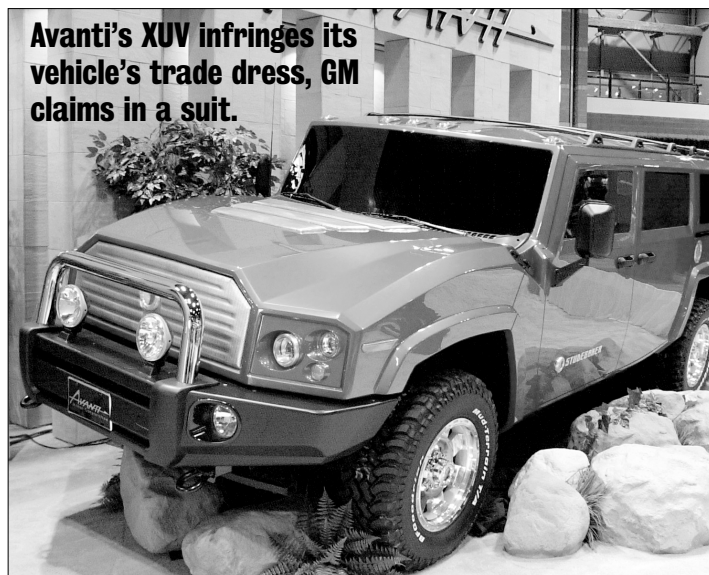
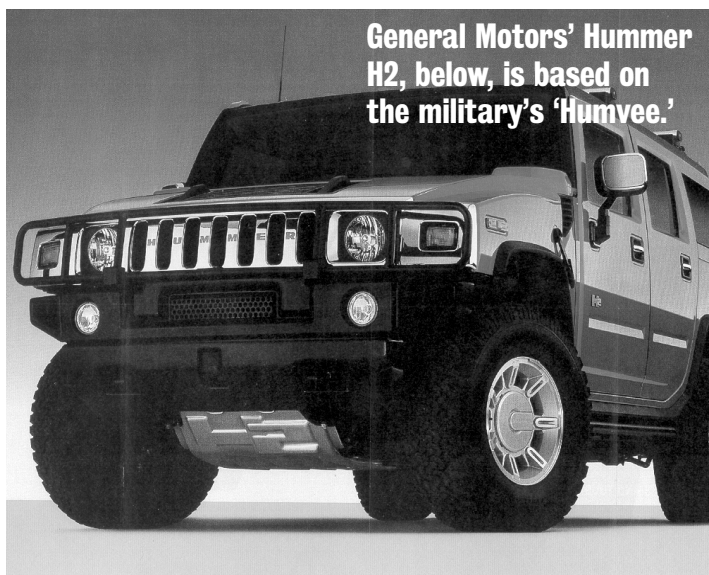


INTELLECTUAL PROPERTY



Look-alikes in combat

General Motors' infringement suit against Avanti Motor Corp. over its XUV is set for trial in June.

By Jeffrey L. Eichen

SPECIAL TO THE NATIONAL LAW JOURNAL

TRADE DRESS LAW has been used to protect against copying almost everything from leather handbags and blue jeans to drill bits and even Mexican restaurants. But

now, automobile manufacturers are increasingly turning to trade dress law to keep competitors from selling similar-looking cars. In February, for example, General Motors filed suit against a smaller competitor—Avanti—which, according to GM, is selling a sport utility vehicle that copies the shape of GM's wildly successful Hummer H2. *General Motors Corp. v. Avanti Motor Corp.*, No. 03-CV-

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TRADEMARK

60034 (E.D. Mich. filed Feb. 14, 2003). With GM's claims scheduled for trial in June, how the court decides this case could literally determine the shape of cars available in the future.

AM General Corp. developed the original High Mobility Multipurpose Wheeled Vehicle, or "Humvee," for the U.S. military in the 1980s. The Humvee played a celebrated and highly visible role in the 1991 Gulf War, after which actor Arnold Schwarzenegger urged AM General to create a consumer version—eventually called the "Hummer." Given the truck's renown as a "hero" of the Gulf War and its new association with Hollywood actors, AM General found there was considerable demand for the heavy, expensive, but nearly indestructible Hummers.

By 1999, the Hummer was widely known, although the actual number of vehicles on the road was small. The truck

cost more than \$100,000, and AM General never sold more than 900 in a year—a trivial number compared to mass-produced models. But AM General continued to promote the Hummer's shape and image in print advertisements.

The Hummer's success eventually attracted the interest of much larger General Motors. At the time, GM was exploring the possibility of developing its own version of a premium, muscular SUV, code-named "the Chunk." But, rather than spend the money to create a brand name and image from scratch, GM purchased the Hummer brand and a controlling interest in AM General. So the Chunk became a smaller, somewhat less expensive (but more drivable) version of the Hummer called the H2.

Like its older sibling the Hummer (or H1, as it is now called), the H2's motif is everywhere rectangular and utilitarian—almost to the point of ugliness. Its

overall shape, passenger compartment, windshield, windows, front grille and rear hatch are all squat, wide rectangles, and every edge of the bodywork is protected by flared mudguards or rails.

The H2's austere looks, off-road competence and military heritage created a wildly successful product for GM. According to one newspaper article, by December 2002, GM had sold more than 16,000 H2s in only five months. See Michael McCarthy, "Hummer H2 makes impression despite SUV backlash," *USA Today*, Dec. 26, 2002, at 7B. GM had only a 10-day supply on hand and waiting lists throughout the country—and H2s were selling at full sticker price, without the discounts or incentives being offered to sell other GM brands.

In February 2003, GM discovered that Avanti was debuting an "extreme" SUV—or XUV, as Avanti called it—at the Chicago Auto Show that looked remarkably similar to the H2. Avanti was publicizing the XUV as a revival of its Studebaker brand name and apparently had referred to the XUV as a "boxy, Hummer-like vehicle" in one news article. According to a survey conducted by GM at the Chicago Auto Show, 100% of the respondents who saw the Studebaker XUV said it "reminded" them of the H2, and nearly 60% said they believed that the XUV was manufactured or licensed by GM. A number of media outlets, such as CNN, *Auto Week* and *Auto News*, also commented on the similarities in appearance between the two. And a GM design expert visited the Auto Show to examine the XUV and concluded that Avanti had copied the H2 almost line for line.

GM's suit against Avanti

Within hours of the XUV's debut, GM filed suit against Avanti in the U.S. District Court for the Eastern District of Michigan for infringement of the H2's "world-famous and inherently distinctive"

trade dress, trademark dilution and common law trademark infringement. GM also filed an extensive motion for preliminary injunction—requesting that the court enjoin Avanti from continuing to exhibit or sell the Studebaker XUV.

Unlike GM, Avanti manufactures and sells limited-production, hand-built cars and SUVs, primarily to wealthy enthusiasts. Avanti uses the brand names Avanti and Studebaker—both of which are well-known to car collectors and historians as brands from the 1950s and 1960s.

In 1999, Avanti decided to develop a utility-type vehicle. Studebaker has a 150-year history of making military and civilian vehicles, including heavy trucks and amphibious vehicles used extensively in World Wars I and II. And, given the enormous marketing and development costs, Avanti literally bet the company's future on the success of its new XUV.

To be sure, the XUV's overall shape and motifs are strikingly similar to the H2's, although Avanti claims that the similarities come not from copying but from similar functional constraints. According to Avanti, the squat, rectangular shape is one of only a limited number of designs that will permit the vehicle to handle severe off-road use while maximizing the amount of interior room available for passengers and their gear. Avanti cites a number of different well-known off-road vehicles that served as the "starting point" for its design—including the Toyota Land Cruiser, old Series I and II Land Rovers and the Mercedes Geländewagen. Avanti claims it chose the XUV's shape for its basic utility, not for aesthetic or marketing purposes—and certainly not for its similarity to the H2.

In response to the accusation of copying, Avanti also points to differences in the two designs. Among other things, there are noticeable differences in the front grille and headlights, the pitch of

the hood, the front wheel flares, the tail-light arrangement and the fact that the XUV features sliding rear doors (like a minivan) and a retractable rear roof section—as a homage to Studebaker's 1963 station wagon with the same feature.

But, even conceding these differences, GM's list of similar design cues is extensive—including a similar overall outline or profile, three nearly identical rectangular windows, a similar high belt line, a similar windshield, nearly identical shape and placement of side signal lights, similar door handles and trim, similar mirrors, similar roof rack, nearly identical hood latches and identical placement and style of embossing the brand name of the vehicle on the rear hatch. Besides, on the highway at 60 mph, how many of Avanti's subtle differences will be noticeable anyway? Neither party considers this question.

On March 11, after submitting their papers for and against a preliminary injunction, the parties and the court met and agreed that, instead of a preliminary injunction, the case would proceed directly to trial in June—giving the parties just 60 days to complete their discovery.

As for the legal standards governing automotive trade dress, there is a long history of manufacturers bringing such claims, but the cases do not give consistent answers to the issues these claims raise. Recent decisions have recognized that a car's shape and design are a type of "product configuration" trade dress, and therefore, according to the U.S. Supreme Court's decision in *Wal-Mart v. Samara*, 529 U.S. 206 (2000), they must satisfy some particularly high requirements to be entitled to protection.

In *Wal-Mart*, the Supreme Court held that a product's shape and design (as opposed to its packaging) can never be "inherently distinctive" (and thus automatically entitled to trademark protection) because shape and design serve not only to identify the source of a product but also to make the product more pleasing to a consumer's eye and

GM claims that the XUV infringes the H2's 'world-famous' trade dress.

more desirable to purchase. In recognition of the aesthetic goals of many product designs, the Supreme Court held that product configuration (that is, shape and design) could only be protected as trade dress if there were evidence of such widespread advertising, use and recognition that a court could find that the product configuration had acquired secondary meaning.

And this is a particularly heavy burden to meet. In *Carroll Shelby Licensing Inc. v. Superformance Int'l Inc.*, 2002 WL 1934301 (D. Mass. Aug. 21, 2002), the court found that Carroll Shelby and Ford had failed to present sufficient survey evidence that "the primary significance of the [Shelby] Cobra shape in the minds of consumers is to identify Shelby as the single producer [of the car]." Instead, the court followed the presumption described in *Wal-Mart* that a product's design and configuration does not serve as a brand identifier and—on this basis—granted the defendant's motion for summary judgment. Will GM be able to show that the "primary significance" of the H2's shape is to identify GM as the H2's single producer? The answer is unclear.

Post-sale confusion

Also, to prove trade dress infringement, a plaintiff must show a "likelihood of confusion." But there is considerable debate in the case law as to exactly whose "confusion" is relevant. Or, to put it differently, when paying \$50,000 or \$75,000 for a premium SUV, the purchaser knows perfectly well that he is buying either an H2 or an XUV or some other brand. So, if purchasers are not confused, is it enough that others who see the SUV from a distance at a trade show or out on the roads might be confused?

In trade dress law, confusion of people other than the purchaser is called "post-sale confusion" and comes from a line of cases involving a number of highly visible (and easily counterfeited) consumer products. In each of these cases,

the accused infringer argued that it cannot be held liable for trade dress infringement because the infringing product is sold under circumstances in which no confusion or mistake is even possible. And in each case, the court responded that the relevant audience was not the buyers, but others who saw the buyers wearing and enjoying the product in public and could be mistaken as to its source.

Courts used this reasoning against defendants for copying the "red tab" label and back pocket stitching of Levi-Strauss blue jeans, the shape and design of Hermès handbags and even the shape and design of quick-change drill chucks. See, e.g., *Loris Sportswear U.S.A. Inc. v. Levi Strauss & Co.*, 799 F.2d 867, 872-73 (2d Cir. 1986); *Hermès International v. Lederer De Paris Fifth Avenue Inc.*, 219 F.3d 104, 107-09 (2d Cir. 2000); and *Insty*Bit Inc. v. Poly-Tech Industries Inc.*, 95 F.3d 663, 671-72 (8th Cir. 1996).

But does the same reasoning apply in cases involving the shape and design of automobiles? Different courts have answered this question differently.

In *Ferrari SpA Esercizio Fabbriche Automobili e Course v. Roberts*, 944 F.2d 1235, 1245 (6th Cir. 1991), the 6th U.S. Circuit Court of Appeals relied on post-sale confusion as the key to finding a maker of fiberglass kit cars liable for trade dress infringement for copying the shape and design of two very expensive and very desirable models of Ferrari: the Daytona Spyder and the Testarossa. According to the 6th Circuit, "[i]f the replica Daytona looks cheap or in disrepair [while out on the roads], Ferrari's reputation for rarity and quality could be damaged." In other words, the relevant audience for testing confusion was not direct purchasers, who would certainly know an original Ferrari from a replica, but a much larger, anonymous pool of people who might see the replica on the road and mistake it for the real thing.

But not all courts agree with the reasoning in *Ferrari*. In one recent case—

involving GM's H2 as the defendant, no less—the 7th Circuit held that post-sale confusion is not applicable in automotive trade dress cases. *AM General Corp. v. DaimlerChrysler Corp.*, 311 F.3d 796, 827-28 (7th Cir. 2002). The issue was whether Chrysler could prevent GM from using a front-grille design for its H2 that is similar to Chrysler's for its Jeep. The court wrote: "DaimlerChrysler believes that a...consumer...who sees an H2 will think the H2 is made by, or somehow associated with, Jeep....To the extent any such association might arise, it does not amount to the sort of post-sale confusion that supports an infringement action."

Cases involving car conversion outfits and aftermarket parts makers also seem to reject post-sale confusion as a basis for infringement. See *Ford Motor Co. v. Ultra Coachbuilders Inc.*, (C.D. Calif. 2000) and *Chrysler Corp. v. Vanzant*, 44 F. Supp. 2d 1062 (C.D. Calif. 1999).

And what do these cases mean for the future of automobile design? For one, the outcome of GM's claims against Avanti in June will tell both smaller and larger manufacturers exactly how closely they can follow the shape, design and styling cues of their competitors' models. And, regardless of the outcome of this case, car manufacturers will continue to respond to uncertainty in trade dress law by running more advertising devoted solely to their vehicle's shape as a source identifier—such as, for example, recent television and magazine advertisements for the Volkswagen Beetle with no text or titles, just the car's rounded shape. Since trade dress law favors this sort of advertising, consumers can expect to see a lot more of it in the future.

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