



On Your Side®

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Director John W. Dudas
Under Secretary of Commerce
Mail Stop External Affairs
Director of the United States Patent and Trademark Office
P.O. Box 1450
Alexandria, Virginia 22313-1450

Under Secretary Dudas:

Enclosed you will find Nationwide's position on the United States Patent and Trademark Office's examination of policy issues surrounding the use of design patent protection on exterior component parts of an automobile. We are grateful for the opportunity to submit these comments representing our perspective on this significant issue and to assist the USPTO in its evaluation.

Nationwide views customer choice as the fundamental cornerstone of this debate. We value our customers and believe they have the right to make informed decisions in choosing safe, less expensive and high-quality automobile replacement parts to repair their cars. The trend of automobile manufacturers enforcing design patent protection for aftermarket replacement crash parts threatens this choice, inarguably leading to increased costs to the consumer.

As the PTO considers the various issues and interests, Nationwide encourages your support of HR 5638 and the elimination of design patent infringement for the manufacturing, importation, and sale of the exterior component replacement parts of an automobile. We eagerly anticipate discussing this significant matter with you and your staff in the near future.

Sincerely,

Stephen S. Rasmussen
President and Chief Operating Officer
Nationwide Property and Casualty Insurance Companies

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Nationwide Mutual Insurance Company

Position Statement

**Design Patent Protection on Exterior Component Parts of an Automobile, and,
Support of HR 5638**

Nationwide believes customers deserve a choice, particularly with regard to the selection of the automobile parts used to repair their vehicles following an accident. Our Original Equipment Manufacturer (“OEM”) Endorsement, offering the option of OEM crash parts, affords our customers the choice in the source of replacement parts utilized in the repair of their motor vehicle. The trend of automobile manufacturers enforcing design patent protection for aftermarket replacement crash parts threatens this customer choice, inarguably leading to significantly increased costs to the consumer.

Although Nationwide recognizes the importance of intellectual property protection in the present economy, we suggest that the enforcement of these patents against after-market part manufacturers is inappropriate for several reasons. First, many exterior automobile parts are functional in nature and obvious in design, and thus inappropriate subject matter for design patent protection. In addition, even if the granting of design patents creates the incentive for innovation in this sector, the original manufacturer is rewarded for that innovation upon the consumer’s first purchase of the automobile. Allowing a continued monopoly on repair parts, through the granting of design patents, creates an inequality of reward at the expense of the consumer. Finally, to eliminate customer choice regarding the replacement of damaged vehicle parts is squarely in contrast to the public interest.

We respectfully propose that exterior component parts of a vehicle are inappropriate subject matter for design patent protection. It is well accepted that “a design that is dictated by considerations of function is not a proper subject for a design patent. Furthermore, a design is not patentable if the sole points of novelty or nonobviousness over prior designs are dictated by functional improvements or alterations.”¹ With regard to ornamental design, the configuration in

¹ *Chism Patents §1.04(2)(d)* Vol. 1, pp. 192-194 (citations omitted)

a design patent “must be designed for aesthetic appeal rather than dictated primarily by functional requirements.”²

Just as the Federal Circuit determined when it previously considered the propriety of design patent protection for automotive parts, component vehicle parts are “designed according to functional and performance consideration as opposed to aesthetic or ornamental considerations.”³ The design deliberations of component parts are driven by “metallurgical, engineering and production considerations”⁴ to serve the functional purpose of coherently contributing to the comprehensive design of the vehicle. Functionality constrains and influences the shape and ornamentation of component parts so as to not interfere with the safety, suitability and purpose of the part overall. These are precisely the functional considerations of the elected designs that render the component parts inappropriate subject matter for design patent protection.

Several stakeholders in opposition to H.R. 5638 argue that design patent protection on automotive parts is necessary to reward innovation and to create incentives for further novelty and improvement in automotive design. However, even if the notion of design patent protection is accepted for component automotive parts to encourage and reward innovation, the enforcement of these patents against after-market crash part manufacturers is inappropriate. It is significant to note that H.R. 5638 does not disturb the competitive balance between automakers, in that automotive design patents would still be enforceable against competing automakers as a reward for innovation. We at Nationwide recognize the importance of rewarding true innovation and propose that the limited nature of H.R. 5638 appropriately allows for the reward and encouragement of innovation. At the initial sale of the vehicle the design components are important to the overall appearance of the vehicle. Once the vehicle has been sold and sheet metal parts are needed to repair it following an accident, no further creativity is allowed or encouraged. Customers seek to return their vehicles to their prior appearance, not to change the line or the color of the part. Generally, the part must match exactly the prior version of the part to return the vehicle to its prior appearance.

The fact remains that consumers consider many factors when purchasing a particular automobile, including the overall design of the vehicle in its entirety and any independent design features of its component parts. This selection by the consumer of a particular vehicle, in part driven by

² *Rains v. Cascade Ind., Inc.*, 402 F.2d 241, 247 (3d Cir. 1968)

³ *Chrysler v. Auto Body Panels.*, 719 F.Supp.622, 624 (S.D.OH. 1989)

⁴ *Id.*, at 625.

attractiveness and differentiation of design, over all other vehicle options available to the consumer is the reward to automakers for the innovative appearance of their product. To allow the monopolization of replacement parts, when the consumer of the vehicle has no option but to make repairs due to unforeseen accidents, disproportionately rewards the manufacturer to the detriment of the consumer. We support the proposed bill, in large part, because it rectifies the unbalanced position of consumers in need of replacement parts against the unjust automaker control of the market for these parts.

Finally, Nationwide recognizes the important public policy interest of reduced repair costs and increased availability of replacement parts as a result of a competitive market for component vehicle parts. It is clear when automakers have no competition for replacement parts, the prices for those parts are significantly higher than parts available in a competitive market. Empirical studies indicate that prices for replacement parts under monopolistic control can include a 25% premium.⁵

Additionally, numerous concerns expressed by stakeholders suggest that increased prices and lack of availability of patented component parts could be used as a tool to artificially promote demand for new cars. To illustrate the effects of patented component parts on the insurance industry, the increased cost of repairs would raise the percentage of total loss vehicles that are not economically worth repairing. Consumers are harmed both by being required to pay higher repair costs when possible, and by being forced to purchase a replacement vehicle rather than being able to have their own vehicles repaired in a cost effective manner.

Nationwide views customer choice as the fundamental consideration in this debate. To that end, we are committed to the ability of our customers to choose safe, less expensive and high-quality automobile replacement parts to repair their cars. Eliminating after-market automobile parts will take away choice from consumers and will ultimately influence the cost of our products. The enforcement of questionable design patents on replacement parts unfairly rewards automobile manufacturers, and ultimately the customer loses. The current trend, if unabated, will likely result in fewer choices, reduced availability and higher prices for necessary parts. However, the availability of choice in replacement parts allows Nationwide to provide repair options to our customers. As the PTO considers the various issues and interests affected by H.R. 5638, Nationwide encourages your support of this important initiative.

⁵ *Estimation of Benefits to Consumers from Competition in the Market for Automotive Parts*, by Frederick R. Warren-Boulton, PhD, p 6.