110, at 303 [hereinafter *Shoeninger*].

135. *Id.*

136. *Id.*

137. *Gorham Co. v. White*, 81 U.S. 511, 524 (1872).

138. See *Shoeninger*, *supra* note 134, at 301, 303.

139. See *Ex parte Schulze-Berge*, 42 O.G. 293 (1888), reprinted in FENTON, *supra* note 110, at 328-29.

opining that "[i]t is sometimes exceedingly difficult to separate the form and configuration of a body from its function. This seems to have been the difficulty in cases hereinbefore cited, where reference has been had to propeller-blades, plow-shares, and other like instrumentalities."¹⁴⁰ Basically, this reflects the dilemma posed now by the conceptual separability doctrine in copyright.¹⁴¹ When the law decides to protect incremental design improvements, whether the tool of choice is called "patent" or "copyright," the inquiry focuses on separating form from function. That task is like undoing the Gordian Knot—it is impossible to finesse. Just as patent examiners in the Nineteenth Century could not sensibly distinguish esthetics and utility, neither can modern courts. Obviously, that issue cannot be avoided in some hard cases. The problem with using a property rule for marginal innovations, however, is that it forces patent examiners and courts to engage in that hopeless analysis all the time. Like patent smuggling, this was a serious cost that was recognized by opponents of broad design protection.

Instability in patent law eventually became a major concern, and Congress was forced to step in and restore order. In 1902, correcting the confusion that it had (perhaps unintentionally) created in its prior tinkering with the design patent statute, Congress amended the law again and deleted the problematic word "useful."¹⁴² Taking the hint, the Patent Office subsequently hewed to the stricter interpretation of the design patent statute that had preceded *Crane*. More importantly, patent examiners actually began conforming their practice to that narrower standard and continue to do so. Seeing that the jig was up, design advocates soon began their long and hopeless lobbying effort for a separate bill to protect commercial art.¹⁴³

Three conclusions, which all weigh against design property rights, can be drawn from this history. First, the abstract threat of patent smuggling turns out to be a real problem under a regime that gives strong incentives to marginal design innovations. Second, smuggling in a way that permits broad protection for commercial art is almost impossible because no reliable test can be devised to distinguish form and function in commercial art. Third, there is no evidence that the experiment with a property rule actually led to more or better designs. Instead, the most serious effort to extend the type of protection desired

140. *Id.* at 332.

141. See *supra* note 49 and accompanying text.

142. See SYMONS, *supra* note 110, at 21.

143. See Goldenberg, *supra* note 4, at 27.

by design advocates led to chaos and was repealed by Congress. These lessons stand as a somber warning against any new industrial design statute.

C. A Reality Check

Beyond the doctrinal and historical considerations that undermine the case for design property rights, there are some practical observations that also work against that kind of protection. The most important of these are: (1) the relative lack of alternatives to any particular design; (2) the low cost of creating designs; and (3) the excellent design climate in the current marketplace.

Building on the insight that the level of available alternatives should influence a decision on whether to grant property protection, a comparison with copyright again suggests that designs should not receive these rights.¹⁴⁴ There are an almost infinite number of ways to express an abstract idea, such as justice or love, through the purely esthetic means that are the focus of copyright. Thus, copyright law rarely denies protection to this kind of incremental improvement because there is no cost imposed on others by having some of these expressions owned by private parties. By contrast, there is a finite set of possible esthetic designs for something like a car or a vacuum cleaner. That does not mean that the supply of design options is small; it just says that it is smaller than the alternatives to a typical copyright. In other words, there is a greater cost imposed on future creators by protecting marginal improvements in design than there is from protecting incremental innovations that are purely esthetic.¹⁴⁵ Once again, this explains why, although appealing, the argument that designs and copyrights should be given similar protection is unsound.

Another argument against additional protection for commercial art is that the cost of producing new ornamental designs is so low that companies will invest in them even without the security of property rights. While marginal innovations generate small benefits that can be outweighed by administrative costs, that also means most designs are cheap to produce. As a practical matter, "[e]ven a design that is merely different rather than 'better' may have its advantages, because it may

144. *See supra* Part III.D.

145. The validity of protecting incremental improvements that are esthetic while not protecting ones that are commercial is also supported by doctrinal considerations that demonstrate the fundamental differences between copyright and designs. *See supra* Part III.C.2.

appeal to a desire for diversity or distinctiveness and aid in marketing by differentiating the product from its rivals."¹⁴⁶ Creating a design that is merely different from others takes very little effort. Moreover, designs generally represent "only a small fraction of total product development and production costs. With so much at stake, a manufacturer is unlikely to forego the substantial benefits of a well-designed product merely because a competitor might gain a marginal saving through design piracy."¹⁴⁷

The prediction that the average company will produce new designs despite a lack of legal encouragement is supported by everyday experience. Walk into any major retail outlet and you will find an astonishing array of product designs from which to choose. This simple observation raises the question of why more design protection is necessary, particularly given the costs of applying a property rule in this context. One possibility is that the current situation may look fine, but still greater wonders are possible if the law gives more encouragement to industrial art. To the extent that this speculative assertion can be assessed, the promise of better designs through property law is not persuasive. As the previous section explained,¹⁴⁸ the robust protection of incremental innovations for a time in the Nineteenth Century did not have a significant impact on the quality of American design. The other justification for reform would concede that the current supply and quality of designs is adequate but argue that *not enough of them are domestically produced*. That contention, which is essentially an argument for protectionism, will be addressed in Part VI.

After reviewing all of the pertinent criteria, the best conclusion is that ornamental designs should not receive property protection. A doctrinal comparison places commercial art within the ambit of trademark law, which frowns on using property to stimulate production. History indicates that any attempt to use property for incremental design improvements leads to confusion and interferes with the creative process. Finally, economic considerations also cast doubt upon the wisdom of adding to the inexorable expansion of intellectual property rights. Accordingly, a new industrial design statute that extends a property rule over commercial art should be rejected. The solution to the design dilemma lies elsewhere.

146. Denicola, *supra* note 40, at 723.

147. *Id.* at 723-24.

148. *See supra* Part IV.B.

V. POSSESSORY RULES

Although broad property protection for commercial art falls short in a number of respects, there is another approach that might fare better. The law could enhance the ability of designers to retain exclusive possession of their work without granting an entitlement. That formula, which I have defined as a possessory rule, provides incentives for creativity while avoiding the problems caused by applying a property rule. This Part explores how possessory rules work and shows why they do not quite carry the day for designs.

A. *A Halfway House*

Possessory rules are a compromise between property rights and brute force. Everyone knows that possession is at the core of ownership. Indeed, in a world without law, possession is the only thing that matters. Property rights modify this state of nature by guaranteeing possession or compensation for wrongful dispossession. Yet many entitlements contain exceptions that allow ownership rights to be terminated for public policy reasons. Two excellent examples of this are adverse possession for land and fair use in copyright. While these limited bundles of rights could still be described as property, from another perspective they simply strengthen the ability of owners to retain exclusive possession without giving them title against all comers. As the scope of these limitations increase, the regulation moves away from traditional property towards another form—a possessory rule—which can be analyzed as a distinct legal category. Most of the time, however, nothing is really gained by distinguishing between property and possessory rules.

Incremental improvements present a unique situation because of the important concept of "lead time."¹⁴⁹ Lead time is the period "between an innovator's unveiling of a new idea and a competitor's successful duplication of it."¹⁵⁰ Every innovator obtains a temporary monopoly on that improvement simply by being first. This is true for the first person to open a fast food restaurant in a town or the first person to put plastic antlers on hats. By giving innovators a temporary monopoly, lead time makes it possible for them to recover at least some of their investment while competitors work to catch up.

149. For a classic discussion of the importance of lead time, see Breyer, *supra* note 81, at 299–300.

150. Lichtman, *supra* note 12, at 711.

Lead time was once the primary tool for encouraging marginal improvements, but changes in technology have seriously drained its potency. In centuries past, when copying techniques were relatively primitive, the first mover's lead time advantage was quite significant. Over time, however, copying has become much easier, causing the lead time for the average artistic or inventive improvement to diminish substantially.¹⁵¹ Indeed, the incremental innovation problem addressed by this Article can be characterized as a search for an artificial mechanism to replace a natural nurturing system—lead time—which has been gravely undermined by advancing technology.¹⁵²

While one could argue that the best replacement for lead time is a property right, a closer look demonstrates that possessory rules are a better match. After all, lead time is about enhancing possession rather than property. As a first mover, an innovator retains exclusive possession until competitors figure out a way to reproduce the improvement. Once someone else does replicate that innovation, however, the exclusive rights to the idea disappear. In other words, lead time does not convey any kind of property entitlement. Thus, property is not the best substitute for lead time.

By contrast, a possessory rule provides a more precise response for restoring the traditional lead time advantage by limiting how a competitor may copy an improvement.¹⁵³ To determine which copying techniques should be restricted, the focus should be on channeling would-be copiers into conducting independent research rather than allowing them to engage in relatively unproductive activities such as industrial espionage or copying simpliciter. This encourages innovation in three ways. First, possessory rules increase lead time by making it

151. This trend may soon turn around. Lawrence Lessig has explained that the encryption of information into code allows the code's author to exert much greater control over its dissemination at the expense of would-be copiers. See LAWRENCE LESSIG, *CODE AND OTHER LAWS OF CYBERSPACE* 128–30 (1999). So far, however, the new technology has helped copiers more.

152. J.H. Reichman explains the problem a little differently. He says that the incremental innovation issue is about the inadequacy of the bipolar model of intellectual property protection (*i.e.*, patent and copyright) that has ruled the roost since the Nineteenth Century. See Reichman, *supra* note 12, at 2500–04. Thus, he suggests that we need a new model for hybrid forms of property like esthetic designs. See *id.* at 2501–02. While I agree with much of Reichman's analysis, his claim that intellectual property was bipolar since the Nineteenth Century is a little off the mark. In fact, the lines between copyright and patent were quite fuzzy during that period.

153. See Reichman, *supra* note 12, at 2440; see also Lichtman, *supra* note 12, at 719 (stating that these rules "merely restrict the unauthorized use of specific cheap, fast, and efficient copying technologies.").

harder for someone's work to be copied. Second, they stimulate research across an entire industry by forcing "second comers [to] contribute directly or indirectly to the relevant technical community's aggregate costs of research and development."¹⁵⁴ This is because dealing with the first mover's enhanced possessory rights requires competitors to either license the innovation, which helps offset the developer's Research and Development (R&D) investment directly, or to take the time to conduct their own work that might lead to new breakthroughs.¹⁵⁵ By doing no more than simply healing the damage that technology has inflicted upon lead time, a possessory rule provides stronger incentives across the board.

The best example of a possessory rule in action is the trade secret doctrine. That body of law is particularly well-suited for protecting incremental improvements because it imposes no limit on the substance of the ideas that can be protected.¹⁵⁶ Trade secret, which is almost entirely rooted in state law, protects confidential commercial information against copying by "improper means."¹⁵⁷ Those wrongful techniques include theft, wiretapping, breach of contract, bribery, and fraud.¹⁵⁸ Consistent with the rationale of possessory rules, trade secret also bars many lawful copying activities that are costly and do not contribute to R&D.¹⁵⁹ But, this doctrine "does not offer protection against discovery by fair and honest means, such as by independent invention . . . or by so-called reverse engineering, that is by starting with the known product and working backward to divine the process which

154. Reichman, *supra* note 12, at 2439.

155. For an interesting analysis of these issues, see Pamela Samuelson & Suzanne Scotchmer, *The Law and Economics of Reverse Engineering*, 111 YALE L.J. 1575 (2002).

156. See *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 476 (1974); Bone, *supra* note 18, at 248. One could describe trade secret as a combination of property and liability rules. A liability rule regulates those who acquire trade secrets wrongfully. Yet the original owner of a trade secret also has the quasi-property right to license that innovation and otherwise enjoy its fruits until it is reverse-engineered.

In my view, however, calling trade secret a mix of property and liability rules is sloppy. The "property" right at issue inheres only in the innovator's possession of the item and does not have any legitimacy apart from that. Thus, describing the status of that ownership as possessory rather than property is more appropriate. Possessory rules also sweep beyond trade secret doctrine into situations where the regulation in question cannot reasonably be classified as a property rule. See *infra* notes 161–65 and accompanying text.

157. See, e.g., *Kewanee Oil Co.*, 416 U.S. at 474–76.

158. See *id.* at 476; Bone, *supra* note 18, at 250.

159. See *Kewanee Oil Co.*, 416 U.S. at 476; *E.I. Dupont Denemours & Co. v. Christopher*, 431 F.2d 1012, 1017 (5th Cir. 1970) (declaring the use of an airplane to photograph a competitor's facility a wrongful practice); Bone, *supra* note 18, at 250.

aided in its development or manufacture."¹⁶⁰

Another type of possessory rule was before the Supreme Court in *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*¹⁶¹ *Bonito Boats, Inc.* concerned Florida's effort to regulate copying methods in the pleasure boat industry.¹⁶² While esthetic designs for yachts involve a substantial investment, they are not subject to patent protection because, like other commercial art, they are rarely deemed to be sufficiently novel or nonobvious. Moreover, boat designs can be easily copied through a process called "direct molding," which involves taking a boat and setting it directly into a mold.¹⁶³ To offer some incentives for nautical designers, the Florida Legislature passed a statute barring the use of direct molding to copy vessel hulls.¹⁶⁴ As with trade secret law, this possessory rule restricted a technique of copying simpliciter in order to enhance the first mover's lead time and force competitors to engage in some research to reverse-engineer the change. By taking this action, Florida sought to strike a middle ground between offering no protection and granting boat designs property rights.¹⁶⁵

Both of these examples illustrate the greater compatibility of possessory rules with traditional lead time, but another advantage of these regulations is their ability to avoid the costs involved in turning incremental innovations into property.¹⁶⁶ First, possessory rules usually have lower administrative costs than property entitlements. Other than resolving actions based on violations of the copying prohibitions, a possessory rule requires no state involvement at all. In particular, the cumbersome registration and recording system that inevitably accompanies property rights is not necessary when a possessory rule is used. Certainly, the enforcement of a possessory rule is not costless and could still exceed the benefits generated by new innovations. Nevertheless, possessory rules are more likely to survive this cost-

160. *Kewanee Oil Co.*, 416 U.S. at 476.

161. 489 U.S. 141 (1989).

162. *See id.* at 144; Lichtman, *supra* note 12, at 697-98.

163. *See Bonito Boats, Inc.*, 489 U.S. at 144; Lichtman, *supra* note 12, at 697.

164. *See Bonito Boats, Inc.*, 489 U.S. at 144-45; Lichtman, *supra* note 12, at 697.

165. The Supreme Court struck down this law on preemption grounds. *See Bonito Boats, Inc.*, 489 U.S. at 168; *see also* Lichtman, *supra* note 12, at 719-34 (criticizing the decision and setting forth an alternative model for evaluating conflicts between state unfair competition law and patent law). Dismayed by this outcome, Congress decided to give property rights to boat designers on a trial basis. *See Frenkel, supra* note 4, at 576-79.

166. *See Reichman, supra* note 12, at 2507 ("Because these laws operate on quasi-liability principles, their delivery of natural lead time occurs without the social costs inherent in rigid grants of exclusive property rights.").

benefit analysis than property rules.¹⁶⁷ Second, a possessory rule eliminates the need to determine the optimal term for a particular improvement. Instead, the decision is made by market competitors who assess each new innovation and determine how worthwhile it is to reverse-engineer. That calculation, in turn, shapes how long the first mover can retain exclusive possession. While these market predictions will not all be perfect, on average they will tend to be more accurate than a one-size-fits-all approach taken by a legislature with far less information about the competitive environment.

This does not mean that possessory rules are free from trouble. In particular, maintaining exclusive possession without a legal entitlement requires the improvement to be kept confidential by the original innovator. Yet secrecy is costly to the party holding the secret and to society as a whole. Under a possessory rule, some resources that could be devoted to new investments will instead go towards protecting existing secrets. That tendency shows how possessory rules sit awkwardly between the security of property and the helter-skelter of unregulated competition. Furthermore, one benefit of having a registration system for intellectual works (*i.e.*, a property rule) is that inventors and artists can find out what others have done so they can learn from that creativity and avoid duplicative effort. In an environment where most innovations are kept secret, however, that critical disclosure is simply unavailable.

B. Application to Designs

Having established the potential for possessory rules to act where property and liability regulations cannot, the inquiry now turns to whether product designs are a good candidate for possessory protection. Unfortunately, the answer is disappointing. The problem with applying a possessory rule in this context is that most product designs can be copied merely by inspection, which is sometimes described as "know-how on its face."¹⁶⁸ As a result, replication by competitors is so easy that

167. Critics of the trade secret doctrine could argue that uncertainty regarding what constitutes improper copying leads to a great deal of litigation and makes the doctrine quite costly to administer. In my view, this criterion is overstated because the problem, if there is one, lies with the lack of clarity in the legal harms upon which trade secret claims frequently piggyback. For instance, a breach of contract can lead to a trade secret violation, but the ambiguities of contract law are often difficult to resolve. That is not trade secret law's fault. In any event, possessory rules can be crafted to avoid these problems by specifying what copying methods are not allowed.

168. See Lichtman, *supra* note 12, at 730 n.90 (citation omitted).

nothing short of a sweeping prohibition on copying will increase the first mover's lead time. That kind of policy prescription, however, raises questions that cannot be resolved without a lot more thought.

When it comes to ornamental designs, there is no way that an innovator can maintain the confidentiality necessary for a possessory rule to work because the improvement is right on the product for all to see. If firms want to copy the latest fashion trend or sleek computer design, all they need to do is buy an original, inspect it, and make something that looks the same. In other words, it is extremely easy to duplicate most esthetic designs. Moreover, unlike the situation with a yacht hull, there is no single copying technique for ordinary commercial art that is significantly faster than another.¹⁶⁹ Thus, barring some copying methods and not others will not have a significant impact on lead time.

The only way out of this conundrum is to expand the possessory rule concept from prohibiting certain copying techniques to barring certain *parties* from copying designs altogether. This straddles the boundary between a property entitlement and an ordinary possessory rule because it would give an innovator exclusive rights against certain parties but only enhance possession against others. In a design context, such an approach flows from a premise that most design piracy comes from knockoff firms that do nothing but copy work from established firms. Assuming that this is true, a possessory rule could identify those outsiders and bar them from copying, and at the same time allow reputable companies that contribute in some meaningful way to esthetic research to continue copying freely. As a result, lead time would be extended and design pirates would be forced to license innovations or start doing their own work.

This approach is not novel—it is the essence of a guild. Traditional guilds, which were backed by state law, allowed only certain producers to participate in a given enterprise and share in each other's work.¹⁷⁰ The Supreme Court once described the Fashion Guild this way:

[A]lthough they admit that their "original creations" are neither

169. After all, the premise of the statute addressed in *Bonito Boats* was that copying by direct molding was substantially easier than through other means, perhaps because pleasure boats are relatively large and complex objects that take considerable time to copy by inspection.

170. Of course, many guilds did not even allow members to copy from each other. In that case, the guild was essentially giving members a property right to their work, with all of the problems that come with that type of entitlement.

copyrighted nor patented . . . they nevertheless urge that sale of copied designs constitutes an unfair trade practice and a tortious invasion of their rights. Because of these alleged wrongs, petitioners . . . combined among themselves to combat and, if possible, destroy all competition from the sale of garments which are copies¹⁷¹

To the extent that a guild was either created or tolerated by the state, therefore, one could describe that arrangement as an enhanced possessory rule that swept more broadly than trade secret law or a restriction on specific copying practices.

This breadth, on the other hand, also suggests why lawmakers should be skeptical of this proposal. In the above-quoted Supreme Court case, the Justices held that the Fashion Guild violated the antitrust laws by engaging in a number of anti-competitive activities besides merely policing design pirates.¹⁷² Once the law gives some firms a special competitive advantage (*i.e.*, the ability to copy designs when others cannot), all of the negative economic effects of oligopoly will start rearing their ugly heads. Those costs must be weighed against the benefits of increased design protection, but keep in mind that these same costs were deemed prohibitive in the past when the guilds were abolished. Furthermore, this expansion of the possessory concept rests on the questionable assumption that design piracy is the product of a few bad apples. The opposite premise is equally valid—that all firms in an industry engage in design copying in roughly the same degree. In that case an expanded possessory regulation would fail because there would be no sensible way to distinguish between companies that should and should not be allowed to copy designs.

Accordingly, a possessory rule has many advantages for protecting incremental improvements, but these advantages probably come to naught with respect to commercial art. If there was empirical data that showed a high concentration of design piracy among a few renegade firms, then a broader formulation akin to a guild could be tried as an experiment. It is doubtful, however, that this would be worthwhile given the distortions that it would create in the marketplace.

VI. A TRADING SOLUTION

The preceding discussion demonstrates that the answer to the design

171. *Fashion Originators' Guild of Am., Inc. v. FTC*, 312 U.S. 457, 461 (1941).

172. *See id.* at 463.

dilemma cannot be found in legal rules. This Part explains how the United States maintains an adequate supply of commercial art by running a design trade deficit. That economic reality is not lost on design reform advocates. Indeed, their most consistent argument over the years has been that a new industrial design statute is needed to protect domestic designers from foreign competition. After briefly weighing the competing arguments, the analysis rejects this plea for protectionism and extols the virtues of free trade in designs.

A. Protectionism: The Last Resort

Reliance on trade to square the design circle was hinted at earlier and becomes apparent when two simple facts are put together.¹⁷³ First, consumers have an amazing variety of product designs from which to choose. Second, this cornucopia exists even though domestic law provides very limited protection for designers. These conflicting observations make sense if imports are accounting for the difference between what the law can encourage and what is actually available in the marketplace. Yet this line of thought leaves an important question unanswered. If the United States imports many of its designs from abroad, this suggests that other countries must have stronger legal protection for designs. But if these design-exporting countries can establish broad property rights for commercial art, then why is that policy wrong for us?

The answer is that many countries have stronger protection for designers because they start from a different premise regarding intellectual property rights.¹⁷⁴ In the Anglo-American tradition, intellectual property is justified by utilitarianism.¹⁷⁵ Article One, Section Eight of the United States Constitution states that copyrights and patents can be granted by Congress only for the purpose of

173. *See supra* Part IV.C.

174. This is illustrated by the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs), which was signed as part of the Uruguay Round of GATT and requires participating countries to provide broad design rights. *See Frenkel, supra* note 4, at 533 n.18. The United States maintains that its patchwork of design protection meets this standard, though that assertion is implausible. *See id.* at 533.

175. However, this rationale is starting to erode in a manner that may have serious consequences. Intellectual property rights are increasingly being viewed as an expression of individual autonomy that may be granted even when there is no utilitarian basis for doing so. *See Feist Publ'ns, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340 (1989) (articulating the utilitarian rationale). That slow transformation in the foundation of these rights is not yet significant enough to say that our law has rejected utilitarianism and embraced the concept of moral rights. *See infra* notes 177–80 and accompanying text. But that day may be approaching.

"promot[ing] the progress of Science and useful Arts."¹⁷⁶ Artists and inventors do not receive property rights merely because their work expresses their individuality. Their work receives protection only if it is deemed socially valuable in some sense.

By contrast, many countries view intellectual property as a privacy right that recognizes "the intimate bond which exists between a literary or artistic work and its author's personality" and tips the balance heavily in the creator's favor.¹⁷⁷ Under this framework of "moral rights," artists retain a degree of control over their work even after they sell it.¹⁷⁸ For instance, French and German laws recognize "rights of integrity," which permits innovators to prevent a change to their work that undermines their "intellectual interests, personal style, or literary, artistic or scientific conceptions."¹⁷⁹ In societies that embrace moral rights, the cost-benefit analysis for protecting commercial art is quite different than what our utilitarian approach would tolerate.¹⁸⁰ Basically, the moral-rights countries are more willing to accept the costs of extending broad property rights to product designs or other intellectual property in exchange for allowing more individual expression for its own sake. Thus, other countries can easily endorse a property rule for designs while the United States can just as confidently deny such rights.

Naturally, using imports to fill the shelves with product designs avoids many of the troubling issues that are the handmaidens of providing commercial artists with incentives through legal rules. No significant administrative costs are involved—the state just has to get out of the way and let market forces have free rein. There is also no possibility of erring in the calculation of an optimal term for designs. Of course, countries that choose to use property rules as a means of regulating commercial art do incur these costs. An import strategy

176. U.S. CONST. art. I, § 8, cl. 8.

177. Brian T. McCartney, "*Creepings*" and "*Glimmers*" of the Moral Rights of Artists in American Copyright Law, 6 UCLA ENT. L. REV. 35, 36 (1998). The closest analog to this approach in American law is the right of publicity, which gives a person exclusive control over the commercial use of their persona. See, e.g., *Carson v. Here's Johnny Portable Toilets, Inc.*, 698 F.2d 831, 834–37 (6th Cir. 1983). In attempting to explain the breadth of this right, which sweeps well beyond any credible utilitarian rationale, some commentators have invoked the right of privacy in lieu of a standard intellectual property theory. See, e.g., William L. Prosser, *Privacy*, 48 CAL. L. REV. 383, 389 (1960).

178. In effect, moral rights act as restrictive covenants on an intellectual property instrument.

179. McCartney, *supra* note 177, at 38 (citation omitted).

180. See *id.* at 36 ("The moral right can be distinguished from traditional property rights in that it purports to protect the personal rights of creative artists, as distinguished from their merely economic rights.").

simply allows the United States to free ride on the expensive policy choices of others.

Design advocates, however, have never been happy about this situation and complain that not enough commercial art is produced domestically. Indeed, this is the only argument for design reform that might make some sense. Since there are plenty of inexpensive and high-quality esthetic designs available, the claim that consumers would benefit from additional design rights rings hollow. Using reform to help domestic designers at the expense of domestic consumers and foreign designers provides a more logical rationale. Richard Gephardt, the former Democratic leader in the House of Representatives, once explained that design protection is a good idea because protecting domestic industries is more important than providing low prices for consumers.¹⁸¹ Not surprisingly, opponents of free trade have pursued design reform for decades because it is "seen as a way to protect American industry without raising trade barriers or other tariffs."¹⁸² Put another way, broad design rights serve as a stalking horse for protectionism.

In fact, protectionism has been a major theme behind almost every proposal for a new industrial design law since the design patent statute was rolled back in 1902.¹⁸³ When Congress considered one of the first reform bills in 1914, design advocates "argued that protection would create an American design industry, and that lack of protection would further the then current practice of importing all quality designs and designers from abroad."¹⁸⁴ Fast-forward to 1980, and one finds design supporters still arguing unsuccessfully that design protection was "as a matter of competitive survival in a cutthroat and international marketplace."¹⁸⁵ In congressional testimony for reform legislation, a parade of witnesses lamented the decline of traditional industries such as shoes, cars, and consumer electronics and claimed that cheap imported designs were the problem.¹⁸⁶ A few years ago, no less of an authority than Ralph S. Brown described the 1987 design reform

181. Goldenberg, *supra* note 4, at 59.

182. *Id.* at 58. Of course, design protection is a type of trade barrier, but the point is that it does not look like one.

183. See *supra* note 142 and accompanying text.

184. Goldenberg, *supra* note 4, at 28 (citing congressional testimony of Zell G. Roe, patent attorney representing the Lighting and Fixtures trade).

185. *Id.* at 51.

186. See *id.* at 51–52 (citing congressional testimony of David Levy, Executive Dean, Parsons School of Design).

proposal as "a bald piece of protectionism" that was targeting Japanese products.¹⁸⁷ Since supporters of new rights for commercial art make their last stand on protectionist grounds, that argument must be evaluated before ending this analysis.

B. Considering an Industrial Policy for Designs

Let us now look at the merits of this final rationale for extending a broad property rule over industrial designs. Although some protectionists use the design issue simply to further their broader agenda, the argument may have independent merit. After all, there are some situations in which excessive reliance on imported intellectual property can pose a problem. Esthetic designs, however, are far removed from these exceptions to the principle of free trade.

Though the United States once pursued protectionist policies, our current approach usually pursues free trade. That longstanding policy stems from the well-known arguments against protectionism. Briefly, tariffs and other trade barriers are a tax on imports that raise their price. By impeding foreign competition in this manner, domestic producers gain an artificial competitive advantage even though they may produce the same goods less efficiently or at a lower level of quality. This distortion in the marketplace creates three significant problems. First, tariffs diminish consumer welfare because they force people to pay more than is necessary for goods from protected industries. Second, trade barriers divert resources from successful industries into ones that can survive only with government help. Third, protectionism can lead to retaliation by foreign rivals, which may hurt American firms that depend on exports.

Nevertheless, there are three exceptions to this presumption of an open economy that can justify protectionism and that might apply to ornamental designs. To begin with, national security is sometimes a strong argument for exclusionary trade policies.¹⁸⁸ For instance, a society might be concerned about its heavy reliance on imported utility patents because technical know-how is an essential component of an effective military. As a result, a government might make special (and costly) efforts to encourage and maintain a reservoir of domestic

187. See Brown, *supra* note 10, at 1399.

188. See, e.g., Randall D. Lehner, *Protectionism, Prestige, and National Security: The Alliance Against Multilateral Trade in International Air Transport*, 45 DUKE L.J. 436, 448-51 (1995) (setting forth the national security arguments made for protecting the airline and steel industries).

inventors and technology in case a war cuts off foreign supplies. Obviously, commercial art does not fall under this exception to free trade principles.

Next, protectionism is often used as a tool for encouraging a unique national culture. Think about why France subsidizes its film industry or why numerous nations, including the United States, do so much to protect their farmers even though agriculture is not a cutting-edge industry. While these protectionist measures may just be the result of special interest groups flexing their muscles, another explanation is that certain fields are deemed to be such an integral part of a nation's identity that they must be preserved through trade barriers. Ornamental designs, however, do not pass muster under this rationale. Though products can become cultural icons, incremental design improvements—as distinct from designs that already qualify for design patents—are hardly candidates for these kinds of cultural breakthroughs.

Finally, in some instances there are positive externalities from having a particular domestic industry that may outweigh the costs that trade barriers impose. For instance, encouraging technological research or cultural achievement may promote the development of institutions of higher learning that can provide significant benefits by elevating the quality of education generally. Moreover, high-tech or high-culture industries tend to be the breeding ground for major advances in intellectual creativity, and therefore encouraging those industries might generate productivity benefits that outweigh the costs of trade barriers.¹⁸⁹ Designs do not come close to providing these kinds of externalities. In particular, the areas where commercial art is important usually involve low-margin consumer goods such as textiles that do not generate any incidental benefits that outweigh the costs that trade barriers impose. Indeed, protecting these kinds of enterprises actually reduces the potential for new externalities by shifting resources away from the high-tech sectors that are more likely to create the benefits that protectionists want. Thus, an externality theory just does not work for designs.

In sum, none of the exceptions to free trade can justify a new industrial design statute. If the United States can run a trade deficit with respect to strategic resources like oil and capital (*i.e.*, the current account deficit), then it can certainly run a deficit with respect to

189. This does not mean that a protectionist rationale leads to the conclusion that copyrights and patents need more protection than they get now.

ornamental designs. Indeed, trade in commercial art is a fine example of the benefits yielded by an open international economy where societies can take advantage of their different resources and legal arrangements to make mutually beneficial exchanges. New domestic regulations for designs will only disrupt this harmonious balance.

VII. CONCLUSION

Ornamental designs enrich our lives every day. Many of Edison's inventions did not have as great an impact on society as the Tiffany lamp or the Air Jordan sneaker. While there is a tendency to trivialize designers because their work is more commercial than esthetic, neither snobbishness nor the selfishness of certain interest groups justifies the lack of protection given to most commercial art. The reluctance of Congress to grant product designs a broad property right is instead based on a sound belief that encouraging incremental improvements presents enormous complexities. Moreover, an array of specific points—particularly the illustrative but oft-ignored experience with broad design rights in the Nineteenth Century—establish that marginal design innovations do not deserve property protection.

This recognition is the beginning of wisdom in two respects. First, it opens the door to using possessory rules as an alternative method of regulation for various resources. Though that legal form is not appropriate for esthetic designs, possessory rules should be considered alongside liability and property rules when legislators want to provide incentives to stimulate incremental innovations without imposing massive costs. Second, understanding the economics of incremental improvements illustrates how international trade interacts with legal doctrine. In the end, while beauty is in the eye of the beholder, the law just does not have the vision to encourage beautiful product designs.