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The Rise and Fall of Trademark Law's Fuctionality Doctrine

Mark Alan Thurmon

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THE RISE AND FALL OF TRADEMARK LAW'S FUNCTIONALITY DOCTRINE

*Mark Alan Thurmon**

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Trademark law’s functionality doctrine is a mess, and the responsibility for this mess rests squarely with the United States Supreme Court. In *TrafFix Devices, Inc. v. Marketing Displays, Inc.*,¹ the Supreme Court intervened to resolve a minor split on a secondary functionality issue,² and proceeded to recast the entire law of functionality. In so doing, the Court summarily rejected the general functionality standard used by every circuit court of appeals prior to the *TrafFix* decision. The *TrafFix* Court simply declared the existing law “incorrect,”³ and replaced it with an unwieldy, unjustified, and unworkable set of rules.

The mess created by the *TrafFix* Court is troublesome. The functionality doctrine is perhaps the most important limitation on

1. 532 U.S. 23 (2001).
 2. See *id.* at 28.
 3. *Id.* at 33.

trademark protection for product configurations and packaging.⁴ A functional product feature cannot be protected as a trademark.⁵ This statement of black letter law illustrates both the importance and the crux of the difficulty posed by the functionality doctrine. It is important because how we define functionality will directly affect the range of symbols that may be protected as trademarks. It is difficult because persons with different views on the propriety of trademark protection for attributes such as product configuration or product color are likely to push for different functionality standards. In the *TrafFix* decision, the Court rejected a competition-based definition of functionality,⁶ but failed to provide a clear alternative definition.

Within one year of the *TrafFix* decision, the lower federal courts divided on the crucial question of what general functionality standard should be used.⁷ The Court of Appeals for the Federal Circuit concluded

4. Some may disagree with this proposition, arguing instead that distinctiveness is a more significant limitation on trademark protection. I view distinctiveness not as a limitation, but rather as a definitional requirement. To be a trademark, a symbol must be distinctive. Nondistinctive symbols are simply not trademarks, so it seems wrong to discuss distinctiveness as a limitation on the scope of protection afforded to trademarks. Having made this clarification, I also believe that distinctiveness should be a significant filtering requirement of trademark law. *See infra* notes 505-12 and accompanying text.

5. *See, e.g., TrafFix*, 532 U.S. at 29 (“[T]rade dress protection may not be claimed for product features that are functional.”); RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 16 (1995) (explaining that the configuration of a product or its packaging may be protected if it is distinctive and not functional); 1 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 7:63 (4th ed. 2002).

6. *See TrafFix*, 532 U.S. at 32-33.

7. *See infra* Part II.B. The *TrafFix* decision also led to a good deal of commentary. *See, e.g.,* Theodore H. Davis, Jr., *Directing TrafFix: A Comment on the Construction and Application of Utility Patent Claims in Trade Dress Litigation*, 54 FLA. L. REV. 229 (2002); Discussion, 2001 Panel Discussion on Current Issues in Trademark Law—*I’ll See Your Two Pesos and Raise You . . . Two Pesos, Wal-Mart . . . and TrafFix: Where Is U.S. Supreme Court Jurisprudence Heading, and How Will It Affect Trademark Practitioners?*, 11 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 509 (2001); William T. Fryer, III, *Trademark Product Appearance Features, United States and Foreign Protection Evolution: A Need for Clarification and Harmonization*, 34 J. MARSHALL L. REV. 947 (2001); Joanne Hepburn, *Caution: Roadblocks Ahead: Patent Revealing Traffic Sign Stand’s Functionality Prevents Trade Dress Protection*, 7 B.U. J. SCI. & TECH. L. 413 (2001); William P. Kratzke, *The Supreme Court and Trade Dress—A Short Comment*, 24 HASTINGS COMM. & ENT. L.J. 73 (2001); Doris Estelle Long, *First, “Let’s Kill All the Intellectual Property Lawyers!”: Musings on the Decline and Fall of the Intellectual Property Empire*, 34 J. MARSHALL L. REV. 851 (2001); Jeanne-Marie Marshall, *TrafFix Devices, Inc. v. Marketing Displays, Inc.: A Step in the Right Direction*, 91 TRADEMARK REP. 632 (2001); Jonathan E. Moskin, *The Shape of Things to Come—Emerging Theories of Design Protection*, 92 TRADEMARK REP. 681 (2002); Robert P. Renke, *TrafFix Devices, Inc. v. Marketing Displays, Inc.: The Shrinking Scope of Product Configuration Trade Dress*, 91 TRADEMARK REP. 624 (2001); Kerry S. Taylor, *Intellectual Property: TrafFix Devices, Inc. v. Marketing Displays, Inc.*, 17 BERKELEY TECH. L.J. 205 (2002); Harold R. Weinberg, *Trademark Law, Functional Design Features, and the Trouble with TrafFix*,

that *TrafFix* did not change the general functionality standard.⁸ This reading is particularly significant because the United States Patent and Trademark Office (PTO) is bound by the decisions of the Federal Circuit on such issues.⁹ The PTO, therefore, is still using a competition-based functionality standard when evaluating applications to register trademarks.¹⁰ Other courts, however, have read *TrafFix* as radically changing the law.¹¹ These courts now equate functionality with utility, a standard very different from the competition-based standard in use prior to *TrafFix*.¹²

To appreciate the significance of this split, consider the shape of a plastic spray bottle like the one used with Fantastik® cleaner or Spray 'N Wash® laundry stain treatment. This bottle design was the subject of a

9 J. INTELL. PROP. L. 1 (2001); Timothy M. Barber, Comment, *High Court Takes Right Turn in TrafFix, But Stops Short of the Finish Line: An Economic Critique of Trade Dress Protection for Product Configuration*, 7 MARQ. INTELL. PROP. L. REV. 259 (2003); Michael Scott Fuller, Casenote, *An IP Conundrum: Can Patent Policy and Trade Dress Law Be Reconciled?*, 6 COMPUTER L. REV. & TECH. J. 303 (2002); Keeley Canning Luhnnow, Note, *TrafFix Devices, Inc. v. Marketing Displays, Inc.: The Problem with Trade Dress Protection for Expired Utility Patents*, 1 BUFF. INTELL. PROP. L.J. 224 (2002); Alison Marcotte, Note, *Concurrent Protection of Products by Patent and Trade Dress: Use of the Functionality Doctrine in Marketing Displays, Inc. v. TrafFix Devices, Inc.*, 36 NEW ENG. L. REV. 327 (2001); Tracey McCormick, Note, *Will TrafFix "Fix" the Splintered Functionality Doctrine?: TrafFix Devices, Inc. v. Marketing Displays, Inc.*, 40 HOUS. L. REV. 541 (2003); Nancy Sya, Comment, *Presumed Functional Until Rebutted: The Increased Difficulty of Obtaining Trade Dress Protection with an Expired Utility Patent*, 43 SANTA CLARA L. REV. 971 (2003).

8. *Valu Eng'g, Inc. v. Rexnord Corp.*, 278 F.3d 1268, 1276 (Fed. Cir. 2002) ("We do not understand the Supreme Court's decision in *TrafFix* to have altered the *Morton-Norwich* analysis.") (referring to *In re Morton-Norwich Prods.*, 671 F.2d 1332 (C.C.P.A. 1982)).

9. See 15 U.S.C. § 1071(a)(4) (2000); 28 U.S.C. § 1295(a)(4)(B) (2000).

10. See, e.g., *Newborn Bros. v. Dripless, Inc.*, No. 113, 471 2002 TTAB LEXIS 537, at *21 (Trademark Trial App. B. Aug. 16, 2002) ("As the Court of Appeals for the Federal Circuit recently stated in [*Valu Eng'g*], the [*TrafFix*] decision did not alter the *Morton-Norwich* analysis.")

11. One court changed a prior functionality ruling expressly because of the *TrafFix* decision. In *Antioch Co. v. W. Trimming Corp.*, 196 F. Supp. 2d 635, 640 (S.D. Ohio 2002), the court explained, "in light of the Supreme Court's decision in *TrafFix Devices*, the Sixth Circuit's competitive need test is no longer applicable." The court had "previously concluded that evidence of alternative possible designs was sufficient to raise a genuine issue of material fact on the question of whether a competitive necessity supported the Defendant's use of Plaintiff's trade dress and, thus, whether that trade dress was functional." *Id.* at 640 n.4. After *TrafFix*, the court reconsidered its prior ruling and concluded that the plaintiff's trade dress was functional. *Id.* at 641. In reaching this conclusion, the court did "not consider whether alternative designs exist," *id.* at 640, a striking change from the functionality analysis conducted by the same court prior to the *TrafFix* decision.

12. See, e.g., *Eco Mfg. LLC v. Honeywell Int'l, Inc.*, No. 03-2704, 2003 U.S. App. LEXIS 26430, at *13 (7th Cir. Dec. 31, 2003) ("*TrafFix* rejected an equation of functionality with necessity; it is enough that the design be useful."); *Eppendorf-Netheler-Hinz GmbH v. Ritter GmbH*, 289 F.3d 351, 356 (5th Cir. 2002) ("*TrafFix* supersedes the definition of functionality previously adopted by this court.")

trademark application filed in 1977.¹³ In 1982, the Court of Claims and Patent Appeals (CCPA) held that the bottle design was non-functional, and therefore could be registered as a trademark if the applicant could show the bottle design was distinctive.¹⁴ The design was unquestionably useful, but there was evidence that other bottle designs worked as well as the one used by the applicant.¹⁵ Because the CCPA held that functionality must be defined in terms of competitive need, the design was found to be non-functional.¹⁶

If, however, functionality is equated with utility (i.e., the approach taken by some courts after *TrafFix*), the applicant's bottle design would be functional, and therefore, ineligible for trademark protection. Because of the current division in the courts, it is likely that some product features will be registered as trademarks, based on the competitive need standard used by the PTO, but will be deemed functional, and thus unprotected, by some courts. In fact, at least three federally registered trademarks have been found functional in post-*TrafFix* decisions, including one decision involving a well-known design logo used on athletic shoes.¹⁷ In all three

13. Morton-Norwich Products, Inc. filed U.S. Trademark Application No. 123,548 on April 12, 1977. *Morton-Norwich Prods.*, 671 F.2d at 1334. Morton-Norwich manufactured and sold a line of household chemical products, like cleaners, spray starch, and insecticides. *Id.* Morton-Norwich sold the following successful products: Fantastik® cleaner, Glass Plus® cleaner, Spray 'N Wash® laundry pre-treatment, and Grease Relief® cleaner. *Id.* Morton-Norwich no longer exists, but the listed products do. The Morton-Norwich businesses were divided and subsequently acquired by different entities. The product lines were sold to different companies. Fantastik® cleaner is currently sold by S.C. Johnson, and Spray 'N Wash® laundry pre-treatment is sold by Reckitt Benckiser, PLC.

14. *Id.* at 1342-43.

15. *Id.* at 1342 (“[E]vidence, consisting of competitor’s molded plastic bottles for similar products, demonstrates that the same functions can be performed by a variety of other shapes with no sacrifice of any functional advantage.”).

16. The court reasoned:

[W]e do not see that allowing appellant to exclude others (upon proof of distinctiveness) from using this trade dress will hinder competition or impinge upon the rights of others to compete effectively in the sale of the goods named in the application, even to the extent of marketing them in *functionally* identical spray containers.

Id.

17. In *ASICS Corp. v. Target Corp.*, 282 F. Supp. 2d 1020, 1030-31 (D. Minn. 2003), the court held the stripe design used with ASICS athletic shoes to be functional and, thus, unprotectable as a trademark. The court’s functionality holding was based largely on a utility patent owned by ASICS for a “skeleton-shaped carapace” design for an athletic shoe. *Id.* at 1026 (internal quotation omitted). Because the ASICS Stripe Design trademark seemed to meet the requirements of part of the claims from this patent, and because the design “actually *does something*,” the court held that ASICS’ design trademark was functional. *Id.* at 1027-28, 1030-31. The court acknowledged “ASICS [sic] exclusive use of its Stripe Design mark for over thirty-five years has not stopped

cases, the registered trademarks probably would have been upheld if the courts had used a competitive need functionality standard.¹⁸

In this Article, I examine the development (i.e., the rise) and collapse (i.e., the fall) of the functionality doctrine. I describe an important common-law struggle, an effort that produced a coherent, workable limitation on trademark protection for nontraditional product identifiers. The doctrine produced by this struggle denied trademark protection to product features necessary for free and vigorous competition. Such features were deemed functional under this competitive need standard.¹⁹ While the “functional” label may have been a bit misleading,²⁰ the competitive need standard was well-established in the federal courts when *TrafFix* was decided.²¹

competitors from effectively competing,” but concluded the competitive need functionality standard was rejected by the Supreme Court in *TrafFix*. *Id.* at 1030-31 (internal quotation omitted). The court’s decision is troubling given the distinctiveness and value of the ASICS Stripe Design trademark. I discuss the case, and the court’s treatment of the patent issue, in more detail below. See discussion *infra* Part II.B.2. The other two post-*TrafFix* decisions involving federally registered trademarks involved the round design of Honeywell thermostats, *Eco Mfg. LLC v. Honeywell Int’l, Inc.*, No. 03-2704, 2003 U.S. App. LEXIS 26430 (7th Cir. Dec. 31, 2003), and the yellow color of certain underground drainage tubing, *Baughman Tile Co. v. Plastic Tubing, Inc.*, 211 F. Supp. 2d 720, 723-25 (E.D.N.C. 2002).

18. In all three cases, there was evidence of alternative designs that seemed to work as well as the claimants’ designs. *ASICS Corp.*, 282 F. Supp. 2d at 1031 (“it is true that ASICS [sic] exclusive use of its Stripe Design mark for over 35 years has not stopped competitors from effectively competing” in the athletic shoe market (internal quotation omitted)); *Eco Mfg. LLC v. Honeywell Int’l, Inc.*, No. 1:03-cv-0170-DFH, 2003 U.S. Dist. LEXIS 11384, at *57 (S.D. Ind. June 20, 2003) (“Honeywell also argues that there are many other shapes available for Eco to use in making its mercury-free thermostat,” but, based on *TrafFix*, the court held “that the availability of other design possibilities . . . does not defeat the functionality defense.”) *aff’d*, *Eco Mfg. LLC*, 2003 U.S. App. LEXIS 26430; *Baughman Tile Co.*, 211 F. Supp. 2d at 725 (acknowledging, but rejecting as irrelevant, the plaintiff’s evidence that other tubing colors would work as well as the yellow color at issue in the case).

19. The competitive need standard did not require a showing of absolute necessity. There are, after all, varying degrees of need. While the courts were not perfectly consistent in their use of the competitive need standard, the focus was on the degree protection of a particular design would impair or hinder competition. A feature was “needed” by competitors “if exclusive use of the feature would put competitors at a significant non-reputation-related disadvantage.” *Qualitex Co. v. Jacobsen Prods.*, 514 U.S. 159, 165 (1995). The inquiry focused on the ability of competitors to compete effectively with the party claiming trademark rights in a particular product configuration or feature. *Id.* This inquiry almost always involved an evaluation of alternative product designs. See discussion *infra* Part I.C.2.

20. The term may be misleading in the sense that more than performance of a function was required to render a feature “functional.” The word “functional” was a term of art in trademark law. See *Morton-Norwich Prods.*, 671 F.2d at 1337 (noting difference in lay and legal meaning of the word “functional” and adopting the labels “*de facto* functional”—a feature that serves some function—and “*de jure* functional”—a feature deemed legally functional and therefore outside the scope of trademark protection).

21. See, e.g., William G. Barber, *Recent Developments in Trademark Law: Disrobing Trade*

The functionality story I tell differs from the stories told by most commentators. Where others have found division and confusion in the courts, I find consistencies and trends toward a coherent doctrine. Where others have focused primarily on modern cases, I present a careful review of unfair competition cases from the early twentieth century and discover important lessons from the early cases. The functionality story I tell makes clear that this was not a doctrine in need of repair.²² It was, to the contrary, a remarkable common-law success. By the end of the twentieth century, the functionality doctrine was working better than it ever had.²³

Dress, Confounding Dilution, and Condemning Cybersquatting, 10 TEX. INTELL. PROP. L.J. 245, 251 (2002) (“Before the *Traffix* decision, most courts and commentators believed the crux of the functionality issue was the effect on competition: if granting exclusive rights in a particular design or feature would significantly hinder competition, it was deemed functional and trade dress protection would be denied.”); Graeme B. Dinwoodie, *The Death of Ontology: A Teleological Approach to Trademark Law*, 84 IOWA L. REV. 611, 696 (1999) (“while there remains a variety of textual formulations, competitive effect has become the overriding watchword in the majority of jurisdictions”); Discussion, *supra* note 7, at 532 (comments of Inna Fayenson).

22. My point is that courts were not having undue difficulty applying the doctrine. One could always argue the functionality doctrine needed repair if one wanted a different rule. As explained below, a vigorous debate raged during the latter years of the twentieth century over the propriety of trademark protection for product features. *See infra* notes 298, 315 and accompanying text. Some argued for less protection, and one way to achieve this result was to adopt a functionality standard that precludes protection for more designs. I disagree with this view, but my point, as noted above, is based more on courts’ ability to fairly apply the doctrine in litigated disputes. The examination of the doctrine’s development provided below supports my conclusion. *See discussion infra* Part I.C.

23. It is important to understand that functionality is a policy-based limitation on the trademark protection provided to otherwise valid source identifiers. Put a bit differently, the functionality doctrine only matters when it is applied to distinctive symbols—those symbols that are actually serving as source identifiers. Though many product features are both nondistinctive and functional, the functional nature of features is of no real consequence, at least in terms of trademark law, because nondistinctive features are not trademarks in the first place. Many courts and commentators have placed too much emphasis on the functionality doctrine as a filtering rule, when the distinctiveness requirement is, or should be, the more limiting rule. *See infra* notes 505-12 and accompanying text. When a rigorous distinctiveness requirement is applied, relatively few product configurations will be protected as trademarks. It is, therefore, of little consequence that such configurations might have been deemed non-functional under the competitive need standard in use at the end of the twentieth century.

Some courts and commentators have expressed concern over the broad range of nontraditional product identifiers protected under trademark law and the nature of the protection provided during the last ten years or so. *See, e.g.*, Paul Heald, Sunbeam Products, Inc. v. The West Bend Co.: *Exposing the Malign Application of the Federal Dilution Statute to Product Configurations*, 5 J. INTELL. PROP. L. 415, 427-29 (1998); Mark A. Lemley, *The Modern Lanham Act and the Death of Common Sense*, 108 YALE L.J. 1687, 1700-01 (1999); sources cited *infra* note 115. This concern likely drove some of the calls for a more limiting functionality standard, but these calls miss the point. Such a standard imposes too many social costs and provides too few social benefits to justify its use. Those concerned with overbroad trademark protection should focus on the distinctiveness requirement, the infringement standard, and perhaps the lack of a more refined set of remedial rules

Unfortunately, the functionality story does not have a happy ending. The doctrine collapsed in *TrafFix*. The Supreme Court turned its back on the doctrine's rich history, recast its own prior functionality decisions, and adopted new rules that no one seems to understand. The current division in the lower federal courts over the proper general functionality standard is not the only problem caused by the *TrafFix* decision. The *TrafFix* Court held that product features with aesthetic value require different treatment than features with utilitarian value.²⁴ The competitive need standard described above still applies to aesthetic features, but a different standard applies to utilitarian features.²⁵ Though courts are divided on exactly what the utilitarian standard is, it is clear that more designs will be deemed functional, and thus denied trademark protection, under this standard than under the competitive need standard. The distinction between aesthetics and utility, therefore, is now extremely important. In close cases—and there probably will be many—vigorous disputes are likely to arise on the question of whether the aesthetic functionality standard or the utilitarian functionality standard should be used. The resolution of this issue will effectively resolve the functionality question in many cases. Prior to *TrafFix*, most courts used the competitive need standard regardless of the aesthetic or utilitarian nature of the product features at issue.²⁶ This troublesome distinction is likely to lead to a great deal of confusion and inconsistency in the lower federal courts.

I identify three possible solutions to the problems caused by *TrafFix*. All three require a complete rejection of the *TrafFix* analysis. The first, and perhaps most obvious, solution is to return to the competitive need functionality standard. This solution would essentially take the law back to its pre-*TrafFix* state, though it would be helpful to do a bit more. The circuit courts were divided on the question of how to deal with trade dress claims that include elements of a previously patented invention. A number of commentators have argued for a broad right to copy unpatented articles and especially previously patented articles.²⁷ The concern raised by these commentators is that overbroad trademark protection for such articles might undermine the balance struck by the patent system. These

for trademark cases. These rules and standards go more directly to the propriety of the protection extended to particular symbols. The functionality doctrine, on the other hand, results in a denial of protection to distinctive trademarks, a result that requires strong justification. I discuss these issues in more detail below. See discussion *infra* Part III.A. This overview is provided to alleviate readers' concerns that I am advocating a rule that would further open the flood gates to questionable trademark claims. My proposals, when considered within the context of the other relevant trademark rules, should not produce this result.

24. *TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 23, 33 (2001).

25. *Id.*

26. See discussion *infra* Part I.A-B.

27. See sources cited *infra* notes 42, 280.

arguments were rejected by almost all courts, but one, the Tenth Circuit Court of Appeals, adopted a special rule for trade dress cases involving previously patented articles.²⁸ This isolated decision should be expressly rejected, along with *Traffix*, and the competitive need standard applied as the sole limitation on the scope of trademark protection for unpatented, distinctive, product features. Finally, this first solution also should make clear that no distinction is needed between aesthetic and utilitarian features.

The second solution requires the elimination of functionality as an element²⁹ of trade dress claims and adopts, in its place, a limited functionality defense. This proposal may be more controversial than the first, partly because the treatment of functionality as an element of a claim for trade dress infringement is so well-established in the modern practice.³⁰ Old habits sometimes die hard. But in this case, there are good reasons to reject the established practice.

The modern functionality rule is a front-end, filtering rule. Trade dress claims are evaluated by examining the claimant's overall product design. If that design is deemed functional, the trade dress claim fails. If the design is non-functional, the claim proceeds with no further analysis of the functionality issue. This approach is flawed. The functionality inquiry should look at the defendant's product, or more specifically, at the parts of the defendant's product copied from the plaintiff's product. No party should be enjoined from the use of functional product features. On the other hand, where the plaintiff can prove its design is distinctive and the defendant's design is likely to confuse consumers, a court should not walk away from the controversy, even if the plaintiff's overall design is deemed functional. To do so—and this is precisely what modern courts have done

28. *Vornado Air Circulation Sys. v. Duracraft Corp.*, 58 F.3d 1498, 1500 (10th Cir. 1995).

29. It may be more accurate to say that non-functionality is an element, because the claimant must prove that its design is non-functional. Lanham Act § 43(a), 15 U.S.C. § 1125(a)(3) (2000).

30. There was a debate over whether the plaintiff or the defendant should carry the burden of proof on the functionality issue, but that issue was largely resolved by Congress through amendment of the Lanham Act in 1999. The Act now states that "in a civil action for trade dress infringement . . . for [a] trade dress not registered on the principal register, the person who asserts trade dress protection has the burden of proving that the matter sought to be protected is not functional." *Id.*; see also Glenn Mitchell & Rose Auslander, *Trade Dress Protection: Will a Statutorily Unified Standard Result in a Functionally Superior Solution?*, 88 TRADEMARK REP. 472, 499 (1998) (noting variation among the circuits on the burden allocation issue); Christopher J. Kellner, Comment, *Rethinking the Procedural Treatment of Functionality: Confronting the Inseparability of Useful, Aesthetically Pleasing, and Source-Identifying Features of Product Designs*, 46 EMORY L.J. 913, 950 (1997) ("The circuit courts of appeals are currently split concerning proper allocation of the burden of proof for functionality."); Danielle Rubano, Note, *Trade Dress: Who Should Bear the Burden of Proving or Disproving Functionality in a Section 43(a) Infringement Claim?*, 6 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 345, 353-61 (1995) (reviewing the decisions of several courts on the burden allocation issue).

upon finding a plaintiff's design functional—is to ignore the consumer interest in preventing confusion. Where confusion is likely, some steps should be taken to reduce or eliminate the confusion risk. The burden of such steps should be allocated in an equitable manner between the plaintiff and the defendant.

My second proposal, eliminating functionality as an element of a trade dress claim, may seem radical, but it is not. Nor is it new. This proposal is based on the functionality analysis conducted by courts during the early development of the doctrine.³¹ In the earliest functionality cases, courts focused on the elements a defendant copied and refused to enjoin copying where such elements were found to be functional. The courts, however, still imposed on such defendants a duty to take reasonable steps to distinguish their products from those of the plaintiffs. This lesson from the early cases was somehow lost when the courts began to treat functionality as an affirmative element rather than a limited defense. I believe much would be gained by returning to the old rule.

My third proposal is a combination of the first two. It may be the most attractive solution, though I believe the second proposal is a sufficient solution. By combining the first two proposals, a front-end functionality rule would remain in place to filter out bogus claims and applications to register wholly-functional designs as trademarks.³² The limited functionality defense would continue to play an important role in resolving litigated trade dress disputes and would provide the flexibility needed to best balance the competing interests at stake. Because this solution offers the benefits of the second proposal, while keeping important parts of the modern functionality approach, it may be more acceptable to the range of parties interested in reforming the functionality doctrine.³³

My analysis and arguments are presented in three parts. First, I examine the rise of the functionality doctrine. This examination, presented in Part I below, is the longest of the three parts. It covers the development

31. See *infra* note 85.

32. Under the second proposal, there would be no substantive justification for the rejection of trademark applications based on wholly-functional product designs. The granting of federal trademark registrations to these designs could pose problems in practice, though I believe the threat is more theoretical than real. See *infra* notes 591-93 and accompanying text.

33. The two most influential intellectual property law organizations in the United States have issued statements formally objecting to the *Traffix* decision. Both the American Bar Association's Intellectual Property Law (ABA IPL) Section and the American Intellectual Property Law Association have issued proposals calling for the rejection of the functionality rules adopted by the *Traffix* Court. See AM. INTELLECTUAL PROP. LAW ASS'N RESOLUTIONS 3, 4 (2001); AM. BAR ASS'N INTELLECTUAL PROP. LAW SECTION RESOLUTION 201-04 (2002). Both organizations have called for a return to a competition-based functionality standard. The American Intellectual Property Law Association additionally proposed limiting functionality to utilitarian features, but the ABA IPL Section was silent on that issue.

of the doctrine over a period of almost 100 years and includes a discussion of aesthetic functionality and the debate over special rules limiting trademark protection for features of previously patented inventions. In Part II, I describe the fall of the doctrine. *TrafFix* is the cause of the fall and the primary focus of this part of my analysis. I also examine the consequences of *TrafFix* in the lower courts, finding both division and confusion. Finally, in Part III, I present arguments supporting my three proposed solutions to the *TrafFix* problems.

I. THE RISE

The federal courts have struggled with the functionality doctrine for over 100 years. The struggle, however, was not in vain, as the courts reached agreement on the most important functionality issues by the end of the twentieth century. By the time *TrafFix* was decided in 2001, every federal court of appeals defined functionality in terms of competitive need.³⁴ This uniformity was a remarkable achievement, a true common law success story. It is, unfortunately, a story seldom told. Most modern commentators have focused primarily on modern functionality cases.³⁵ These commentators identified differences in the functionality analysis in the modern cases, and often concluded that the courts were hopelessly divided.³⁶ This conclusion was somewhat justified, but to properly assess

34. See, e.g., Dinwoodie, *supra* note 21, at 696; Mitchell M. Wong, Note, *The Aesthetic Functionality Doctrine and the Law of Trade-Dress Protection*, 83 CORNELL L. REV. 1116, 1142 (1998) (“The ‘competition’ theory of functionality is currently the prevailing theory in the courts and is embraced by the RESTATEMENT (THIRD) OF UNFAIR COMPETITION.” (footnote omitted)).

35. See, e.g., Margreth Barrett, *Trade Dress Protection for Product Configurations and the Federal Right to Copy*, 20 HASTINGS COMM. & ENT. L.J. 471, 479-83 (1998) (reviewing the functionality doctrine and relying primarily on decisions from the 1980s and 1990s); Theodore H. Davis, Jr., *Management and Protection of Brand Equity in Product Configurations*, 1998 U. ILL. L. REV. 59, 96-108 (providing a lengthy review of the functionality doctrine and citing almost exclusively to modern decisions); Dinwoodie, *supra* note 21, at 688 & n.292 (referring to “[m]ost early applications of the functionality rule” and citing cases dating from 1961 to 1982); Jay Dratler, Jr., *Trademark Protection for Industrial Designs*, 1988 U. ILL. L. REV. 887, 938-42 (explaining that the functionality doctrine was “originally and primarily intended to protect the integrity of utility patent law,” but citing modern decisions as support for this proposition). *But see* Weinberg, *supra* note 7, at 10-14 (reviewing a number of important early functionality decisions).

Commentators examining the aesthetic functionality doctrine typically begin their analysis with the Ninth Circuit’s 1952 decision in *Pagliari v. Wallace China Co.*, 198 F.2d 339 (1952), but generally fail to look at earlier decisions. See, e.g., Erin M. Harriman, *Aesthetic Functionality: The Disarray Among Modern Courts*, 86 TRADEMARK REP. 276, 280-82 (1996); Wong, *supra* note 34, at 1118 & nn.5-6 (referring to “the early cases concerning functionality,” and citing decisions from 1955).

36. See, e.g., Dinwoodie, *supra* note 21, at 686 (“Each circuit has developed its own formulation of the [functionality] concept, and several circuits have employed different versions (sometimes using more than one at the same time).”); Willajeanne F. McLean, *Opening Another*

the functionality doctrine, it is important to understand the whole story. How did the doctrine first develop? What were the early rules? How and why did those rules change over time?

I attempt to provide answers to these questions in the following sections. The story I tell differs from most functionality discussions in three respects. First, I trace the doctrine to its true origins, the palming off cases of the late nineteenth and early twentieth century. I examine those cases to determine what policies moved the courts to place limits on the protection of product designs, and what rules resulted from those policies. In Part A below, I look for helpful lessons in the early decisions.

Second, my analysis differs from other functionality commentary in that I focus on the development of the general functionality rules, rather than on secondary functionality issues. Much has been written, for example, on the concept of aesthetic functionality.³⁷ And though this concept is important, it was not a significant factor in the courts' development of a general functionality standard. The same is true of the patent bargain and right-to-copy concerns. Though important, these concerns did not shape the general functionality standard adopted by most courts. I focus on the general standard first (Parts A-C below), and then address these two important, but secondary, functionality issues (Part D).

The third important difference in my analysis is my attempt to find common themes and consistencies in the functionality cases. Most commentators have concluded that the functionality doctrine is, and

Can of Worms: Protecting Product Configuration as Trade Dress, 66 U. CIN. L. REV. 119, 125 (1997) (“[T]here are almost as many definitions of the term [functional] as there are circuit courts.”); Judith Beth Prowda, *The Trouble with Trade Dress Protection of Product Design*, 61 ALB. L. REV. 1309, 1354 (1998) (“It is manifest that courts that have addressed the issue of whether non-functional features can serve as trade dress have reached very different conclusions as to the relevant legal standard for such a determination.”); David S. Welkowitz, *Trade Dress and Patent—The Dilemma of Confusion*, 30 RUTGERS L.J. 289, 331 (1999) (stating that the functionality doctrine “is so uncertain in its application that one cannot reasonably predict in most cases how it will affect the result”).

37. See, e.g., Bradford J. Duft, “Aesthetic” Functionality, 73 TRADEMARK REP. 151 (1983); Harriman, *supra* note 35; Mark I. Peroff & Nancy J. Deckinger, “Conditional” Functionality: The New Standard for Evaluating “Aesthetic” Functionality Established by the Second Circuit in *Wallace International Silversmiths, Inc. v. Godinger Silver Art Co.*, 1 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 117 (1991); Diana Elzey Pinover, *Aesthetic Functionality: The Need for a Foreclosure of Competition*, 83 TRADEMARK REP. 571 (1993); Jerre B. Swann, *The Design of Restaurant Interiors—A New Approach to Aesthetic Functionality*, 76 TRADEMARK REP. 408 (1986); Robert Unikel, *Better by Design: The Availability of Trade Dress Protection for Product Design and the Demise of “Aesthetic Functionality,”* 85 TRADEMARK REP. 312 (1995); Kellner, *supra* note 30; Deborah J. Krieger, Note, *The Broad Sweep of Aesthetic Functionality: A Threat to Trademark Protection of Aesthetic Product Features*, 51 FORDHAM L. REV. 345 (1982); Wong, *supra* note 34.

always has been, a confused mess.³⁸ I disagree. I believe the doctrine was coherent and workable during much of the last century. There were differences in how the courts dealt with some issues, and there were differences in the specific tests or standards used by some courts. These differences were relatively minor when they existed, and, more importantly, the differences were largely gone by the time *TrafFix* was decided. At the end of the twentieth century, the functionality doctrine was more coherent and workable, save one important exception, than it ever had been.

The exception to this uniformity was a single decision by the Tenth Circuit Court of Appeals: *Vornado Air Circulation Systems v. Duracraft Corp.*³⁹ In this decision, the Tenth Circuit affirmed its use of a general competitive need functionality standard,⁴⁰ but held an additional rule was needed where the claimed design includes elements of a previously patented invention.⁴¹ The question of how trademark law should deal with such claims is important, but does not arise in most functionality disputes. Nevertheless, the *Vornado* case led to a flood of commentary and calls for special trademark law rules prohibiting the protection of either previously patented designs or all unpatented designs.⁴² The intense debates spawned

38. See sources cited *supra* note 36.

39. 58 F.3d 1498 (10th Cir. 1995).

40. *Id.* at 1507 ("Functionality . . . has been defined both by our circuit, and more recently by the Supreme Court, in terms of competitive need.").

41. *Id.* at 1508 ("We conclude that the inability freely to copy significant features of patented products after the patents expire impinges seriously upon the patent system's core goals . . .").

42. See, e.g., Barrett, *supra* note 35; Thomas F. Cotter, *Is This Conflict Really Necessary?: Resolving an Ostensible Conflict Between Patent Law and Federal Trademark Law*, 3 MARQ. INTELL. PROP. L. REV. 25 (1999); Theodore H. Davis, Jr., *Copying in the Shadow of the Constitution: The Rational Limits of Trade Dress Protection*, 80 MINN. L. REV. 595 (1996); Jay Dratler, Jr., *Trade Dress Protection for Product Configurations: Is There a Conflict with Patent Policy?*, 24 AIPLA Q.J. 427 (1996); Joseph Fischer, *Harmonization of Federal Patent and Trademark Laws After the Vornado, Zip Dee, and Thomas & Betts Decisions: An Economic Analysis*, 8 FED. CIR. B.J. 29 (1998); Bradley K. Groff, *Bare-Fisted Competition or Palming Off? Protection of Product Design as Trade Dress Under the Lanham Act*, 23 AIPLA Q.J. 65 (1995); *Industrial Designs*, AIPLA BULLETIN, Jan. 24, 1997, at 146 (reporting on presentation of James W. Dabney, *Product Configurations in the Public Domain*); Manotti L. Jenkins, *A Request to the High Court: Don't Let the Patent Laws Be Distracted by a Flashy Trade Dress*, 15 J. MARSHALL J. COMPUTER & INFO. L. 323 (1997); McLean, *supra* note 36; Kevin E. Mohr, *At the Interface of Patent and Trademark Law: Should a Product Configuration Disclosed in a Utility Patent Ever Qualify for Trade Dress Protection?*, 19 HASTINGS COMM. & ENT. L.J. 339 (1997); David W. Opperbeck, *Form and Function: Protecting Trade Dress Rights in Product Configurations*, 20 SETON HALL LEGIS. J. 1 (1996); Malla Pollack, *The Owned Public Domain: The Constitutional Right Not to Be Excluded—Or the Supreme Court Chose the Right Breakfast Cereal in Kellogg Co. v. National Biscuit Co.*, 22 HASTINGS COMM. & ENT. L.J. 265, 293-94 (2000); Prowda, *supra* note 36; Jerre B. Swann, *The Configuration Quagmire: Is Protection Anticompetitive or Beneficial to Consumers, and the Need to Synthesize Extremes*, 87 TRADEMARK REP. 253 (1997); Welkowitz,

by *Vornado* tended to overshadow the remarkable uniformity in the courts' treatment of all other functionality issues. I conclude that *Vornado* was an aberration unlikely to be followed by other circuit courts. *Vornado* clearly was not a decision warranting a complete revision to the law of functionality, a point even recognized by the Tenth Circuit panel that decided the case.

A. *Early Development of the Functionality Doctrine and the Rise of the Competitive Need Rationale*

The functionality doctrine provides a good example of how legal rules developed in the common-law courts. In the late nineteenth century, only inherently distinctive words and designs—so-called “technical trademarks”—were protected as trademarks.⁴³ Efforts to claim trademark

supra note 36; Ruby Ann David, Comment, *Federal Preemption of a Federal Statute: The Case of Vornado Air Circulation Systems v. Duracraft Corporation*, 37 SANTA CLARA L. REV. 253 (1996); Andrea Falk, Comment, *Harmonization of the Patent Act and Federal Trade Dress Law: A Critique of Vornado Air Circulation Systems v. Duracraft Corp.*, 21 J. CORP. L. 827 (1996); Todd R. Geremia, Comment, *Protecting the Right to Copy: Trade Dress Claims for Configurations in Expired Utility Patents*, 92 NW. U. L. REV. 779 (1998); Gwendolyn Gill, Comment, *Through the Back Door: Attempts to Use Trade Dress to Protect Expired Patents*, 67 U. CIN. L. REV. 1269 (1999); R. Lawton Jordan III, Note, *Thomas & Betts Corp. v. Panduit Corp.—Toward a Coherent View of Trade Dress Protection for Product Configurations*, 6 J. INTELL. PROP. L. 323 (1999); Kerrie A. Laba, Note, *Have Trade Dress Infringement Claims Gone too Far Under the Lanham Act?*, 42 WAYNE L. REV. 1649 (1996); Michael S. Perez, Note, *Reconciling the Patent Act and the Lanham Act: Should Product Configurations Be Entitled to Trade Dress Protection After the Expiration of a Utility or Design Patent?*, 4 TEX. INTELL. PROP. L.J. 383 (1996); Michael E. Peters, Note, *When Patent and Trademark Law Hit the Fan: Potential Effects of Vornado Air Circulation Systems, Inc. v. Duracraft Corp. on Legal Protection for Industrial Design*, 15 TEMP. ENVTL. L. & TECH. J. 123 (1996); Recent Case, 109 HARV. L. REV. 1457 (1996); Glen A. Weitzer, Note, *No Trade Dress Protection for Anything Disclosed in a Patent: A Defense of the Supreme Court's Per Se Restriction*, 4 MARQ. INTELL. PROP. L. REV. 181 (2000).

43. One commentator provided the following explanation of the early practice:

The courts distinguished “trade names” from “technical trademarks” on the basis of etymological differences. Technical trademarks were required to be fanciful, invented, arbitrary, distinctive, or nondescriptive. In contrast, trade names were nontechnical trademarks—words descriptive of qualities or attributes, generic words, geographical terms, and personal names. Technical trademarks were protected in an action for trademark infringement by which imitation of the trademark could be absolutely enjoined. Trade names were protected in an action for passing off or unfair competition.

Daniel M. McClure, *Trademarks and Unfair Competition: A Critical History of Legal Thought*, 69 TRADEMARK REP. 305, 316 (1979) (footnote omitted); see also Milton Handler & Charles Pickett, *Trademarks and Trade Names—An Analysis and Synthesis*, 30 COLUM. L. REV. 168 (1930).

rights in other types of product identifiers (e.g., color, packaging, or product designs) were summarily rejected.⁴⁴

This treatment by the courts, however, did not change commercial reality. Product designs or packages that differed in their appearance from others sometimes became distinctive product identifiers. If, for example, consumers came to associate the appearance of a particular product with a single source, whether the consumers knew the identity of the source or not, then the product's appearance effectively served as a trademark.⁴⁵ Consumers could, and likely would, use the appearance of the product as a means to identify the product and to distinguish it from competing products. If a competitor copied the product's appearance and failed to provide other means to distinguish its product, consumers would be confused.

Though the early courts refused to give full trademark status to nontraditional product identifiers, they did recognize the need to provide some protection to these identifiers:

*There can be no question of the soundness of the plaintiffs' proposition that, irrespective of the technical question of trade-mark, the defendants have no right to dress their goods up in such manner as to deceive an intending purchaser, and induce him to believe he is buying those of the plaintiffs. Rival manufacturers may lawfully compete for the patronage of the public in the quality and price of their goods, in the beauty and tastefulness of their inclosing [sic] packages, in the extent of their advertising, and in the employment of agents, but they have no right, by imitative devices, to beguile the public into buying their wares under the impression they are buying those of their rivals.*⁴⁶

44. See, e.g., *A. Leschen & Sons Rope Co. v. Broderick & Bascom Rope Co.*, 201 U.S. 166, 171 (1906) (suggesting in dictum that color cannot be a trademark); *Davis v. Davis*, 27 F. 490, 492 (C.C.D. Mass. 1886) (“[T]he trade-mark must be something other than, and separate from, the merchandise.”); *Fairbanks v. Jacobus*, 8 F. Cas. 951, 952 (C.C.S.D.N.Y. 1877) (No. 4,608) (“[A] trade-mark is always something indicative of origin or ownership, by adoption and repute, and is something different from the article itself which the mark designates. . . . Any other doctrine is impossible to be maintained; for, otherwise, all the colors, all the unessential forms, could be monopolized as trade-marks.”); *Moorman v. Hoge*, 17 F. Cas. 715, 718-19 (C.C.D. Cal. 1871) (No. 9,783) (“[T]he size or shape of the barrel, box, or package can scarcely be considered a mark.”).

45. It was established early on that consumers may associate a symbol with a single source while not knowing the identity of that source. “The plaintiff has at least shown that the public has become accustomed to regard its familiar wheat biscuit as emanating, if not from it by name, at least from a single, though anonymous, maker, and the second is as good for these purposes as the first.” *Shredded Wheat Co. v. Humphrey Cornell Co.*, 250 F. 960, 963 (2d Cir. 1918) (L. Hand, J., sitting by designation).

46. *Coats v. Merrick Thread Co.*, 149 U.S. 562, 566 (1893) (emphasis added).

The common-law palming off claim developed to address this situation. To prevail on such a claim, a plaintiff had to prove (1) that its product, packaging, or some feature of either had become distinctive; (2) that the defendant copied the distinctive features of the plaintiff's product or packaging; and, (3) that consumers were likely to be confused by the appearance of the defendant's product.⁴⁷ Plaintiffs had to prove the copied features were distinctive, but the focus of the early palming off claim was on the defendant's conduct.⁴⁸

47. One court provided the following explanation of the requirements for an unfair competition claim based on copying of a product design:

It is well settled in the law of unfair competition that a manufacturer has good right to make any unpatented article embodying therein necessary functional parts so that the whole will function; but, if he incorporates what is distinctive, ornamental, fanciful, or merely peculiar to another's product, he may trespass. . . . Therefore, the sole question in this controversy is as to whether or not some of the features of defendant's shaver are nonfunctional and whether such nonfunctional elements have been embodied in defendant's shaver head for the purpose and with the effect of misleading the public.

Lektro-Shave Corp. v. Gen. Shaver Corp., 19 F. Supp. 843, 844 (D. Conn. 1937); *see also* *John H. Rice & Co. v. Redlich Mfg. Co.*, 202 F. 155, 160 (3d Cir. 1913) (finding no unfair competition because the defendant did not copy the distinctive trademarks or dress of the plaintiff's product "and there is no evidence that defendants attempted to palm off their goods as those of complainants"); *Yale & Towne Mfg. Co. v. Alder*, 154 F. 37, 38 (2d Cir. 1907) ("[W]hen all of the prominent [features] have been appropriated, and so assembled together with slight variations in some of them that altogether they produce the same general effect, and the ordinary purchaser would not be apt to discover the difference, enough appears to establish unfair competition."); *McGill Mfg. Co. v. Leviton Mfg. Co.*, 43 F.2d 607, 608 (E.D.N.Y. 1930) (finding confusion likely where the defendant copied the distinctive elements of the plaintiff's design); *Cook & Bernheimer Co. v. Ross*, 73 F. 203, 205-06 (S.D.N.Y. 1896) (finding unfair competition where the defendant copied the distinctive square whisky bottle design used by the plaintiff and where "the ultimate consumer, deceived by the shape, will mistake the [defendant's] bottle for one of complainant's").

48. A few judges during this period attempted to explain the rationale behind the unfair competition claim. Judge Oliver Booth Dickinson of the Eastern District of Pennsylvania was a leader in this effort. The following example is taken from one of his decisions:

One man sets up a wireless apparatus to serve as a receiving station. This he does by manufacturing or securing a certain kind or make of goods for which he expects, or at least hopes, to be able to create a demand. He then sets up other wireless apparatus constituting as many sending stations as possible for the use of his customers, and provides them with a code of calling signals. This he does by advertising and educating intending purchasers among the buying public in every way possible to prefer and ask for his product. After he has done all this and the messages begin to fly thick and fast, another sets up a receiving station attuned to receive the messages intended for the first man and intercepts the messages. This the law condemns as unfair competition and prohibits it.

With the recognition of palming off claims based on product designs came a realization that overly broad protection of product features could harm, rather than help, consumers. Two specific concerns arose. First, courts worried that palming off claims, if not limited in some way, might stifle competition.⁴⁹ In some cases, even distinctive product features might be needed by competitors. If such features were protected through use of the palming off claim, unfair competition could be used to stifle or hinder vigorous competition. This result seemed to turn unfair competition law on its head. Courts, therefore, began to deny palming off claims if the defendant could prove it needed the copied features in order to compete.⁵⁰

A second, and quite different, concern arose from patent law. During this period, courts were reluctant to extend unfair competition protection to useful articles because such articles, the courts held, were protectable, if at all, by patents.⁵¹ Though this attitude changed, and courts began to

Gandy Belting Co. v. Victor-Balata & Textile Belting Co., 215 F. 795, 799-800 (E.D. Pa. 1914); *see also* *Miller v. Swartz*, 36 F.2d 83, 84 (E.D. Pa. 1929); *Premier Malt Prods. v. Kasser*, 23 F.2d 98, 98-99 (E.D. Pa. 1927); *Everlasting Valve Co. v. Schiller*, 21 F.2d 641, 641-42 (E.D. Pa. 1927); *Pellegrini v. Allegrini*, 2 F.2d 610, 611-12 (E.D. Pa. 1924); *Johnson v. Lit Bros.*, 278 F. 279, 280 (E.D. Pa. 1921); *Helfi Co. v. Silvex Co.*, 274 F. 653, 654-55 (E.D. Pa. 1921); *Steele v. D. L. Ward Co.*, 257 F. 747, 749-50 (E.D. Pa. 1919); *Cushman & Denison Mfg. Co. v. Grammes*, 225 F. 883, 885 (E.D. Pa. 1915).

49. Note, *Unfair Competition and the Doctrine of Functionality*, 64 COLUM. L. REV. 544, 552 (1964) (noting that injunctions prohibiting the copying of product configurations "made competition much more difficult than those preventing the copying of trademarks, labels, or packages").

50. *Id.* at 554 ("With the adoption of the doctrine of functionality, judicial analysis shifted from the abstract question of whether defendant had slavishly copied to whether he had imitated more extensively than necessary to compete."); *see also* *Pope Automatic Merch. Co. v. McCrum-Howell Co.*, 191 F. 979, 981 (7th Cir. 1911) (denying relief where the design copied was "the most efficient and most economically manufactured form into which the mechanical combination can probably be embodied"); *Diamond Match Co. v. Saginaw Match Co.*, 142 F. 727, 729 (6th Cir. 1906) (finding no unfair competition where the features copied by the defendant "serve not only a useful purpose but an essential function").

51. An early decision by the Illinois Supreme Court illustrates this attitude:

Appellees have no patent upon any portion of their plows; any one, therefore, has a perfect right to make plows in their exact similitude, even to "the curve of the mould board" and "the tip of the handles"—in the minutest, as well as in the most important points—all have a right to manufacture them, no matter where the maker may reside, and [each] has the right to put the name of the place where manufactured, as well as his own name, on such part of the plows as he pleases, taking care, however, so to use the brand as not to deceive the public, so as not to create a belief that the plow is the manufacture of another.

Candee, Swan & Co. v. Deere & Co., 54 Ill. 439, 461 (1870); *see generally* Note, *supra* note 49, at 549-50 (explaining the reluctance of courts to extend unfair competition protection).

extend unfair competition protection to useful product features, the concern over conflict with the patent system remained. Courts did not want to grant perpetual patent-like protection under the guise of unfair competition law. This patent concern did not depend, in any direct way, on the commercial importance of the features at issue.

These two concerns are distinct and do not necessarily lead to a single rule. Courts during the early period, however, were not always careful to distinguish the two concerns. And perhaps more importantly, early courts seemed most concerned with the patent bargain issue when the feature in question was also important to free competition. The following excerpt from a leading early case is illustrative:

In the absence of protection by patent, no person can monopolize or appropriate to the exclusion of others elements of mechanical construction which are essential to the successful practical operation of a manufacture, or which primarily serve to promote its efficiency for the purpose to which it is devoted. Unfair competition is not established by proof of similarity in form, dimensions, or general appearance alone. Where such similarity consists in constructions common to or characteristic of the articles in question, and especially where it appears to result from an effort to comply with the physical requirements essential to commercial success, and not to be designed to misrepresent the origin of such articles, the doctrine of unfair competition cannot be successfully invoked to abridge the freedom of trade competition.⁵²

Note the court's reference to the patent bargain—no monopolistic protection is possible without a patent—and its reliance on competitive need to fix the proper limit on protection—only features “essential to the successful practical operation” of the product or that “primarily serve to promote its efficiency” are denied all protection.⁵³ This type of analysis was common during the early development of the functionality doctrine.⁵⁴

During the early period, courts considered different ways to define functionality. First, functionality could be equated with utility. This approach would have eliminated any potential for conflict with the utility

52. *Marvel Co. v. Pearl*, 133 F. 160, 161-62 (2d Cir. 1904).

53. *Id.*

54. *See, e.g., Le Mur Co. v. W.G. Shelton Co.*, 32 F.2d 79, 81 (8th Cir. 1929) (“A manufacturer, therefore, must be admitted to have good right to make and vend any unpatented article embodying therein the necessary functional parts so that the whole will function.”); *Lektro-Shave Corp. v. Gen. Shaver Corp.*, 19 F. Supp. 843, 844 (D. Conn. 1937) (“[A] manufacturer has good right to make any unpatented article embodying therein necessary functional parts so that the whole will function.”).

patent system,⁵⁵ but it also would have had the effect of sanctioning bad faith palming off of distinctive, though useful, product features.⁵⁶ A few courts adopted this definition, but these decisions were a small minority of the early functionality cases. For example, in one case involving electric meter cabinets, the court explained “that where the article involved is merely a mechanical device designed to perform a strictly mechanical function, and is without ornamental or non-functional features, unfair competition cannot be predicated upon the sale of similar articles.”⁵⁷ In a case involving the design of a tire tread pattern, a court held “the chattel itself is not and cannot be the trade-mark” because “it forms a useful and functional part of the whole.”⁵⁸

A second, and less extreme, approach for dealing with the possible conflict between patent protection and unfair competition protection would be to reject unfair competition claims where the feature or features at issue were disclosed or claimed in a patent. This approach is based on the patent concern described above. “It is self evident,” the Supreme Court explained in an early case, “that on the expiration of a patent the monopoly created by it ceases to exist, and the right to make the thing formerly covered by

55. By focusing on utility, this approach ignores the possible conflict between design patent protection and trademark or unfair competition protection. I return to this point below. See discussion *infra* Part III.A.4.

56. I develop this point more below, but it is worth noting here that equating functionality with utility makes it lawful to copy any distinctive product feature that is also useful. If the distinctive feature is merely useful—that is, if it has no more utility than alternative features—the distinctiveness may be of greater value to the copyist than the utility. When this happens, the law has effectively sanctioned bad faith palming off of distinctive product features. See discussion *infra* Part III.A.5.

57. *M.J. Lewis Prods. v. Lewis*, 57 F.2d 886, 888-89 (E.D. Pa. 1931).

58. *Goodyear Tire & Rubber Co. v. Robertson*, 18 F.2d 639, 641 (D. Md. 1927). The *Goodyear* litigation involved an effort to register the tread pattern of a Goodyear tire as a trademark under the 1905 Trademark Act. *Id.* at 639. When the Patent Trademark Office rejected the application, Goodyear appealed to the Court of Appeals for the District of Columbia, which affirmed the PTO's decision. *In re Goodyear Tire & Rubber Co.*, 4 F.2d 1013, 1013 (D.C. Cir. 1925) (“The diamond-shaped projections, which appellant claims as a trade-mark, are clearly descriptive of the goods on which they are used, since they form a very essential part of the goods itself.”).

Though its application had been twice rejected, Goodyear did not give up the fight. Instead, Goodyear filed a bill in equity in the United States District Court for the District of Maryland asking the court to authorize the Commissioner of Patents to register the tread design as a trademark. *Goodyear*, 18 F.2d at 639. The district court denied the bill (i.e., it refused to order the Commission to register the tread pattern as a trademark) primarily because it found the tread pattern “a functional part of the tire.” *Id.* at 641. The Fourth Circuit affirmed the district court's decision to reject the trademark application, but focused more on distinctiveness than functionality. See *Goodyear Tire & Rubber Co. v. Robertson*, 25 F.2d 833, 834 (4th Cir. 1928).

the patent becomes public property. It is upon this condition that the patent is granted.”⁵⁹

Several early functionality cases involved product designs disclosed or claimed in existing or expired patents.⁶⁰ Some of these decisions include

59. *Singer Mfg. Co. v. June Mfg. Co.*, 163 U.S. 169, 185 (1896). A good deal—perhaps too much—has been written about the *Singer* Court’s discussion of the patent bargain. *See, e.g.*, Davis, *supra* note 7, at 247-48; Jenkins, *supra* note 42, at 346; Taylor, *supra* note 7, at 215; Anthony E. Dowell, Note, *Trade Dress Protection of Product Designs: Stifling the Progress of Science and the Useful Arts for an Unlimited Time*, 70 NOTRE DAME L. REV. 137, 152 (1994); Geremia, *supra* note 42, at 793; Gill, *supra* note 42, at 1283; Weitzer, *supra* note 42, at 183.

The patent bargain discussion in *Singer* was dicta because there was no dispute over the defendant’s right to make a sewing machine that operated in accordance with the various expired utility patents owned by the plaintiff. *See Singer Mfg. Co.*, 163 U.S. at 184-85. The question presented in *Singer* involved the defendant’s use of the name “Singer” on its sewing machines. *Id.* at 184. The Supreme Court considered the “Singer” name generic for a sewing machine of the type made by the parties, despite the long, and apparently exclusive, use of the name by the plaintiff. *Id.* at 185-86. Because the defendant had a right to make Singer-type machines, it had the right to use the “Singer” name to identify its machines:

To say otherwise would be to hold that although the public had acquired the device covered by the patent, yet the owner of the patent or the manufacturer of the patented thing had retained the designated name which was essentially necessary to vest the public with the full enjoyment of that which had become theirs by the disappearance of the monopoly.

Id. at 185. At the end of the day, the *Singer* Court retreated a bit from its conclusion that the “Singer” name was generic. The Court held the “Singer” name was associated with the plaintiff and that the defendant must make only limited uses of the name to prevent consumer confusion. *Id.* at 187. To hold otherwise, the Court reasoned, would create an “unrestrained right to deceive and defraud the public by so using the [Singer] name as to delude them into believing that the machine made by one person was made by another.” *Id.*

The *Singer* Court’s discussion of the generic nature of the “Singer” name is somewhat analogous to the competitive need functionality analysis that developed in the years following the *Singer* decision. A generic term can be as necessary for competition as the basic configuration of the product itself, as the *Singer* Court explained. Yet, generic terms are free for all to use even absent a showing of competitive need because such terms lack the distinctiveness required for trademark protection. Some, however, have drawn an analogy between generic terms and functional features. *See, e.g.*, *W.T. Rogers Co. v. Keene*, 778 F.2d 334, 339 (7th Cir. 1985). *Singer*, therefore, is an important early trademark decision, but it is not a functionality case. The *Singer* Court’s discussion of the patent bargain provides only persuasive support for those who argue that previously patented features must be deemed functional or otherwise denied trademark protection. *See, e.g.*, Davis, *supra* note 7, at 247; Jenkins, *supra* note 42, at 346; Marshall, *supra* note 7, at 639-40; Taylor, *supra* note 7, at 215; Dowell, *supra*, at 168; Geremia, *supra* note 42, at 793; Gill, *supra* note 42, at 1283; Weitzer, *supra* note 42, at 183.

60. *See, e.g.*, *Smith, Kline & French Labs. v. Clark & Clark*, 157 F.2d 725 (3d Cir. 1946); *Remington-Rand, Inc. v. Master-Craft Corp.*, 67 F.2d 218 (6th Cir. 1933); *A.C. Gilbert Co. v. Shemitz*, 45 F.2d 98 (2d Cir. 1930); *Le Mur Co. v. W.G. Shelton Co.*, 32 F.2d 79 (8th Cir. 1929); *Meccano, Ltd. v. John Wanamaker, N.Y.*, 250 F. 450 (2d Cir. 1918); *Daniel v. Elec. Hose &*

references to the patent bargain and suggestions that no unfair competition claim could be based on copying of such designs.⁶¹ It is, however, easy to read too much into these cases. A careful examination of the decisions reveals two important points. First, the patent bargain concept was not used to define the general functionality standard. In making functionality determinations, courts looked more to the competitive significance of the features at issue than to the existence of a patent claiming or disclosing the same features. Second, few, if any, courts relied on the patent bargain rationale as a justification for denying all protection to a particular design. Though some judges during the early period spoke of the patent bargain in sweeping terms, the courts more often required defendants to take steps to distinguish their products from those of plaintiffs, even if the plaintiff's design was previously patented.⁶²

A good example of this approach is found in *Shredded Wheat Co. v. Humphrey Cornell Co.*,⁶³ a Second Circuit decision authored by Judge Learned Hand. The unfair competition claim in this case was based on the defendant's copying of a shredded wheat biscuit made by the plaintiff.⁶⁴ The shape and size of the biscuit were the subject of an expired design patent, a fact the court said was a "conclusive reason against any injunction based upon the exclusive right to that form, however necessary the plaintiff may find it for its protection."⁶⁵ Yet contrary to the suggestion of this strong statement, the court concluded that the plaintiff's biscuit

Rubber Co., 231 F. 827 (3d Cir. 1916); *Edward Hilker Mop Co. v. U.S. Mop Co.*, 191 F. 613 (6th Cir. 1911); *Globe-Wernicke Co. v. Fred Macey Co.*, 119 F. 696 (6th Cir. 1902); *Swanson Mfg. Co. v. Feinberg-Henry Mfg. Co.*, 54 F. Supp. 805 (S.D.N.Y. 1943); *Witherow Steel Corp. v. Donner Steel Co.*, 31 F.2d 157 (W.D.N.Y. 1929); *Abbott Coin Counter Co. v. Standard-Johnson Co.*, 290 F. 418 (E.D.N.Y. 1923); *Luminous Unit Co. v. R. Williamson & Co.*, 241 F. 265 (N.D. Ill. 1917); *Kawneer Mfg. Co. v. Detroit Showcase Co.*, 240 F. 737 (E.D. Mich. 1917).

61. See, e.g., *A.C. Gilbert Co.*, 45 F.2d at 99-100 (holding the plaintiff's patent "invalid for lack of invention," and noting that as a result of the invalidity of the plaintiff's patent, "the defendants would have the right to copy the [plaintiff's] design slavishly so long as they did not represent that the goods sold were those of the [plaintiff]"); *Daniel*, 231 F. at 831, 833-34 (noting that both the plaintiff and the defendant were entitled to use a design taken from an expired patent previously owned by a third party).

62. See, e.g., *Smith, Kline & French Labs.*, 157 F.2d at 731 (noting the defendants' right to make a functionally equivalent version of the plaintiff's drug, but "requiring the defendants to stamp their tablets with the initials C & C or some other distinguishing mark"); *Daniel*, 231 F. at 834 (noting that the defendant had an obligation to distinguish its goods from those of the plaintiff even though both parties were exercising their right to use a previously patented design); *Abbott Coin Counter Co.*, 290 F. at 427 (finding the defendant's coin-counting machine did not infringe on the plaintiff's patent, that the defendant was entitled to make coin wrappers in the same color and design as the plaintiff's wrappers, but requiring the defendant to use "a different size, arranged in a somewhat different way, [to] distinguish between its and the plaintiff's wrappers").

63. 250 F. 960 (2d Cir. 1918) (L. Hand, J., sitting by designation).

64. *Id.* at 962-63.

65. *Id.* at 964.

design was distinctive⁶⁶ and, therefore “entitled to some protection.”⁶⁷ These seemingly contradictory statements illustrate the court’s recognition of the competing interests at stake: the patent bargain placed the biscuit shape in the public domain, but a failure to provide any protection to the distinctive shape would lead to consumer confusion. A middle ground was needed.

When the Second Circuit balanced the patent bargain concern against the need to protect consumers from confusion, the court found the latter concern more important. Rather than allowing the defendant to copy the previously patented design without restriction, the court considered a number of possible changes the defendant might make to its shredded wheat biscuit to eliminate the risk of consumer confusion.⁶⁸ This analysis was guided by “the principle often applied in this court that minor, or ‘nonfunctional,’ changes in appearance may be required, so long as the substantial elements are left in the public domain.”⁶⁹ The court defined “nonfunctional” changes as those changes that would not adversely affect the defendant’s ability to compete in the shredded wheat biscuit market.⁷⁰ Judge Hand’s analysis on this point was detailed and practical.

The plaintiff urged the court to order the defendant to adopt a different color for its biscuit.⁷¹ This argument was rejected because “to require the defendant to adopt a shade different enough for commercial distinction would be to force them to bake their biscuits so that they would be repellant to most tastes,”⁷² leaving the defendant with an unmarketable product. Changing the size would have similar results; such a change would “greatly embarrass the defendants”⁷³ in the market.⁷⁴

66. *Id.* at 962-63. “The plaintiff has at least shown that the public has become accustomed to regard its familiar wheat biscuit as emanating, if not from it by name, at least from a single, though anonymous, maker, and the second is as good for these purposes as the first.” *Id.* at 963. Judge Hand’s statement on the distinctiveness of the plaintiff’s biscuit design was one of the early explanations of the anonymous source rule. *See, e.g.,* *Tone Bros. v. Sysco Corp.*, 28 F.3d 1192, 1203-04 (Fed. Cir. 1994) (discussing the rule in a trade dress dispute over the design of bulk spice containers); *A.J. Canfield Co. v. Honickman*, 808 F.2d 291, 299-300 & n.9 (3d Cir. 1986) (applying the rule and noting that Congress expressly adopted the rule through a 1984 amendment of the Lanham Act).

67. *Shredded Wheat Co.*, 250 F. at 963.

68. *Id.* at 964-66.

69. *Id.* at 964.

70. *Id.* at 964-65.

71. *See id.* at 964.

72. *Id.* at 964-65.

73. *Id.* at 965.

74. The court may have been mistaken on this point, given the subsequent introduction and success of the “mini-wheats” product. Full-sized shredded wheat biscuits are still sold, but the smaller mini-sized biscuits are more popular today. Perhaps the market simply was not ready for miniature shredded wheat biscuits in 1918.

After considering a number of possible changes to the appearance of the defendant's biscuit, the court decided the defendant could stamp its name or trademark on the surface of its shredded wheat biscuits.⁷⁵ There was, Judge Hand concluded, "no reason to suppose that such a requirement is not possible."⁷⁶ But the record was not entirely clear on the practicality of this requirement:

[T]he defendant at the end of six months may apply to the District Court to be relieved of the [injunction], upon showing that after a bona fide trial of all possible expedients it cannot comply with that provision, except at an expense which would make impossible any continued competition in the business of selling biscuits outside the cartons with any assurance of reasonable profit.⁷⁷

The *Shredded Wheat* case is among the most important of the early functionality cases.⁷⁸ Even though the product design at issue was

Though the market's subsequent acceptance of a small shredded wheat product is interesting, it also illustrates the fact-intensive and market-dependent nature of the functionality analysis. It often will be difficult to determine accurately which features are important to the success of a particular product. Determining the importance of a given feature may be even more difficult. This difficulty probably helps explain why courts historically focused so heavily on the availability of alternative designs. See *infra* notes 88-98 and accompanying text. If an alternative design was accepted in the market, that acceptance was an objective indication that the claimed design was not essential. If several other designs were accepted by the market and available for use, then the claimed design probably was not particularly important to effective competition. Because there were no other shredded wheat products on the market, the Second Circuit was forced to engage in the largely speculative exercise of predicting how the market would respond to various alternatives.

75. *Shredded Wheat Co.*, 250 F. at 966.

76. *Id.* at 965.

77. *Id.* at 967.

78: It is not, however, the most famous of the cases involving shredded wheat. In *Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111 (1938), the Supreme Court held that the words "shredded wheat" and the pillow shape of the shredded wheat biscuit were generic. *Id.* at 116, 119-20 ("The plaintiff has no exclusive right to the use of the term 'Shredded Wheat' as a trade name. For that is the generic term of the article." Additionally, the biscuit shape was "the form in which the article became known to the public" and "is primarily associated with the article rather than a particular producer.").

The Court also noted the expired design patent for the physical shape of the biscuit, and, in dicta, suggested that the patent created a right to copy the design. *Id.* at 119-20 & n.4. A number of commentators have cited *Kellogg* for this point, though many have mischaracterized the Court's discussion of the patent issue. See Discussion, *supra* note 7, at 537; Fischer, *supra* note 42, at 34; Jenkins, *supra* note 42, at 348; Pollack, *supra* note 42, at 295; Dowell, *supra* note 59, at 153; Geremia, *supra* note 42, at 794; Weitzer, *supra* note 42, at 184. The Tenth Circuit read *Kellogg* as a patent bargain decision in *Vornado Air Circulation Systems v. Duracraft Corp.*, 58 F.3d 1498, 1504 (10th Cir. 1995).

previously patented, the court relied on the competitive need rationale to resolve the dispute.⁷⁹ The patent bargain concern was important, but it was just one part of the court's functionality analysis, not the basis for a per se rule.⁸⁰ The court was looking for a practical solution to the problem at hand, not for a bright-line rule that would prevent all potential conflict between unfair competition protection and the patent system.

The Second Circuit's emphasis on the practical impact of potential changes to the defendant's product was typical of the functionality analysis used during the early period. In another important Second Circuit case, the court denied an unfair competition claim because the court could find "nothing about the article as made and sold by the defendants that is not necessary in the making and operation of such an instrument."⁸¹ Ordering the defendants to make changes to such an article, the court held, would make it difficult or impossible for the defendants to compete.⁸² In another important early case, the Sixth Circuit held a two-color match tip functional because contrasting colors "serve not only a useful purpose but

The *Kellogg* Court also commented on functionality, though this too probably was dicta. *Kellogg*, 305 U.S. at 122. After denying protection because the appearance was not distinctive, the Court made the following statements about the importance of the shape: "Moreover, the pillow-shape must be used for another reason. The evidence is persuasive that this form is functional—that the cost of the biscuit would be increased and its high quality lessened if some other form were substituted for the pillow-shape." *Id.* Regardless of this comment's nature, though, the *Kellogg* Court's comment on functionality is consistent with the competitive need rationale used by most courts during the early period. The Court did not link functionality with the patent bargain concern.

79. See *Shredded Wheat Co.*, 250 F. at 964-65. It is perhaps important that the case involved a design patent rather than a utility patent, *id.* at 964, but that distinction does not appear to have mattered in the court's analysis. Indeed, the court seemed to say the design was clearly in the public domain because of the expired design patent. *Id.* This is precisely the same point other courts and commentators have made concerning designs covered by expired utility patents. See sources cited *supra* note 78.

80. See *Shredded Wheat Co.*, 250 F. at 965-65.

81. *Marvel Co. v. Pearl*, 133 F. 160, 161 (2d Cir. 1904) (quoting the lower court with approval). The product at issue in *Marvel* was a syringe configured for use as a vaginal douche. *Id.* The court found:

It is essential to the successful practical use and operation of such a syringe that it should be bulbous in shape, of dimensions such that it may be easily compressed and emptied by the pressure of one hand, and that it should have a soft rubber protecting guard sliding upon the tube of the syringe

Id.

82. *Id.* at 162 (noting that the features were copied in "an effort to comply with the physical requirements essential to commercial success," and that "enforcement of [the plaintiff's] claim would permit unfair appropriation, and deny the exercise of the right of fair competition").

an essential function, for the very essence of the tipped match is the tip itself, which must be marked out by a color of its own."⁸³

One of the clearest early examples of the competitive need rationale is found in *Pope Automatic Merchandising Co. v. McCrum-Howell Co.*, where the Seventh Circuit reversed an injunction prohibiting the defendant from making a vacuum cleaner similar in appearance to the vacuum cleaner made by the plaintiff.⁸⁴ As the court explained:

In short, [the plaintiff] uses the most efficient and most economically manufactured form into which the mechanical combination can probably be embodied. Not a line, nor a curve, nor a mark, not a bit of superfluous material, for embellishment or distinction. Nothing but the name-plate. If [the defendants] should be required to give a square or hexagonal or other than cylindrical form to the outer surface of the casings, *considerations of cost of the superfluous material and labor might prevent them from competing with [the plaintiff] in the manufacture and sale of a mechanism that was equally open to both.*⁸⁵

83. *Diamond Match Co. v. Saginaw Match Co.*, 142 F. 727, 729 (6th Cir. 1906).

84. 191 F. 979, 982 (7th Cir. 1911).

85. *Id.* at 981 (emphasis added). The *Pope* decision also illustrates another important characteristic of the functionality doctrine during the early period: a second-comer had a duty to take reasonable steps to avoid confusion, even if he copied only functional elements from a plaintiff's product. In *Pope*, the court found that the parts copied were functional, but did not stop there. The court also discussed the clear labeling of the defendant's product; a point that would have little relevance if functionality had been an absolute bar to the plaintiff's claims. *Id.* at 980 ("To appellants' cleaner was affixed a name-plate much larger than appellee's, as large as could well be attached, displaying conspicuously a red cross and the words in large capitals, 'The Pope Electric Cleaner, Made by the Pope Co., Chicago, U.S.A.'"); see also *Remington-Rand, Inc. v. Master-Craft Corp.*, 67 F.2d 218, 220 (6th Cir. 1933) (finding the copied elements functional and also finding no passing off because the defendant's products "were sold from appellee's own branch offices and carried distinctive labels indicating their origin"); *Le Mur Co. v. W.G. Shelton Co.*, 32 F.2d 79, 81 (8th Cir. 1929) (finding that the copied features were functional, but also considering whether the defendant took adequate steps to distinguish its goods from those sold by the plaintiff).

A few courts during this early period suggested that an injunction against copying even functional features might be required where no other action would prevent consumer confusion. See *James Heddon's Sons v. Millsite Steel & Wire Works, Inc.*, 128 F.2d 6, 12 (6th Cir. 1942) ("[T]he elements of the two baits are functional to such an extent that nothing short of a showing of clear likelihood of confusion would justify a court of equity granting appellant relief."); *A.C. Gilbert Co. v. Shemitz*, 45 F.2d 98, 100 (2d Cir. 1930) (noting that "the elements of the fruit juice extractor are so far functional that nothing short of a clear danger of confusion would justify us in requiring a modification of the model"). It is not entirely clear whether courts would actually have issued injunctions against copying functional features where the risk of confusion was clear, but these decisions do illustrate the early courts' concern over consumer confusion.

Nor would the court agree to a restriction on the color of defendants' machine. "In both cleaners the [aluminum] metal is unpainted. If [the defendants] should be compelled to paint their cleaner a distinctive color, they would increase their manufacturing cost and would also lose one of the main advantages of a metal that was as open to them as to [the plaintiff]" ⁸⁶ Though not all courts were this clear in their analysis, the competitive need rationale was clearly the prevailing functionality standard during the early period. ⁸⁷

Over time, the courts refined the competitive need rationale and began to focus on the availability of alternative designs. This analysis became the cornerstone of the functionality doctrine. ⁸⁸ If equally effective alternatives to a particular feature were available to competitors, the feature was deemed non-functional. Or to put it in terms of the competitive need rationale, there could be no competitive need for a feature when viable alternatives existed.

A good example of the alternatives analysis is found in *Lektro-Shave Corp. v. General Shaver Corp.*, a case involving, not surprisingly, the design of electric shavers. ⁸⁹ Finding that "the round shaver head of plaintiff has in fact come to mean that some particular person or firm makes them, whether it be the plaintiff herein or some other person or concern associated with it," ⁹⁰ the court considered the functionality issue.

86. *Pope Automatic Merch. Co.*, 191 F. at 981.

87. In addition to the cases discussed in the preceding and following text, see *Le Mur Co.*, 32 F.2d at 81 (holding features functional because they were needed to make a system that would compete effectively with the system sold by the plaintiff); *John H. Rice & Co. v. Redlich Mfg. Co.*, 202 F. 155, 157-58 (3d Cir. 1913) (finding functional the design of a bottle shaped like a miniature telephone because protecting the design would give the plaintiff control over the market for toys of this type); *Globe-Wernicke Co. v. Fred Macey Co.*, 119 F. 696, 704 (6th Cir. 1902) ("Upon the claim made for the appellant, it would be impossible, without invading complainant's right, to construct and sell a bookcase having the most desirable characteristics."); *Margarete Steiff, Inc. v. Bing*, 215 F. 204, 207 (S.D.N.Y. 1914) ("What makes the fight unfair is always the borrowing by the newcomer from the first maker of something not necessary to excellence of product, not required for functional perfection, yet almost invariably cleverly calculated to attract and fix the attention, or please the eye of the careless."); and *Cook & Bernheimer Co. v. Ross*, 73 F. 203, 205-06 (S.D.N.Y. 1896) (failing to mention the functionality rule, but rejecting the defendant's argument that the copied features were "convenient and useful," finding instead that the copying "was calculated to increase the sale of their goods; and that such increase, if increase there be, is due to the circumstance that the purchasers from defendants have a reasonable expectation that the ultimate consumer, deceived by the shape, will mistake the bottle for one of complainant's").

88. A. Samuel Oddi, *Product Simulation: From Tort to Intellectual Property*, 88 TRADEMARK REP. 101, 108 (1998) ("The definition adopted by the courts for functionality, while varying somewhat among circuits, was considerably narrower than that of the First Restatement, and essentially limited functionality to those features that were needed for competition because of the unavailability of alternatives."); Note, *supra* note 49, at 554-55.

89. 19 F. Supp. 843, 843 (D. Conn. 1937).

90. *Id.* at 845.

The shape of the cutter housing and the cutter were at issue in the case, and the court carefully evaluated each of these features. The housing shape was found non-functional, as explained in the following passage:

It is unnecessary for the proper operation of plaintiff's shaver head that the cutter housing be of cylindrical form. It is true that a substantial advantage may be had by making that portion of the housing which is to contact with the user's skin part of a cylindrical surface or generally curved, but it is unnecessary to make the casing, as a whole, cylindrical. Such feature is not necessary to the practical operation of the device and can be changed without lessening the effectiveness of the appliance. For instance, the housing may be generally polygonal with a curved toothed portion without in the least impairing its proper function and efficiency.⁹¹

The court then considered the shape of the cutter. Note the court's careful analysis, and, in particular, the different conclusions concerning the designs used by the plaintiff and the defendant:

The cylindrical shape of the movable cutter of plaintiff's device is necessary for the proper operation of its shaver for the reason that no other shape would permit the said movable cutter to move to and fro and at the same time have an oscillating movement. However, as far as defendant's movable cutter is concerned, the cylindrical shape is unnecessary because the cutter has only a reciprocating motion. Obviously, any other shape could be used in defendant's shaver head and a cutter so shaped would operate just as efficiently as one of cylindrical shape.⁹²

The court found the cylindrical shape of the cutter used by the plaintiff a necessary part of the plaintiff's design, but not a necessary part of the defendant's design. In the plaintiff's shaver, only a cylindrical cutter would work. The defendant's shaver, though it used a cylindrical cutter, operated somewhat differently from the plaintiff's shaver. In the defendant's device, there was no need to use a cylindrical cutter. The cylindrical shape of the cutter was functional as used by the plaintiff, but non-functional as used by the defendant. The court, therefore, ordered the defendant to change the shape of both its cutter housing and its cutter.⁹³

91. *Id.*

92. *Id.*

93. *Id.* at 846.

The importance of the alternatives analysis is also illustrated in *McGill Manufacturing Co. v. Leviton Manufacturing Co.*⁹⁴ The plaintiff, McGill, made a lighting fixture that had become distinctive.⁹⁵ Because the defendant sold almost identical fixtures, the court had “no doubt that confusion exists between plaintiff’s and defendant’s devices, and that purchasers are more than likely to be deceived in buying defendant’s devices believing them to be plaintiff’s devices.”⁹⁶ The defendant argued that key features of the fixtures were essential, including openings in the insulation and visible strengthening ribs.⁹⁷ The court agreed, but concluded that the defendant could modify the location or appearance of the features while retaining the same utilitarian benefit.⁹⁸ The features, therefore, were non-functional, and the defendant was ordered to modify its fixtures to eliminate the risk of consumer confusion.⁹⁹

The early period cases discussed above provide a number of important lessons concerning the proper application of the functionality doctrine. Perhaps most importantly, the early courts recognized the need to apply the functionality doctrine in a flexible, pragmatic manner. The courts avoided bright-line rules, and instead looked for practical solutions that would maximize vigorous competition, protect the patent bargain, and minimize the risk of consumer confusion. This effort to balance potentially divergent interests sometimes resulted in protection for previously patented designs (e.g., the shredded wheat biscuit design at issue in the *Shredded Wheat* case), but the early courts found this result acceptable so long as the protection did not hinder competition.

During the early period, functionality was a limited defense, not an affirmative element of a claimant’s case. The early doctrine, therefore, differed in two significant respects from the modern doctrine. First, the focus in the early cases was on the defendant’s product, not the overall design of the plaintiff’s product. In modern cases, however, the question is whether the plaintiff’s product, taken as a whole, is functional. That

94. 43 F.2d 607 (E.D.N.Y. 1930).

95. *Id.* at 608 (“Due to the distinctive shape and appearance of plaintiff’s fixtures, they have acquired a secondary meaning so that the purchasers of similar devices of this nature understood and believed them to be the manufactured articles of plaintiff.”).

96. *Id.*

97. *Id.*

98. *Id.* As to the openings for the wiring, the court gave the following explanation: “It is true that the visible protruding insulation serves a functional purpose, because it prevents contact between the emanating wires and the shell. An examination of the devices shows that such functional requirement does not necessitate placing these openings in any certain specified place.” *Id.* A similar conclusion was reached on the question of the strengthening ribs: “If defendant believed that strengthening ribs were necessary, there were other forms of ribs which could have been designed. It was not necessary to copy the three ribs which plaintiff used.” *Id.*

99. *Id.*

question did not arise in the early cases. Second, the functionality doctrine did not create an absolute bar to protection during the early period. If a defendant successfully proved the copied features were functional, the defendant still had to take reasonable steps to distinguish its product from the plaintiff's product.¹⁰⁰ The interest in preventing consumer confusion remained important, even when a successful functionality defense was established. The modern rule is quite different. A finding that a plaintiff's design is functional ends the dispute, and defendants are not required to take any steps to distinguish their goods from those of a party whose design is deemed functional.¹⁰¹

Finally, it is important to consider the meaning of competition in the early cases. Courts during the early period sought to prevent patent-like protection under the guise of a palming off claim. Patents protect specific inventions, and as a result, provide a level of exclusivity to products embodying the protected inventions. Though a patent could, at least in theory, provide broad enough protection to allow a patent owner to effectively control a particular market, such a result is uncommon.¹⁰² In other words, patents typically provide some level of exclusivity at a product level, but not at a market level. Given this reality, it is not surprising that early courts focused on product-level competition in their application of the functionality doctrine. Courts did not require a showing that a particular feature was critical to control an entire market. Instead, the early courts asked whether the feature or features at issue were important to competition at the product level; that is, whether the features were needed to make a competitively comparable product.¹⁰³

B. *The Turbulent Middle Period: 1938-1981*

In 1938, the American Law Institute published the unfair competition provisions of the *Restatement of Torts*. The Restatement included the common-law palming off claim under the heading "Unprivileged Imitation."¹⁰⁴ To prove a defendant's copying amounted to an unprivileged

100. See *supra* note 85.

101. There is a limited exception to this general rule, but it has been used quite infrequently during the last twenty years. See *infra* note 584 (explaining that some courts have issued limited injunctions to prevent confusion even where the features copied were functional).

102. See Cotter, *supra* note 42, at 62-63.

103. The early courts' focus on product competition also may have been motivated by the nature of trademarks. In any given market, trademarks are used to differentiate competitive products, including products that otherwise may be materially identical. By protecting trademarks, product-level competition is enhanced. This focus likely carried over into the functionality analysis, where courts also evaluated competition at a product, rather than a market, level.

104. The Restatement provided the following definition of this tort:

imitation, a plaintiff had to show, among other things, that “the copied or imitated feature is non-functional, or, if it is functional, [that the defendant] does not take reasonable steps to inform prospective purchasers that the goods which he markets are not those of the other.”¹⁰⁵ “A feature of goods is functional,” the Restatement explained, “if it affects their purpose, action or performance, or the facility or economy of processing, handling or using them; it is non-functional if it does not have any of such effects.”¹⁰⁶

The Restatement marked “a substantial departure from prior law.”¹⁰⁷ Many features “affect” the “purpose, action or performance” of products, but far fewer features have a significant impact on competition. Consider the plastic spray bottle discussed in the Introduction to this Article.¹⁰⁸ The bottle is a fairly common design, and its shape clearly “affects [the] purpose, action or performance” of the bottle. The neck portion of the bottle is sized to easily fit within a person’s hand, and the spray mechanism is designed so that a user may easily reach the spray trigger to dispense the liquid. These features seem to satisfy the Restatement definition of a functional feature. But are the particular characteristics of this spray bottle necessary for vigorous competition in the liquid cleaner market? Do competitors need to use the same design to make competitive

§ 741. Elements of Unprivileged Imitation.

One who markets goods, the physical appearance of which is a copy or imitation of the physical appearance of the goods of which another is the initial distributor, markets them with an unprivileged imitation, under the rule stated in § 711, if his goods are of the same class as those of the other and are sold in a market in which the other’s interest is protected, and

- (a) he copied or imitated the appearance after obtaining access to or procuring the goods, or their labels, wrappers, containers, styles or designs by improper means or on his promise not to copy or imitate them, or
- (b) the copied or imitated feature has acquired generally in the market a special significance identifying the other’s goods, and
 - (i) the copy or imitation is likely to cause prospective purchasers to regard his goods as those of the other, and
 - (ii) the copied or imitated feature is non-functional, or, if it is functional, he does not take reasonable steps to inform prospective purchasers that the goods which he markets are not those of the other.

RESTATEMENT OF TORTS § 741 (1938). The first two volumes of the Restatement were published in 1934, the third in 1938. The trademark and unfair competition provisions were contained in Chapter 35, titled “Confusion of Source,” which was part of the third volume.

105. *Id.*

106. *Id.* § 742.

107. Note, *supra* note 49, at 558.

108. See *supra* text accompanying notes 13-17.

products? These questions may be rather close ones, but the spray bottle may well be non-functional under a competition-based definition of functionality. This example illustrates the significance of the change brought by the Restatement in 1938. The Restatement definition also “implies that the availability of substitutes for the simulated feature is basically irrelevant.”¹⁰⁹ This too marked an important change, as early courts had come to focus heavily on the availability of alternative designs. There was no explanation of why or how the Restatement reporters decided to define functionality in this way,¹¹⁰ but the new definition had a significant impact on the development of the doctrine.

After the publication of the Restatement, courts began to reject the competitive need rationale and replace it with a much more restrictive functionality standard. In 1964, one commentator explained, “Many courts have relied on the Restatement in holding ‘functional’ to be synonymous with ‘utilitarian’ or ‘useful,’ and have withheld relief whenever the copied features aided the performance or manufacture of the product.”¹¹¹ A number of decisions illustrate the shift from the competitive need rationale to the Restatement standard. For example, in *J.C. Penney Co. v. H.D. Lee Mercantile Co.*, the Eighth Circuit considered an unfair competition claim based on the bib pocket design used on the plaintiff’s overalls.¹¹² Relying on the Restatement, the court found the design functional.¹¹³ The court

109. Note, *supra* note 49, at 559.

110. In the Introductory Note to Chapter 35, the Restatement reporter notes that “the scope of liability in this field is constantly expanding.” RESTATEMENT OF TORTS ch. 35, introductory note (1938). The more traditional labels “passing off” and “palming off” were not used in the Restatement because the protection provided to “trade-marks and trade names, and, under certain conditions, to the interest in the physical appearance of goods transcends that given under the narrower conception of ‘passing off.’” *Id.* This explains the “unprivileged imitation” label, but says nothing about how the Institute selected the functionality standard provided in Section 742.

The comment following Section 742 further explains the functionality definition. The comment makes clear that under the Restatement, a feature can be functional if it provides utilitarian or aesthetic value to a product. *Id.* § 742 cmt. a. “A candy box in the shape of a heart” is provided as an example of an aesthetic feature that “may be functional,” despite the fact that other shapes would hold the candy just as effectively. *Id.* After giving other examples of aesthetic features that might be functional, the comment concludes “[t]he determination of whether or not such features are functional depends upon . . . whether prohibition of imitation by others will deprive the others of something which will substantially hinder them in competition.” *Id.* This statement harkens back to the competitive need rationale so prominent in the pre-Restatement cases, but it is not clear whether this explanation was limited to aesthetic features or was intended to apply to all cases. In the end, it made little difference, as most courts focused on the Restatement definition rather than the comment. See *infra* notes 112-19 and accompanying text.

111. Note, *supra* note 49, at 560.

112. 120 F.2d 949, 952 (8th Cir. 1941).

113. *Id.* at 954. The court explained,

the term “functional” is not to be treated as synonymous with the literal

suggested that the pocket design was important in the market for overalls, but did not define functionality in terms of competitive need.¹¹⁴ Pre-Restatement cases relying on the competitive need rationale were not cited.¹¹⁵

signification of the term "Utilitarian." A design, for example, may not be utilitarian in a technical sense, but it may nevertheless be functional in the sense that it will contribute materially to a general sale of the goods.

Id. This discussion was based on the inclusion of aesthetic functionality in the Restatement explanation of the functionality rule. *Id.* at 954; RESTATEMENT OF TORTS § 742 cmt. a (1938).

114. The plaintiff made arguments based on the competitive need rationale, but these arguments did not sway the court. For example, the plaintiff argued "that the utility features of the pocket could have been adopted without copying the actual design" used by the plaintiff. *J.C. Penny Co.*, 120 F.2d at 954. The court treated this argument as factually suspect and legally irrelevant. First, the court noted that the alternatives to the plaintiff's design would require use of more than one pocket, and that "[t]he unity of the structure suggests a utilitarian value over separate pocket elements." *Id.* But the court also held that evidence of alternatives would not necessarily render the plaintiff's design non-functional because consumers might have a "legitimate desire . . . for the design itself without regard to its source or claimed symbolization." *Id.*

The Eighth Circuit did not fully reject the competitive need analysis in *J.C. Penney*, but it did rely on the new Restatement definition of functionality. The result is a somewhat ambiguous decision with elements of competitive need analysis and elements of the Restatement approach. The case is important because it marks the beginning of a shift toward the Restatement definition of functionality. Indeed, it seems likely that the plaintiff's reliance on the competitive need rationale was based on the widespread acceptance of this rationale prior to the publication of the Restatement.

115. *Id.* at 954-55. In the latter part of its functionality discussion, the Eighth Circuit considered the patent bargain rationale because the plaintiff "had been denied a patent upon the bib-pocket design." *Id.* at 954. The absence of patent protection for the design provided a second reason for rejecting the plaintiff's unfair competition claim. *See id.* at 954-55. In this part of its analysis, the Eighth Circuit relied on a decision by the U.S. Supreme Court, as well as a decision written by Oliver Wendell Holmes while he was a justice on the Supreme Judicial Court of Massachusetts. *Id.* at 955 (citing *Kellogg Co. v. Nat'l Biscuit Co.*, 305 U.S. 111, 122 (1938) and *Flagg Mfg. Co. v. Holway*, 59 N.E. 667 (Mass. 1901)).

It is possible to read *J.C. Penney* as an early patent bargain decision. The court does not explicitly link the functionality standard to its discussion of the plaintiff's failed effort to obtain a patent, but it is clear that the absence of patent protection was one of the reasons the court refused to protect the plaintiff's pocket design. *Id.* at 954-55. In this sense, the *J.C. Penney* court went beyond the more moderate patent bargain approach—that is, the notion that previously patented designs must not be protected under trademark or unfair competition law—and endorsed a more absolute right-to-copy approach—that is, the notion that any unpatented design, whether previously patented or never patented, must be free for all to copy. No modern courts have gone this far, but some commentators have argued for such a rule. *See, e.g.,* Welkowitz, *supra* note 36, at 367-68 (arguing for very limited trade dress protection for product configurations); Dowell, *supra* note 59, at 190-91 (arguing for a right to copy all unpatented designs with a requirement that copyists "utilize every reasonable means to label products and avoid confusion"); Note, *Trademark Protection of Objects and Configurations: A Critical Analysis*, 59 MINN. L. REV. 541, 557-59, 568 (1975) (arguing that trade dress protection for articles conflicts with the patent system and that "[s]hapes could still be registered [as trademarks], but only in the unusual circumstances where they

The Sixth Circuit adopted the Restatement functionality standard in a 1942 decision involving the appearance of fishing lures. In *James Heddon's Sons v. Millsite Steel & Wire Works, Inc.*, the court found that the outward appearance of a fishing lure contributed to the "purpose, action or performance" of the product.¹¹⁶ The lure design, therefore, was functional.¹¹⁷ This case is a particularly striking break with the pre-Restatement case law, given the Sixth Circuit's use of the competitive need rationale in its early *Diamond Match* case.¹¹⁸ In *James Heddon's Sons*, the Sixth Circuit relied on the Restatement definition of functionality;¹¹⁹ the case contains no citation to *Diamond Match* or any other pre-Restatement functionality decision.

The Restatement definition of functional product features was a clear break with the prior case law, but the Restatement was not the final word on this issue. In a series of important decisions, the Court of Customs and Patent Appeals revived the competitive need rationale. Judge Giles Rich, perhaps the leading patent jurist in the United States, led this effort. The shift began with two cases decided on the same day in early 1961: *In re Deister Concentrator Co.*,¹²⁰ and *In re Shakespeare Co.*¹²¹ Both cases were appeals from refusals to register product configurations as trademarks under the Federal Trademark Act of 1946 (the Lanham Act).¹²² In both cases, the CCPA affirmed the refusals, finding both designs legally functional.¹²³ The results, however, were less important in the long run than the reasoning used in the cases.

perform no marketing or attractiveness function").

116. 128 F.2d 6, 13 (6th Cir. 1942).

117. *Id.* at 12-13. The Sixth Circuit relied exclusively on the Restatement for the general definition of a functional feature, quoting the entire text of Section 742. *Id.* at 13. "When [the Restatement definition is] specifically applied to the manufacture of artificial fishing bait, shape, size and color may be altogether functional," the court held. *Id.*

The *James Heddon's Sons* decision also presented a patent bargain issue. The plaintiff held a design patent for its lure design until 1935. *Id.* at 12. The defendant copied the design disclosed in the expired design patent. *Id.* The Sixth Circuit held that the plaintiff "cannot, as patentee, claim a monopoly beyond the life of the patent on the form and shape of its bait described therein." *Id.* at 13. This statement was followed by a discussion of the functionality doctrine. *Id.* The court's decision apparently was based on both the patent bargain concern and the general rule against protection of functional features. On the functionality question, the Sixth Circuit followed the Restatement.

118. See *supra* note 83 and accompanying text.

119. The court cited only the Restatement and the *J.C. Penney* case as support for its functionality analysis. *James Heddon's Sons*, 128 F.2d at 13.

120. 289 F.2d 496 (C.C.P.A. 1961).

121. 289 F.2d 506 (C.C.P.A. 1961).

122. *Deister Concentrator Co.*, 289 F.2d at 497; *Shakespeare Co.*, 289 F.2d at 506.

123. *Deister Concentrator Co.*, 289 F.2d at 504; *Shakespeare Co.*, 289 F.2d at 508.

Judge Rich wrote for the court in both *Deister* and *Shakespeare*.¹²⁴ In *Deister*, the applicant sought to register the “substantially rhomboidal outline” of a shaking table, “a device for separating solid particles suspended in a flowing film of water on the basis of differences in their size, specific gravity, or shape.”¹²⁵ Under almost any definition of functionality this alleged trademark probably would be functional. But Judge Rich used the *Deister* case as an opportunity to provide additional insights into the functionality doctrine. He began by acknowledging that trademark protection for the design at issue could create a “potential perpetual monopoly on the outline shape of [applicant’s] shaking table deck.”¹²⁶ That concern, however, was not enough to resolve the case. “The basic issue here is whether the law permits such a monopoly.”¹²⁷

After citing the Restatement definition of functionality and the leading post-Restatement cases, Judge Rich made a subtle, but important, break with that line of authority. Though the Restatement could be read as equating functionality with usefulness, Judge Rich rejected that approach. The shaking table’s “shape is not required to be wholly useless to qualify for registration,” he explained.¹²⁸ “A feature dictated solely by ‘functional’ (utilitarian) considerations may not be protected as a trademark; but mere possession of a function (utility) is not sufficient reason to deny protection.”¹²⁹ The outline of the shaking table was functional, Judge Rich concluded, “because the shape is in essence utilitarian.”¹³⁰

The *Deister* case did not explicitly return the functionality doctrine to the competitive need rationale, but it did move away from the Restatement approach. A design “dictated solely by ‘functional’ (utilitarian)

124. *Deister Concentrator Co.*, 289 F.2d at 497; *Shakespeare Co.*, 289 F.2d at 506.

125. *Deister Concentrator Co.*, 289 F.2d at 497-98.

126. *Id.* at 499.

127. *Id.*

128. *Id.* at 500 (quoting the appellant’s statement with approval).

129. *Id.* at 502. This statement was the last of four “truisms” identified by Judge Rich in *Deister*. The other three follow:

(1) Trademarks enable one to determine the existence of common source; but not everything that enables one to determine source is a trademark.

(2) A trademark distinguishes one man’s goods from the goods of others; but not everything that enables goods to be so distinguished will be protected as a trademark.

(3) Some trademarks are words or configurations which are protected because they have acquired a “secondary meaning”; but not every word or configuration that has a de facto “secondary meaning” is protected as a trademark.

Id.

130. *Id.* at 506.

considerations"¹³¹ would be functional under almost any definition. The "mere possession of a function," on the other hand, reflects a much different standard.¹³² What about highly useful designs (i.e., designs with more than "mere possession of a function") that are not "dictated solely by 'functional' (utilitarian) considerations?"¹³³ There seems a fairly wide range of utility between these two alternatives, but *Deister* does not resolve this ambiguity.

The *Shakespeare* decision sheds a bit more light on the functionality analysis. That case involved an attempt to register as a trademark the spiral appearance of the tip-end of a fishing rod.¹³⁴ The applicant's rods were made using a patented method, and the spiral appearance was the result of using this method.¹³⁵ *Shakespeare* was a difficult case under the Restatement approach, because the spiral design did not perform any useful role in the operation of the rod.¹³⁶ Nor did the spiral design have significant aesthetic appeal.¹³⁷ Nevertheless, protecting the design as a trademark could have an adverse effect on competition when the applicant's patent expired. As Judge Rich noted:

[W]e must treat the process, and the resulting product, as one which will eventually be in the public domain, even if it is not now. Were the spiral marking to be treated as a trademark the holder of the trademark rights would have a potentially perpetual monopoly which would enable it either to prevent others from using the process which results in the mark *or force them to go to the trouble and expense of removing it.*¹³⁸

The emphasized language is similar to the analysis used in pre-Restatement functionality cases.¹³⁹ The CCPA moved closer to the

131. *Id.* at 502.

132. *Id.*

133. *Id.*

134. *In re Shakespeare Co.*, 289 F.2d 506, 506-07 (C.C.P.A. 1961).

135. *Id.* at 507.

136. *Id.* at 507-08.

137. *Id.* at 507.

138. *Id.* at 508 (emphasis added).

139. *See supra* notes 52-54 and accompanying text. The quoted language also can be read as supporting the patent bargain and right-to-copy arguments. This reading, however, fails to take full account of the concluding statement. The court accepts as a given that upon expiration of the utility patent, others would be allowed to use the claimed method to make a fishing rod. This part of the analysis sounds like a patent bargain statement, but this fact alone was not enough to render the spiral design functional. *See Shakespeare Co.*, 289 F.2d at 508. The design was simply a result of the patented method, but the design was deemed functional because it would require effort and money to remove the design. *Id.* at 507-08. The latter considerations are not grounded in the patent bargain concerns but are more consistent with the competition rationale.

competitive need rationale in the *Shakespeare* case, though the court stopped short of fully embracing this rationale.¹⁴⁰

Judge Rich's rejection of the literal reading of the Restatement and his endorsement of the competitive need rationale became clear in an important 1964 decision. The case, *In re Mogen David Wine Corp.*, involved an application to register as a trademark the shape of a nontraditional wine bottle.¹⁴¹ The bottle design was covered by an existing design patent, a fact that forced the court to consider the relationship between design patent protection and trademark protection.¹⁴² The majority saw no conflict because of the different purposes of the design patent laws and the trademark laws.¹⁴³

In a concurring opinion, Judge Rich cast the functionality question in terms of competitive need. "Whether competition would in fact be hindered is really the crux of the matter. I disagree with the solicitor because I am convinced that others would not be in the least hindered in competition."¹⁴⁴ The solicitor argued that the Mogen David bottle design

The point is somewhat subtle, but important. Consider, for example, the effect of changing one fact. What if the spiral design, a direct result of using the patented method, was quite easy to remove or otherwise eliminate from consumers' view? For example, what if fishing rods were always covered with some protective finish, and a manufacturer could simply use an opaque finish to cover the spiral design? If this design alternative added nothing to the overall cost or complexity of the manufacturing process, would the *Shakespeare* court have found the spiral design functional? Perhaps not, which suggests the decision was not based solely on the patent bargain concern.

140. Judge Rich and the CCPA took another step toward the competitive need rationale in *In re Pollack Steel Co.*, 314 F.2d 566, 570 (C.C.P.A. 1963) ("To permit appellant to assert trademark rights in its alleged mark would clearly have the effect of unjustifiably giving appellant a perpetual monopoly on the simplest and cheapest use of a simple process of applying a functional reflective coating to a functionally designed metal fence post.").

141. 328 F.2d 925, 926 (C.C.P.A. 1964).

142. *Id.* at 926-28.

143. The court explained:

In our opinion, trademark rights, or rights under the law of unfair competition, which happen to continue beyond the expiration of a design patent, do not "extend" the patent monopoly. They exist independently of it, under different law and for different reasons. The termination of either has no legal effect on the continuance of the other. When the patent monopoly ends, it ends. The trademark rights do not extend it.

Id. at 930.

144. *Id.* at 933 (Rich, J., concurring). Though Judge Rich concluded that competition "would not be in the least hindered," he did not define functionality in those specific terms. *Id.* (Rich, J., concurring). That is, Judge Rich did not suggest that a feature would be functional if it had a minimal effect on competition. Instead, he focused on the availability of functionally equivalent alternative designs and concluded that competitors did not need to use the design adopted by the applicant:

was aesthetically pleasing, and therefore functional under the Restatement.¹⁴⁵ Judge Rich was unpersuaded because the bottle design, whatever its aesthetic value, was not necessary for competition. “[T]he design of a wine bottle like the one here is of such an arbitrary nature that depriving the public of the right to copy it is insignificant, as a policy matter, in comparison with the vendor’s right to protection from possible confusion in trade.”¹⁴⁶

These important decisions by the CCPA during the early 1960s seem to have turned the tide. Strict readings of the Restatement became less common, and courts began to return to the competitive need rationale. Decisions by the Eighth Circuit and Third Circuit provide a good illustration of this shift. As noted above, the Eighth Circuit was one of the first courts to explicitly endorse the Restatement definition of functionality.¹⁴⁷ The *J.C. Penney* case (the overall bib pocket case) was decided in 1941.¹⁴⁸ Thirty-five years later, the Eighth Circuit returned to the functionality issue in *Truck Equipment Service v. Fruehauf Corp.* (hereinafter *TESCO*).¹⁴⁹

TESCO involved the design of “a twin hopper bottomed grain or bulk commodity semi-trailer.”¹⁵⁰ This product, like the one at issue in the *Deister* case, was clearly useful. It was, after all, a semi-trailer for hauling grain or other commodities.¹⁵¹ If the Eighth Circuit used the same functionality standard it employed in the *J.C. Penney* case—that is, if the court used the Restatement definition—the design at issue in *TESCO* almost certainly would have been found functional. But the *TESCO* court found the design non-functional because “prohibition against the copying of [the design] will not affect Fruehauf’s competitive position in the marketplace.”¹⁵² The court relied upon *Deister* and other CCPA decisions

Others can meet any real or imagined demand for wine in decanter-type bottles—assuming there is any such thing—without being in the least hampered in competition by inability to copy the Mogen David bottle design. They might even excel in competition by producing a more attractive design under the stimulus of a prohibition against copying under the principles of unfair competition law.

Id. (Rich, J., concurring). Judge Rich emphasized the negligible impact of protecting the Mogen David bottle design to show that the design was clearly non-functional. *Id.* (Rich, J., concurring). In his view, the functionality question in *Mogen David* was not close.

145. *Id.* at 932-33 (Rich, J., concurring).

146. *Id.* at 933 (Rich, J., concurring).

147. See *supra* notes 112-15 and accompanying text.

148. *J.C. Penney Co. v. H.D. Lee Mercantile Co.*, 120 F.2d 949 (8th Cir. 1941).

149. 536 F.2d 1210 (8th Cir. 1976).

150. *Id.* at 1213.

151. *Id.*

152. *Id.* at 1218. The *TESCO* court clearly defined functionality in terms of competitive need.

as support for its adoption of a competitive need functionality standard.¹⁵³ Though the *TESCO* court cited its earlier *J.C. Penney* decision,¹⁵⁴ it used a new standard. The influence of Judge Rich and the CCPA was clear.

The shift in the Third Circuit was less striking than that in the Eighth, but no less important. In two post-Restatement, but pre-*Deister*, cases, the Third Circuit rigidly applied the Restatement definition of functionality. The first, *Vaughan Novelty Manufacturing Co. v. G.G. Greene Manufacturing Corp.*, involved an unfair competition claim based on the design of a can opener.¹⁵⁵ Using almost no analysis, the court deemed the design functional.¹⁵⁶ In a footnote, however, the court summarily rejected, as irrelevant, the plaintiff's argument that other can opener designs would work equally well.¹⁵⁷

The second case from the Third Circuit involved the highly successful Sylvania flash bulbs.¹⁵⁸ These bulbs, used with cameras, were made with

Id. ("The question in each case is whether protection against imitation will hinder the competitor in competition.").

153. *Id.*

154. The court provided the following quote from the *J.C. Penney* case:

[T]he law treats a nonfunctional aspect of goods as constituting in effect a mere form of merchandising or a business method. The law necessarily and naturally condemns any method of merchandising which unjustifiably tends to deceive or confuse the public. And so, in competitive goods, the appropriation of a nonfunctional aspect will generally be regarded as an improper method of merchandising and prohibited as unfair competition, in order to prevent probable deception or confusion of the public in the market.

Id. at 1217 (quoting *J.C. Penney Co. v. H.D. Lee Mercantile Co.*, 120 F.2d 949, 954 (8th Cir. 1941)). This quotation is not helpful. It explains that non-functional designs are protected under unfair competition law to prevent consumer confusion, but it does not explain how to determine whether a particular design is functional. When the *TESCO* court addressed the latter point, it turned to the Court of Customs and Patent Appeals decisions reviewed above, and adopted a competitive need standard. *See id.*

155. 202 F.2d 172, 173 (3d Cir. 1953).

156. *Id.* at 176 ("Since the items copied are functional, defendant has as much right to use them as does plaintiff, even though plaintiff may have been their originator.").

157. *Id.* at 175 n.10. The court stated:

[P]laintiff does argue that there are many different shapes and sizes which defendant could use and still produce a workable can opener. This is true, but the same could be said of the pillow-shaped shredded wheat biscuit, the rounded overall pockets, and the two-tone match head in the cases cited above.

Id. The court was referring to the following decisions: *Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111 (1938); *J.C. Penney Co.*, 120 F.2d at 949; and *Diamond Match Co. v. Saginaw Match Co.*, 142 F. 727 (6th Cir. 1906).

158. *Sylvania Elec. Prods. v. Dura Elec. Lamp Co.*, 247 F.2d 730, 731 (3d Cir. 1957).

a defect or use indicator.¹⁵⁹ A good, unused bulb had a blue dot, but if the bulb was used or defective, the dot changed to pink.¹⁶⁰ Because the indicator was useful, the court found it functional under the Restatement standard.¹⁶¹ The plaintiff argued “that Dura could have varied the color or positioning of the dot indicating air leakage.”¹⁶² The court summarily rejected this argument because, “[p]laintiffs in unfair competition cases are always able to conceive of other courses which defendants might have pursued.”¹⁶³ After these two decisions, the Third Circuit seemed one of the least receptive courts to an unfair competition claim based on a product’s design.

When the Third Circuit returned to the functionality issue, it faced a difficult application of the aesthetic functionality doctrine. In *Keene Corp. v. Paraflex Industries, Inc.*, the Third Circuit rejected a broad reading of the Restatement’s aesthetic functionality position.¹⁶⁴ The court held that findings of functionality should be based on utilitarian value.¹⁶⁵ In explaining the proper role of the functionality doctrine, the Third Circuit relied upon Judge Rich’s concurrence in the *Mogen David* case,¹⁶⁶ the *TESCO* decision by the Eighth Circuit,¹⁶⁷ and the *Deister* case.¹⁶⁸

The Third Circuit, however, stopped short of adopting a strict competitive need standard in *Keene*, viewing this approach as “an unnecessarily narrow view of functionality. This court has previously indicated that merely because there are other shapes and designs ‘which defendant could use and still produce a workable’ product, the design used is not thereby non-functional.”¹⁶⁹ The important question, the *Keene* court explained, is how many equally effective alternatives exist:

159. *Id.* at 731.

160. *Id.*

161. *Id.* at 732.

162. *Id.* at 734.

163. *Id.*

164. 653 F.2d 822, 833 (3d Cir. 1981).

165. *Id.* at 825-26.

166. *Id.* at 825.

167. *Id.* at 825-26.

168. *Id.* at 826. The Third Circuit cited its earlier *Sylvania* decision, but described “the blue dot on the Sylvania photographic flash-bulbs” as “essential to the utility of the item.” *Id.* at 824 (citing *Sylvania*, 247 F.2d at 732). The defect identification function may have been “essential,” but, as noted above, *Sylvania* argued the color or position of the dot could have been changed without reducing the utility of the feature. *Sylvania*, 247 F.2d at 734. The *Keene* court glossed over this rather important point in an apparent effort to “reconcile” the earlier *Sylvania* decision with a competition-based functionality analysis.

169. *Keene Corp.*, 653 F.2d at 827 (quoting *Vaughan Novelty Mfg. Co. v. G.G. Greene Mfg. Corp.*, 202 F.2d 172, 175 n.10 (3d Cir. 1953)).

Because there are only a limited number of configurations or designs for a luminaire which are architecturally compatible with the type of structures on which they are placed, the selection of a luminaire design does not have the unlimited boundaries as does the selection of a wine bottle or ashtray design, and the [district] court's finding that competition will be stifled is again not clearly erroneous.¹⁷⁰

Note the court's conclusion concerning the impact on competition. Protecting the luminaire design would stifle competition—that is, competitors needed the design to effectively compete—so it was functional. This decision marks a shift in the Third Circuit, just as surely as the *TESCO* decision reflected a shift in the Eighth Circuit.¹⁷¹

These decisions illustrate the resiliency of the common law and the strong appeal of the competitive need rationale. When the Restatement introduced a new functionality standard, courts moved away from the competitive need rationale. But over time, with assistance from Judge Rich and the CCPA, courts began to return to this rationale. When the Third Circuit decided *Keene* in 1981, it joined the trend toward endorsement of the competitive need rationale.

C. *The Modern Period—Consistency and Competitive Need*

The “modern period”¹⁷² marked the high point in the development of the functionality doctrine. During this period, federal courts unanimously adopted the competitive need rationale as the proper general functionality standard and reached agreement on other difficult functionality issues.

1. The Competitive Need Rationale Becomes the Law of the Land

Two important functionality decisions were issued in 1982. The first came from the CCPA, was authored by Judge Giles Rich, and presented the most comprehensive examination of the functionality doctrine ever undertaken by a court. The case, *In re Morton-Norwich Products*, involved an attempt to register as a trademark the shape of a plastic spray bottle (i.e., the type often used with household cleaners).¹⁷³ In a somewhat surprising decision, the court held the bottle design was not legally functional because there was no evidence competitors needed to use the

170. *Id.*

171. It is a bit ironic that these two circuits proved to be the last circuits to complete the move toward adoption of a functionality standard defined purely in terms of competitive need. *See infra* notes 242-48 and accompanying text.

172. I define this period as running from 1982 until 2001. My definition is based on the issuance of two important functionality decisions in 1982 and the 2001 *Traffix* decision.

173. 671 F.2d 1332, 1334 (C.C.P.A. 1982).

same design.¹⁷⁴ The basis of the functionality doctrine, Judge Rich explained, was “not the right to slavishly copy articles which are not protected by patent or copyright, but the need to copy those articles, which is more properly termed the right to compete effectively.”¹⁷⁵

The second important functionality decision issued in 1982 was *Inwood Laboratories v. Ives Laboratories*, a Supreme Court decision involving the

174. *Id.* at 1342.

175. *Id.* at 1339. The *Morton-Norwich* decision was an important precedent on three issues. First, the decision marked the strongest endorsement of the competitive need rationale during the post-Restatement period. Subsequent decisions by the Federal Circuit and other circuit courts strongly endorsed this rationale, but it was *Morton-Norwich* that blazed the trail for others to follow. It remains one of the most important of all functionality decisions.

The second legacy of *Morton-Norwich* did not withstand the test of time. In evaluating the spray bottle design, the CCPA suggested that only utilitarian features can be functional. *Id.* at 1338 (“From the earliest cases, ‘functionality’ has been expressed in terms of ‘utility.’”). The Federal Circuit followed this suggestion in later cases, which led to some rather contorted efforts to characterize features as utilitarian where the court believed the features should not be protected. *See, e.g., Brunswick Corp. v. British Seagull Ltd.*, 35 F.3d 1527, 1533 (Fed. Cir. 1994) (holding black color of outboard engines functional because “[c]olor compatibility and ability to decrease apparent motor size are not in this case mere aesthetic features. Rather these non-trademark functions supply a competitive advantage.”). Most other circuits eventually recognized some form of aesthetic functionality. *See infra* notes 282-85 and accompanying text.

The final *Morton-Norwich* legacy was the nomenclature Judge Rich crafted for the evaluation of functionality. To distinguish between features that serve some useful function and those that cannot be protected as trademarks, Judge Rich explained:

[W]e must speak in terms of de facto functionality and de jure functionality, the former being the use of “functional” in the lay sense, indicating that although the design of a product, a container, or a feature of either is directed to performance of a function, it may be legally recognized as an indication of source. De jure functionality, of course, would be used to indicate the opposite—such a design may not be protected as a trademark.

Morton-Norwich Prods., 671 F.2d at 1337. This approach may make sense to lawyers, but it is not a user-friendly explanation of the functionality doctrine. It is not surprising, therefore, that the regional circuit courts did not follow this aspect of the *Morton-Norwich* analysis. *See, e.g., W.T. Rogers Co. v. Keene*, 778 F.2d 334, 341-42 (7th Cir. 1985) (discussing the difficult task of framing a jury instruction on functionality). Perhaps in deference to Judge Rich, the examining trademark attorneys in the PTO and the administrative law judges on the Trademark Trial and Appeal Board (TTAB) continue to use the de facto/de jure labels. *See* 1 TRADEMARK MANUAL OF EXAMINING PROCEDURE § 1202.03(a) (2000); *see also* Nordson Corp., No. 75/578,830, 2003 TTAB LEXIS 128, at *9 (Trademark Trial App. B. Mar. 13, 2003); All Rite Prods., No. 75/260,089, 2001 TTAB LEXIS 703, at *3 (Trademark Trial App. B. Sept. 26, 2001); Ennco Display Sys., 56 U.S.P.Q. 2d 1279, 1282 nn.10-11 (Trademark Trial App. B. 2000). The Federal Circuit also continues to use these labels in appeals from the TTAB. *See, e.g., Valu Eng'g, Inc. v. Rexnord Corp.*, 278 F.3d 1268, 1274 (Fed. Cir. 2002); *L.D. Kichler Co. v. Davoil, Inc.*, 192 F.3d 1349, 1353 (Fed. Cir. 1999); *In re Bose*, 772 F.2d 866, 872-73 (Fed. Cir. 1985); *In re R.M. Smith, Inc.*, 734 F.2d 1482, 1484 (Fed. Cir. 1984).

appearance of generic substitutes for a branded prescription drug.¹⁷⁶ Though the Supreme Court issued no holding on the functionality issue in *Inwood*,¹⁷⁷ the Court explained that “a product feature is functional if it is essential to the use or purpose of the article or if it affects the cost or quality of the article.”¹⁷⁸ The first prong of this explanation is generally consistent with the competitive need rationale—any feature “essential to the use or purpose” of a product is surely a feature of competitors need¹⁷⁹—but the second prong is not. Indeed, the second part

176. 456 U.S. 844, 846 (1982).

177. The trademark claim in *Inwood* was based on a contributory liability theory. According to the plaintiff, pharmacists were passing off the defendants’ generic substitutes when prescriptions were written for the plaintiff’s branded drug. *Id.* at 852-53. Rather than sue the pharmacists, the plaintiff sued the defendants on the theory that by copying the appearance of the plaintiff’s branded product, the defendants were contributorily liable for the pharmacists’ infringing acts. *Id.* at 850-51. The defendants challenged the plaintiff’s theory on a number of grounds, including functionality. *Id.* at 853. According to the defendants, the physical appearance of the plaintiff’s product was functional, and thus no infringement could be found based merely on the copying of the appearance. *Id.* at 857 n.20. The district court agreed, but the court of appeals did not directly address the functionality issue. *Id.* For that reason, the issue was not squarely presented in the appeal to the Supreme Court. The Court noted, however, that on remand, the lower courts probably would have to consider the functionality issue. *Id.*

178. *Id.* at 850 n.10.

179. The first prong of the *Inwood* test is open to two interpretations. First, a feature could be “essential” if it is absolutely needed to compete as a product in a particular market. I read *Inwood* this way, and thus conclude the first part of the *Inwood* definition is generally consistent with the competitive need standard. *Inwood*, however, sets the bar too high, because many features are quite important to competition, yet not absolutely essential. The competitive need standard never required a showing of absolute necessity. The proper question is whether protection would unduly hinder competition. See *supra* notes 72-87 and accompanying text. The late Ralph Brown also read *Inwood* in this way. Ralph S. Brown, *Design Protection, An Overview*, 34 UCLA L. REV. 1341, 1362 (1987) (“[M]y unease with this definition centers on the word ‘essential.’ Of course an essential feature is functional. But any implication that only essential features are functional is misleading.”).

But *Inwood* also could be read to support a focus on the importance of a feature to the particular product embodying the feature. In other words, the first prong of the *Inwood* definition might render a feature functional if the feature is essential to the operation of the plaintiff’s product—that is, if the product would not work without the feature. The same feature, however, might be of little importance to competition in the broader market. In fact, the plaintiff’s entire product might be of little competitive importance, but certain features of the product might be functional under this reading of the *Inwood* definition.

It is not clear whether courts recognized these two conflicting interpretations of the first part of the *Inwood* test, but it seemed the trend was more consistent with the first reading. The competitive need standard was more restrictive than an “essential” standard (i.e. more designs would be denied protection under a competitive need standard), but did focus on the competitive importance of the feature or features at issue. On the other hand, the Supreme Court may have accepted the second reading of *Inwood* in *Traffix* when it endorsed *Inwood* but rejected the competitive need standard. See *infra* notes 290-91 and accompanying text.

of the *Inwood* definition seems to harken back to the old Restatement standard.¹⁸⁰

The functionality definition provided in *Inwood* threatened the trend toward universal adoption of a competition-based functionality standard. To appreciate the potential of the *Inwood* definition, one must first recognize the importance of the Court's use of the disjunctive "or" in the definition. Features are functional under the *Inwood* standard, and therefore receive no trademark protection, if they satisfy either of the two parts of the test. The second prong of the *Inwood* definition seems much easier to satisfy—indeed, if applied literally this part of the standard would render virtually all features functional—and therefore, could have dominated the functionality analysis. Or put somewhat differently, why would a defendant argue the feature at issue is "essential" when the same result (i.e., a finding that the feature is functional) could be obtained merely by showing the feature "affects the cost or quality" of the product? The second prong of the *Inwood* test seems to create a functionality standard quite different from the competitive need standard endorsed by the CCPA in *Morton-Norwich*.

As the modern period began, courts faced a difficult choice: follow the *Morton-Norwich* analysis and continue the trend toward greater reliance on the competitive need rationale, or follow the *Inwood* standard, as written, and adopt a functionality rule strikingly different from the approach used by the CCPA in *Morton-Norwich*. To follow the former course, courts had to find a way to deal with *Inwood*.

The Fifth Circuit was the first regional court of appeals to consider the general functionality standard after *Morton-Norwich* and *Inwood*.¹⁸¹ In

180. If applied literally, this part of the *Inwood* standard would render virtually all designs functional because nearly "every design 'affects' . . . the utility of the article in which it is embodied. 'Affects' is broad enough to include a design which reduces the utility or the economy of manufacture." *Morton-Norwich Prods.*, 671 F.2d at 1340. Judge Rich's criticism of the "affects" standard was prophetic, as the CCPA decision in *Morton-Norwich* was issued about three months before the Supreme Court issued its decision in *Inwood*. Judge Rich was commenting on the language from the *Restatement of Torts*, but because the second part of the *Inwood* standard so closely parallels the Restatement language, his criticism seems to apply with equal force to *Inwood*.

181. The Fifth Circuit, however, was not the first court to address functionality after *Morton-Norwich* and *Inwood*. The CCPA and the Second Circuit faced somewhat similar aesthetic functionality issues in *In re DC Comics, Inc.*, 689 F.2d 1042, 1045 (C.C.P.A. 1982), and *Warner Bros. v. Gay Toys, Inc.*, 724 F.2d 327, 331 & n.4 (2d Cir. 1983). Both cases involved the use of well-known trademarks on toys. *DC Comics* presented the question of whether the Superman, Batman, and Joker characters could be registered as trademarks for dolls. *DC Comics Inc.*, 689 F.2d at 1044-45. The applicant owned registrations for each character for use in comic books and related materials, but the trademark-examining attorney rejected the application for use on dolls because such use would be aesthetically functional. *Id.* at 1045. The CCPA rejected this argument and held the drawings of the characters were valid trademarks for dolls. *Id.*

The *Warner Bros.* case involved an infringement claim brought by the owners of the Dukes of

Sicilia Di R. Biebow & Co. v. Cox,¹⁸² the court began by noting that the “circuits have provided differing definitions of functionality that have resulted in nonuniform application of the doctrine.”¹⁸³ “The ultimate inquiry concerning functionality,” the court concluded, “is whether characterizing a feature or configuration as protected ‘will hinder competition or impinge upon the rights of others to compete effectively in the sale of goods.’”¹⁸⁴ The Fifth Circuit relied on *Morton-Norwich* and decisions from the Third,¹⁸⁵ Eighth,¹⁸⁶ and Ninth¹⁸⁷ Circuits, but did not cite *Inwood*.¹⁸⁸

Hazard television show against a company making toy cars resembling the “General Lee” car used by characters on the show. *Warner Bros.*, 724 F.2d at 329. The defendant argued that its use was aesthetically functional, but the Second Circuit rejected the argument. *Id.* at 330-32.

182. 732 F.2d 417 (5th Cir. 1984).

183. *Id.* at 422.

184. *Id.* at 429 (quoting *Morton-Norwich Prods.*, 671 F.2d at 1342).

185. *Id.* at 428 (citing *Keene Corp. v. Paraflex Indus.*, 653 F.2d 822 (3d Cir. 1981)).

186. *Id.* at 427 (citing *Truck Equip. Serv. v. Fruehauf Co.*, 536 F.2d 1210 (8th Cir. 1976)).

187. *Id.* at 428 (citing *Vuitton et Fils, S.A. v. J. Young Enter.*, 644 F.2d 769 (9th Cir. 1981)).

188. This omission may have been intentional. The Fifth Circuit cited an article from the *Trademark Reporter* on the *Inwood* case. *Id.* at 429. The cited article presented the views of four leading trademark attorneys and one prominent trademark scholar. *An Analysis of the Ives Case: A TMR Panel*, 72 TRADEMARK REP. 118, 118 (1982). The panel members responded to various questions about the *Inwood* case, including the Supreme Court’s discussion of functionality. *Id.* at 127-28. It is unlikely the Fifth Circuit judges could have read this article and not recognized the potential relevance of the *Inwood* case on the functionality issue. Indeed, the following discussion from the article focuses on precisely this point:

QUESTION: Do any of the opinions [in *Inwood*] shed new light on, or clarify understanding of, what is functional?

[Beverly W.] PATTISHALL: None of the three opinions appears to shed new light on, or to clarify understanding of, what is “functional.”

[Jerre B.] SWANN: I agree.

[Ronald R.] KRANZOW: I did not find any of the opinions to be especially illuminating with respect to functionality. . . .

[J. Thomas] MCCARTHY: . . . All in all, the Court’s treatment of “functionality” does nothing to clarify the meaning of the concept. Justice White’s treatment is disappointing but not disastrous. Judge Rich’s recent explication on “functionality” [citing *Morton-Norwich*] will prove much more useful in the long run.

[Vincent N.] PALLADINO: Unfortunately, the most significant statement in the Supreme Court’s decision may turn out to be the majority’s footnote 10, which states that “a product feature is functional if it is essential to the use or purpose of the article or if it affects the cost or quality of the article.” This standard is not only internally inconsistent, but is such an oversimplification of the law of functionality that I believe it would be inappropriate to try to analyze it here.

Id. This discussion is significant, as it includes both a prediction that *Morton-Norwich* will be the more significant functionality precedent and a recognition of the internal inconsistency of the two

The *Sicilia* case involved the design of a small, squeezable bottle for lemon or lime juice.¹⁸⁹ “A particular design, such as the *Sicilia* bottle,” the Fifth Circuit held, “may serve functions demanded by the product’s manufacturer, but it is not thereby rendered legally functional—and thus unprotectable—unless the design is only one of a limited number of equally efficient options and free competition would be unduly hindered by according that design trademark protection.”¹⁹⁰ Because “a vast number of forms may accommodate the functions of a citrus juice bottle—containing the liquid, permitting one to squeeze the bottle to dispense the liquid, holding an identifying label, and possessing a flat base that enables the bottle to stand upright”—the design at issue was non-functional.¹⁹¹ This conclusion was supported by evidence of three other competing juice products with significantly different bottles and a number of different proposed designs considered by the defendant.¹⁹²

The Second Circuit was the first federal court of appeals to expressly consider the relevance of both *Morton-Norwich* and *Inwood* on the functionality issue. The case, *LeSportsac, Inc. v. K Mart Corp.*,¹⁹³ is important for three reasons. First, the Second Circuit followed *Morton-Norwich* and adopted the competitive need rationale.¹⁹⁴ Second, the court correctly characterized the *Inwood* Court’s definition of functionality as dicta.¹⁹⁵ And third, the court attempted to reconcile the *Inwood* standard with the competitive need rationale.¹⁹⁶ With this effort, the Second Circuit began the process of bringing *Inwood* in line with the clear trend toward adoption of a competitive need functionality standard.

Two years later, in 1987, the Second Circuit confirmed its commitment to the competitive need rationale. In a case involving the design of “a waterproof rainjacket,”¹⁹⁷ the court emphasized the need to consider “the

parts of the functionality definition provided in *Inwood*.

189. *Sicilia Di R. Biebow & Co.*, 732 F.2d at 429.

190. *Id.*

191. *Id.*

192. *Id.*

193. 754 F.2d 71 (2d Cir. 1985).

194. *Id.* at 77 (finding the design at issue non-functional because “K Mart’s ability to compete is not unduly hindered by the determination that LeSportsac’s particular configuration of design features is non-functional and therefore eligible for protection”).

195. *Id.* at 76 (“The Supreme Court, in dictum, recently defined a functional feature in ‘general terms’ as one that ‘is essential to the use or purpose of the article or [that] affects the cost or quality of the article.’” (alteration in original) (quoting *Inwood Labs. v. Ives Labs.*, 456 U.S. 844, 850 n.10 (1982))).

196. *Id.* (noting that the second part of the *Inwood* test requires a reduction in cost or an improvement in operation and concluding that the functionality defense, as described in *Inwood* and other cases, “is designed to encourage competition and the broadest dissemination of useful design features” (quoting *Warner Bros. v. Gay Toys, Inc.*, 724 F.2d 327, 331 (2d Cir. 1983))).

197. *Stormy Clime Ltd. v. Progroup, Inc.*, 809 F.2d 971, 972 (2d Cir. 1987).

purpose of the functionality defense."¹⁹⁸ This approach required a focus "on whether bestowing trade dress protection upon [the plaintiff's] arrangement of features 'will hinder competition or impinge upon the rights of others to compete effectively in the sale of goods.'"¹⁹⁹ The court cited *Inwood*, but focused entirely on whether there was a competitive need to use the plaintiff's design.²⁰⁰ The second part of the *Inwood* definition, with its Restatement-like standard, was ignored.²⁰¹

One of the most important functionality decisions of the modern period came from the Seventh Circuit. In *W.T. Rogers Co. v. Keene*,²⁰² Judge Posner, writing for the panel, provided the following explanation of the functionality doctrine:

If the feature is ornamental, fanciful, decorative, like the patterns on a piece of china or of silverware, then the manufacturer can use it as his name, his symbol, his identifying mark. Ornamental, fanciful shapes and patterns are not in short supply, so appropriating one of them to serve as an identifying mark does not take away from any competitor something that he needs in order to make a competing brand. But if the feature is not ornamental or fanciful or whimsical or arbitrary, but is somehow intrinsic to the entire product consisting of this manufacturer's brand and his rivals' brands, trademark production will be denied. The name of this principle is "functionality"²⁰³

Judge Posner then gave two examples of functional product designs: the shape of an airplane and the shape of a football.

198. *Id.* at 976.

199. *Id.* at 977 (quoting *Sicilia Di R. Biebow & Co.*, 732 F.2d at 429).

200. *Id.* at 975-76.

201. *See id.*

202. 778 F.2d 334 (7th Cir. 1985).

203. *Id.* at 339 (citing *In re Morton-Norwich Prods.*, 671 F.2d 1332, 1338-41 (C.C.P.A. 1982)). This discussion was part of a general overview of the functionality doctrine. It was not provided as a working standard for determining when a particular feature or group of features is functional. Judge Posner's distinction between source-identifying features and features that are "somehow intrinsic to the entire product" may have been borrowed from the aesthetic functionality decisions. Though the seminal case in this line, *Pagliero v. Wallace China Co.*, 198 F.2d 339 (9th Cir. 1952), did not describe functionality in these terms, later cases did. *See Int'l Order of Job's Daughters v. Lindeburg & Co.*, 633 F.2d 912, 918 (9th Cir. 1980) ("[I]n the context of this case, the [Job's Daughters] name and emblem are functional aesthetic components of the jewelry, in that they are being merchandised on the basis of their intrinsic value, not as a designation of origin or sponsorship"); *Bi-Rite Enter. v. Button Master*, 555 F. Supp. 1188, 1195 (S.D.N.Y. 1983) ("Functionality in this context means that consumers desire the mark for its intrinsic value and not as a designation of origin.").

[T]he first company to make an airplane cannot use the characteristic shape of an airplane as its trademark, thereby condemning its rivals to build airplanes that won't fly. A firm that makes footballs could not use as its trademark the characteristic oval shape of the football, thereby forcing its rivals to find another shape for their footballs; since they wouldn't be able to sell any round or oblong or hexagonal footballs, that firm would have, not an identifying mark, but a product monopoly, and a product monopoly not for a term of years as under the patent laws but forever.²⁰⁴

These shapes are functional, Judge Posner explained, because "competitors would have to spend money not to copy but to design around, as they would have to do if they wanted to come up with a nonoval substitute for a football."²⁰⁵ On the other hand:

if an automobile manufacturer places at the front end of its hood a statue of Mercury, it can if it wants make this its trademark (or one of its trademarks), because its competitors do not need a statue of Mercury on the hoods of their cars in order to be able to compete.²⁰⁶

The Tenth Circuit continued the trend toward adoption of the competitive need rationale in *Brunswick Corp. v. Spinit Reel Co.*²⁰⁷ At issue were the designs of competing fishing reels.²⁰⁸ Zebco, a division of the plaintiff Brunswick, introduced a closed face spin-cast reel in 1954.²⁰⁹ According to the court, the Zebco reel "differs in appearance from any spin-cast reel in the market except the SR 210," the product made by Spinit, the

204. *W.T. Rogers Co.*, 778 F.2d at 339 (citations omitted).

205. *Id.* This statement, if considered alone, is consistent with the second prong of the *Inwood* standard. If it would cost money to design around a feature, then the feature must be one that "affects the cost" of the article, to use the *Inwood* language. Judge Posner's other statements, however, make clear that he believed functionality must be linked to the ability to compete. When explaining why the oval shape of a football is functional, Judge Posner emphasized that if competitors were forced to find other shapes, they would fail in the market "since they wouldn't be able to sell any round or oblong or hexagonal footballs." *Id.*

206. *Id.* The Seventh Circuit cited *Morton-Norwich* and *Inwood*, but relied more on the force of Judge Posner's own analysis than on the particular holdings of other courts. *See id.* at 339-40. There is, for example, no discussion in *Rogers* of the functionality definition provided in *Inwood*, just a citation to the decision and a parenthetical note that the Supreme Court's discussion of functionality was "dictum." *Id.*

207. 832 F.2d 513 (10th Cir. 1987).

208. *Id.* at 516.

209. *Id.*

defendant.²¹⁰ Spinit responded to Brunswick's allegations of trade dress infringement by arguing that the Zebco reel design was functional.²¹¹ Spinit presented evidence showing the useful nature of the various features comprising the trade dress of the Zebco reel.²¹² Spinit argued for "an expansive definition of functionality," that is, a standard under which most useful features would be deemed functional.²¹³

The Tenth Circuit treated functionality as an issue of first impression,²¹⁴ an important point given the definition of functionality provided by the Supreme Court in *Inwood*. The *Inwood* definition was not binding precedent, the Tenth Circuit concluded, because "the Supreme Court stated the standard for determining functionality only 'in general terms,' and that in dictum."²¹⁵ The Tenth Circuit then adopted "a test whose focus is the effect on competition. . . . Thus, the question of whether the feature is functional should turn on whether the 'protection of the configuration would "hinder competition or impinge upon the rights of others to compete effectively in the sale of goods."'"²¹⁶ The language of this test can be traced directly to the *Morton-Norwich* decision.²¹⁷ The Second Circuit relied upon the same language in its leading functionality decisions.²¹⁸

Between 1984 and 1987, the Second, Fifth, Seventh, and Tenth Circuits all faced questions concerning the proper functionality standard, and all adopted the competitive need rationale. These courts considered the *Morton-Norwich* and *Inwood* cases and all followed *Morton-Norwich*. The courts either rejected the *Inwood* Court's discussion of functionality as dicta, or reconciled the *Inwood* definition with the competitive need rationale so strongly endorsed in *Morton-Norwich*. By the late 1980s, the competitive need rationale was used by most circuit courts of appeals.²¹⁹

210. *Id.*

211. *Id.* at 517.

212. *Id.* at 519-20.

213. *Id.* at 517.

214. *Id.* ("[W]e are faced with an issue of first impression.")

215. *Id.*

216. *Id.* at 519 (quoting *Sno-Wizard Mfg., Inc. v. Eisemann Prods.*, 791 F.2d 423, 426 n.3 (5th Cir. 1986) (quoting *Sicilia Di R. Biebow & Co. v. Cox*, 732 F.2d 417, 429 (5th Cir. 1984)).

217. The Tenth Circuit cited the Fifth Circuit's decision in *Sno-Wizard*, which quoted from the earlier Fifth Circuit decision in *Sicilia di R. Biebow*, which quoted *In re Morton-Norwich Products*, 671 F.2d 1332, 1342 (C.C.P.A. 1982).

218. See *supra* notes 193-200 and accompanying text.

219. The cases described in the preceding text illustrate use of the competitive need rationale by the CCPA/Federal Circuit, Second Circuit, Fifth Circuit, Seventh Circuit, and Tenth Circuit. See *In re DC Comics, Inc.*, 689 F.2d 1042, 1045 (C.C.P.A. 1982); *In re R.M. Smith, Inc.*, 734 F.2d 1482, 1484-85 (Fed. Cir. 1984); *In re Bose Corp.*, 772 F.2d 866, 872 (Fed. Cir. 1985); *Brandir Int'l, Inc. v. Cascade Pac. Lumber Co.*, 834 F.2d 1142, 1148 (2d Cir. 1987); *Sno-Wizard Mfg., Inc. v. Eisemann Prods.*, 791 F.2d 423, 426 n.3 (5th Cir. 1986); *Hartford House, Ltd. v. Hallmark Cards*,

In an important, but somewhat ironic move, the American Law Institute endorsed the competitive need rationale in its 1990 draft of the *Restatement (Third) of Unfair Competition*:

The design . . . is “functional” if the particular design affords benefits to the person marketing the goods or services, apart from any benefits attributable to the design’s significance as an indication of source, that are important to effective competition by others and that are unavailable through the use of alternative designs.²²⁰

Inc., 846 F.2d 1268, 1272-73 (10th Cir. 1988). The Seventh Circuit wavered a bit from the competitive need rationale, but strongly returned to the rationale in subsequent decisions. *Compare* *Vaughan Mfg. Co. v. Brikam Int’l, Inc.*, 814 F.2d 346, 349-50 (7th Cir. 1987) (purporting to use the competitive need rationale, but focusing more on the defendant’s motives in copying than on the utility or competitive importance of the copied features), *and* *Serv. Ideas, Inc. v. Traex Corp.*, 846 F.2d 1118, 1123-24 (7th Cir. 1988) (rejecting functionality defense because the defendant “could have adopted other functional features to distinguish its product from the [plaintiff’s coffee server]”), *with* *Schwinn Bicycle Co. v. Ross Bicycles, Inc.*, 870 F.2d 1176, 1188-89 (7th Cir. 1989) (criticizing *Vaughan* and *Service Ideas* for improperly elevating the functionality standard and confirming the court’s adoption of the competitive need rationale).

The Ninth Circuit adopted the competitive need rationale in *Clamp Mfg. Co. v. Enco Mfg. Co.*, 870 F.2d 512, 516 (9th Cir. 1989) (following *Morton-Norwich*). The Third Circuit and Eighth Circuit had returned to a competitive need standard prior to 1982, as noted in the preceding section of this article. *See supra* notes 149-70 and accompanying text.

The general functionality standard was less clear during the 1980s in the First, Fourth, Sixth, and Eleventh Circuits. There were no decisions directly addressing the issue in the Fourth and Sixth Circuits. The First and Eleventh Circuits did consider functionality and seemed to move toward a competitive need standard, but the decisions are not very clear on the issue. *See* *Fisher Stoves, Inc. v. All Nighter Stove Works, Inc.*, 626 F.2d 193, 195 (1st Cir. 1980) (noting that functional features are denied trademark protection because of the “public’s ‘interest in free competition and in economic and technological progress’” (quoting *Keelber Co. v. Rovira Biscuit Corp.*, 624 F.2d 366, 378 (1st Cir. 1980))); *John H. Harland Co. v. Clarke Checks, Inc.*, 711 F.2d 966, 982 n.27, 983-84 (11th Cir. 1983) (discussing functionality issue and criticizing an “affects” standard as too low, but failing to adopt any specific definition of functionality).

220. RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 17 (Tentative Draft No. 2, 1990). The Reporters’ Note explains that this definition “clarifies the former statement of the rule in RESTATEMENT OF TORTS § 742 (1938).” *Id.* § 17 reporters’ note. The definition did much more than that. It was a clean break with the approach taken in the *Restatement of Torts*, and a return to the standard in use by most courts *prior* to the publication of the original Restatement. Indeed, the new Restatement definition focused on “effective competition” and the availability of “alternative designs,” just as courts had during the years prior to the release of the original Restatement. *See supra* notes 68-98 and accompanying text.

One could read the new Restatement as endorsing something of a middle position, with its “important to effective competition” standard, but that is not a fair reading. A reading of the full text of the Restatement definition, together with the comments, makes clear the Reporters’ intention to embrace the competitive need standard was explained in decisions like *Morton-Norwich* and the other decisions discussed in the preceding text. RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 17 (1995) (defining a functional feature as one providing benefits “important to

Much had changed in the fifty-two years since the *Restatement of Torts* rejected the competitive need rationale and adopted a more restrictive functionality standard. The *Restatement (Second) of Torts* was published during the intervening period, but a decision was made to exclude the trademark and unfair trade provisions from that publication because the law in this area had developed into a distinct field.²²¹ By the time work began in earnest on the *Restatement (Third) of Unfair Competition*,²²² most courts had rejected the definition of functionality provided in the *Restatement of Torts* and instead defined functionality in terms of competitive need.²²³ The competitive need rationale was well-established by 1995, the year the final version of the *Restatement (Third) of Unfair Competition* was published.²²⁴

effective competition . . . and that are not practically available through the use of alternative designs” (emphasis added); *id.* § 17 cmt. a (“[I]n determining whether a particular design is ‘functional’ and therefore ineligible for protection as a trademark, the ultimate inquiry is whether a prohibition against copying will significantly hinder competition by others.”).

221. The *Restatement (Third) of Unfair Competition* reporters provided the following explanation:

The Restatement of Torts, promulgated by the Institute in 1938, contained a comprehensive treatment of trademark law in Chapter 35. A revision to Chapter 35 was prepared for inclusion in the Restatement, Second, Torts, but was deleted by the Council of the Institute because the subjects were “governed extensively by legislation and largely divorced from their initial grounding in the principles of torts.” The current project is an independent restatement of the law relating to unfair trade practices, of which trademark law is a central part.

RESTATEMENT (THIRD) OF UNFAIR COMPETITION reporter’s memorandum to the members of the institute (Tentative Draft No. 2, 1990) (citation omitted) (quoting RESTATEMENT (SECOND) OF TORTS director’s introduction (1977)).

222. Work on the unfair competition restatement began in 1987. Harvey S. Perlman, *The Restatement of the Law of Unfair Competition: A Work in Progress*, 80 TRADEMARK REP. 461, 464 (1990). A draft of the unfair trade sections to be included in the *Restatement (Second) of Torts* was completed in 1963, and initially approved by the American Law Institute. *Id.* at 463-64. “However, when the Restatement (Second) of Torts was finally published in 1979, the material relating to trade practices was omitted . . .” *Id.* at 464. Eight years later, the Institute appointed a Reporter for the new *Restatement (Third) of Unfair Competition* and work on the project began. *Id.*

223. See *supra* notes 219-22 and accompanying text.

224. The Restatement provided the following definition of a functional product feature:

A design is “functional” for purposes of the rule stated in § 16 if the design affords benefits in the manufacturing, marketing, or use of the goods or services with which the design is used, apart from any benefits attributable to the design’s significance as an indication of source, that are important to effective competition by others and that are not practically available through the use of alternative designs.

There remained, however, the nagging question of how to deal with the *Inwood* case. Some courts had effectively reconciled *Inwood* with *Morton-Norwich* and the competitive need rationale,²²⁵ but the fact remained that the second part of the functionality definition provided in *Inwood* was plainly inconsistent with such an approach.²²⁶

The Supreme Court removed this final obstacle in a pair of important trademark decisions issued during the 1990s. In the first case, *Two Pesos, Inc. v. Taco Cabana, Inc.*,²²⁷ the Court held that trade dress can be inherently distinctive, and thus resolved an issue that had split the circuit courts.²²⁸ The defendant, the petitioner before the Supreme Court, argued that such a holding would effectively open the floodgates and allow for unbridled trade dress protection.²²⁹ The Supreme Court responded by emphasizing the functionality limitation on such protection:

Suggestions that under the Fifth Circuit's law, the initial user of any shape or design would cut off competition from products of like design and shape are not persuasive. Only nonfunctional, distinctive trade dress is protected under § 43(a). The Fifth Circuit holds that a design is legally functional, and thus unprotectible [sic], if it is one of a limited number of equally efficient options available to competitors and free competition would be unduly hindered by according the design trademark protection. *This serves to assure that competition will not be stifled by the exhaustion of a limited number of trade dresses.*²³⁰

The Court's apparent approval of the competitive need standard used by the Fifth Circuit was important, but the Court did not directly address the *Inwood* problem.²³¹ The Supreme Court finally dealt with this issue in

RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 17 (1995). Though this version differs somewhat from the 1990 draft, it retains the emphasis on competitive need.

225. See *supra* notes 181-96 and accompanying text.

226. The second part of the *Inwood* definition was, if not plainly inconsistent with the competitive need approach, an incomplete statement of the law. As discussed above, virtually all features will have some impact on the cost or quality of a product. See *supra* note 180. But under the competitive need approach, only those features that affect cost or quality enough to impact competition are deemed functional. If the second part of the *Inwood* definition had said "affects the cost or quality in a competitively significant way," the definition would have been consistent with the competitive need approach.

227. 505 U.S. 763 (1992).

228. *Id.* at 767.

229. Reply Brief for Petitioner at 14-19, *Two Pesos, Inc. v. Taco Cabana Int'l, Inc.*, 505 U.S. 763 (1992) (No. 91-971).

230. *Two Pesos, Inc.*, 505 U.S. at 774-75 (citation omitted) (emphasis added).

231. The Supreme Court's reference to the Fifth Circuit functionality rule in *Two Pesos* was

Qualitex Co. v. Jacobson Products.²³² In *Qualitex*, the Court addressed the question of whether a color, standing alone, can be protected as a trademark.²³³ It was well-established that color could be protected as a *part* of a trademark,²³⁴ but the courts divided on the specific question raised in *Qualitex*.²³⁵ The Supreme Court held that when a color satisfies the “ordinary legal trademark requirements,” it is entitled to protection.²³⁶

In the course of its analysis, the *Qualitex* Court noted that one of the reasons given for denying trademark protection to colors was the notion “that colors are in limited supply.”²³⁷ Protecting colors as trademarks, the argument went, would soon result in a depletion of the available colors.²³⁸ The Supreme Court rejected this color depletion argument because “the trademark doctrine of ‘functionality’ normally would seem available to prevent the anticompetitive consequences” of such a depletion.²³⁹

This Court consequently has explained that, “in general terms, a product feature is functional,” and cannot serve as a trademark, “if it is essential to the use or purpose of the article or if it affects the cost or quality of the article,” *that is, if exclusive use of the feature would put competitors at a significant non-reputation-related disadvantage*.²⁴⁰

dicta, but so was the explanation of functionality provided in *Inwood*. Some commentators have given weight to the *Inwood* comment, while giving little or no weight to the precedentially comparable, but substantively quite different, comment in *Two Pesos*. See, e.g., Kratzke, *supra* note 7, at 80-81, 86-93 (describing the functionality standard from *Inwood* and providing a lengthy review of the *Two Pesos* decision, but concluding that the decision contained no guidance on the functionality issue). But see Weinberg, *supra* note 7, at 17-19, 20-21 (identifying the *Inwood* definition as dicta, noting that many courts nevertheless gave significant weight to that definition, but also noting the *Two Pesos* Court’s approval of the competition-based functionality standard used by the Fifth Circuit).

232. 514 U.S. 159 (1995).

233. *Id.* at 160-61.

234. *Id.* at 163.

235. *Id.* at 161.

236. *Id.*

237. *Id.* at 168.

238. *Id.*

239. *Id.* at 168-69.

240. *Id.* at 165 (emphasis added) (quoting *Inwood Labs. v. Ives Labs.*, 456 U.S. 844, 850 n.10 (1982)). The *Qualitex* Court went on to note:

Although sometimes color plays an important role (unrelated to source identification) in making a product more desirable, sometimes it does not. And, this latter fact—the fact that sometimes color is not essential to a product’s use or purpose and does not affect cost or quality—indicates that the doctrine of ‘functionality’ does not create an absolute bar to the use of color alone as a mark.

Id.

With this explanation, the Supreme Court reconciled its prior statement from *Inwood* with the competitive need rationale, and thus joined the numerous lower courts that had already done the same thing.²⁴¹ The reconciliation of *Inwood* was complete, and the second part of the *Inwood* test was a relic of the past, much like the old *Restatement of Torts* standard it resembled.

Qualitex provided the final nudge needed to move all the circuit courts to the competitive need standard. Prior to *Qualitex*, the circuits remained somewhat divided over how to best apply the competitive need rationale. For example, in *TESCO*,²⁴² the Eighth Circuit was the first regional circuit to return to a competition-based functionality standard in the period following the publication of the *Restatement of Torts*. In fact, the *TESCO* decision was quite influential in leading other courts to embrace the competitive need rationale.²⁴³ But the Eighth Circuit did not define functionality strictly in terms of competitive need in *TESCO*. Instead, the

241. Though one could argue that the quoted language from *Qualitex* was dictum, see, e.g., Jenkins, *supra* note 42, at 354, I disagree with that argument. In *Qualitex*, the Court considered and rejected a number of arguments advanced in support of a per se rule prohibiting trademark protection for colors. *Qualitex*, 514 U.S. at 164-65. The analysis of each of those arguments was necessary to the result in *Qualitex*, because if the Court had agreed with any of the arguments, the result would have changed. The question is closer on the specific functionality discussion quoted above, because it is not entirely clear that the Court would have reached a different conclusion concerning the protection of color as a trademark if it had endorsed a different functionality standard. The *Qualitex* Court's rejection of the color-depletion argument, however, was based on its understanding of the functionality doctrine. See *id.* 168-69. Though it is a somewhat close question, I read the Court's explanation of the functionality standard as a *ratio decidendi*, or binding holding, of the *Qualitex* case. See Mark Alan Thurmon, Note, *When The Court Divides: Reconsidering The Precedential Value of Supreme Court Plurality Decisions*, 42 DUKE L.J. 419, 423 (1992) (explaining that the *ratio decidendi* consists "of the postulates or conclusions necessary to reach the result in that case").

In the end, it does not matter how one characterizes the *Qualitex* Court's explanation of the *Inwood* functionality standard. The *Inwood* statement was dictum. If the *Qualitex* discussion also was dictum, then we have a subsequent nonprecedential statement by the Supreme Court explaining an earlier nonprecedential statement. Surely the *Qualitex* explanation is entitled to at least as much weight as the earlier statement from *Inwood*. If so, it would seem that *Qualitex*, at a minimum, neutralized the previous *Inwood* statement, leaving only the circuit court decisions to define the proper functionality standard. As noted above, the clear majority of the circuits used the competitive need rationale, the same functionality standard endorsed by the Supreme Court in *Qualitex*. See *supra* note 219.

242. *Truck Equip. Serv. v. Fruehauf Corp.*, 536 F.2d 1210 (8th Cir. 1976).

243. In *Morton-Norwich*, Judge Rich explained that "recent cases also discuss 'functionality' in light of competition." *In re Morton-Norwich Prods.*, 671 F.2d 1332, 1339 (C.C.P.A. 1982). *TESCO* is the first case cited in support of this proposition and the only decision from a U.S. court of appeals, other than the CCPA. *Id.* at 1339-40; see also *Sicilia Di R. Biebow & Co. v. Cox*, 732 F.2d 417, 425-26 (5th Cir. 1984) (giving similar weight to the *TESCO* decision); *Keene Corp. v. Paraflex Indus., Inc.*, 653 F.2d 822, 825-26 (3d Cir. 1981) (same).

court focused on whether the product feature at issue was “an important ingredient in the commercial success of the product,”²⁴⁴ a test that fails to fully advance the competitive need rationale.

Before *Qualitex* was decided, the Eighth Circuit used the “important ingredient” test.²⁴⁵ After *Qualitex*, the Eighth Circuit adopted the same competitive need standard endorsed by the Supreme Court.²⁴⁶ The functionality standard used in earlier Eighth Circuit decisions, the court held, “must be read in light of the Supreme Court’s later discussion in *Qualitex* and the result it reached in *Two Pesos*.”²⁴⁷ Other courts gave similar weight to the *Qualitex* explanation of the functionality doctrine.²⁴⁸

244. *Truck Equip. Serv.*, 536 F.2d at 1217 (quoting *Bliss v. Gotham Indus., Inc.*, 316 F.2d 848, 855 (9th Cir. 1963)). This standard comes from a controversial Ninth Circuit decision involving a decorative pattern used on hotel china. *Pagliari v. Wallace China Co.*, 198 F.2d 339, 343 (9th Cir. 1952) (“‘Functional’ in this sense might be said to connote other than a trade-mark purpose. If the particular feature is an important ingredient in the commercial success of the product, the interest in free competition permits its imitation in the absence of a patent or copyright.”).

245. See, e.g., *Prufrock Ltd. v. Lasater*, 781 F.2d 129, 133 (8th Cir. 1986) (“[I]f the trade dress is an important ingredient in the commercial success of the product, it is clearly functional.”); *Aromaticque, Inc. v. Gold Seal, Inc.*, 28 F.3d 863, 873-74 (8th Cir. 1994) (following *TESCO* and *Prufrock*).

246. *Home Builders Ass’n v. L & L Exhibition Mgmt., Inc.*, 226 F.3d 944, 948 n.5 (8th Cir. 2000) (“Before a trademark or trade dress will be denied Lanham Act protection under the functionality doctrine, *Qualitex* requires a court to find that exclusive use of that feature would put competitors at a significant non-reputation-related disadvantage.”).

247. *Id.* At least some district courts in the Eighth Circuit used the competitive need standard from *Qualitex* even before the Eighth Circuit formally adopted that test in *Home Builders*. A good example is found in an interesting case involving a claim by 3M that the canary yellow color used with its Post-it Notes was a trademark. *Minn. Mining & Mfg. v. Beautone Specialties Co.*, 82 F. Supp. 2d 997, 999 (D. Minn. 2000). The parties agreed that functionality should be determined based on competitive need, but differed sharply on whether the canary yellow color was needed to compete in the market for sticky notes. *Id.* at 1001-02 (“Both parties appear to agree that the availability similarly of beneficial alternative colors is the critical consideration in determining whether canary yellow is functional or not.”). The reported decision was issued about nine months prior to the Eighth Circuit’s *Home Builders* decision. See also *Ark Plas Prods. v. Value Plastics, Inc.*, 913 F. Supp. 1246, 1251 (W.D. Ark. 1996) (using a competitive need standard and citing *Qualitex* and the Restatement).

248. The competitive need rationale was well-established prior to *Qualitex* in the Second, Fifth, Seventh, Ninth, Tenth, and Federal Circuits. See *supra* note 219. After *Qualitex*, these courts continued to use a competitive need standard, but began using the explanation of the standard provided by the *Qualitex* Court. See, e.g., *Knitwaves, Inc. v. Lollytogs Ltd.*, 71 F.3d 996, 1005-06 (2d Cir. 1995); *Sunbeam Prods. v. W. Bend Co.*, 123 F.3d 246, 255-56 (5th Cir. 1997); *Thomas & Betts Corp. v. Panduit Corp.*, 138 F.3d 277, 288-89 (7th Cir. 1998); *Disc Golf Ass’n v. Champion Discs, Inc.*, 158 F.3d 1002, 1006 (9th Cir. 1998); *Vornado Air Circulation Sys. v. Duracraft Corp.*, 58 F.3d 1498, 1507 (10th Cir. 1995); *Midwest Indus., Inc. v. Karavan Trailers, Inc.*, 175 F.3d 1356, 1362 (Fed. Cir. 1999). In *Vornado*, the Tenth Circuit affirmed its adoption of the competitive need rationale as the general functionality standard, but held that some features of previously patented inventions must be denied protection even if non-functional. *Vornado Air Circulation Sys.*, 58 F.3d at 1507, 1510. This holding created the split that led the Supreme Court to intervene in *TrafFix*. See *infra* Part I.D.2.

2. Clarifying the Competitive Need Rationale

With the general functionality rationale established, courts turned to other issues, including an examination of the practical issues raised by the

In *I.P. Lund Trading ApS v. Kohler Co.*, 163 F.3d 27 (1st Cir. 1998), the First Circuit seemed to clearly endorse the *Qualitex* competitive need rationale. The court noted, "The core inquiry into whether trade dress is functional requires examination of the effect that granting protection to a product will have on the ability of others to compete." *Id.* at 37. But the *I.P. Lund* court's discussion was dicta and the court made clear that it did "not attempt a complete definition of functionality." *Id.* at 37 n.5. It seems clear from these comments, and the state of the law in other circuits, that the competitive need rationale was the proper standard in the First Circuit. Indeed, upon remand, the district court used the functionality standard from *Qualitex*. *I.P. Lund Trading ApS v. Kohler Co.*, 118 F. Supp. 2d 92, 102 (D. Mass. 2000) ("To determine whether a product configuration is functional or non-functional, the Court must inquire into the effects that granting protection to a product will have on competition. A product feature is functional . . . 'if exclusive use of the feature would put competitors at a significant non-reputation-related disadvantage.'" (quoting *Qualitex Co. v. Jacobson Prods.*, 514 U.S. 159, 165 (1995))).

The Fourth, Sixth, and Eleventh Circuits also adopted the functionality standard set out in *Qualitex*. See *Tools USA & Equip. Co. v. Champ Frame Straightening Equip., Inc.*, 87 F.3d 654, 657-59 (4th Cir. 1996); *Ashley Furniture Indus., Inc. v. Sangiacomo N.A.*, 187 F.3d 363, 375-76 (4th Cir. 1999); *Mktg. Displays, Inc. v. Traffix Devices, Inc.*, 200 F.3d 929, 938-39 (6th Cir. 1999); *Wilhelm Pudenz, GmbH v. Littlefuse, Inc.*, 177 F.3d 1204, 1207-08 (11th Cir. 1999). The Supreme Court reversed much of the functionality holding of the Sixth Circuit decision in *Traffix*, see *infra* Part II, but the decision clearly exhibited the Sixth Circuit's use of the competitive need rationale before the Supreme Court decision.

The functionality standard in the Third Circuit did not seem to change materially after *Qualitex*, but that may be a result of the court's adoption of an advanced competitive need standard earlier than some other courts. In *Keene Corp. v. Paraflex Industries, Inc.*, 653 F.2d 822 (3d Cir. 1981), the Third Circuit held that the ultimate functionality inquiry was "'whether prohibition of imitation by others will deprive the others of something which will substantially hinder them in competition.'" *Id.* at 827 (quoting RESTATEMENT OF TORTS § 742 cmt. a. (1938)). This language is strikingly similar to that used by the *Qualitex* Court to explain the *Inwood* standard. See *Qualitex*, 514 U.S. at 165. *Keene* predated *Inwood*, so in a sense, the Third Circuit started where all the other circuits ended.

This explanation of the Third Circuit's modern functionality jurisprudence, however, may be too kind. The Third Circuit, perhaps more than any other court, failed to develop a consistent and coherent functionality standard during the modern period. Indeed, some Third Circuit decisions seemed to employ contradictory concepts of functionality in the same case. See, e.g., *Merchant & Evans, Inc. v. Roosevelt Bldg. Prods.*, 963 F.2d 628, 633-35 (3d Cir. 1982) (discussing competitive need, alternative designs, and then seeming to equate functionality with an absence of any "purpose other than identification"). There are no Third Circuit cases addressing the functionality issue during the 1995-2001 period (i.e., after *Qualitex* and before *Traffix*), but it seems fair to assume the court would have followed the lead of the other circuits and taken notice of the similarities in its own *Keene* decision and the Supreme Court's decision in *Qualitex*. There is at least one Third Circuit district court decision during this period that used a competitive need standard and focused on the availability of alternative designs. *Tyco Indus., Inc. v. Tiny Love, Ltd.*, 914 F. Supp. 1068, 1082 (D.N.J. 1996) (holding that the plaintiff's design "was the best of [the] alternatives," and that "there are [a] limited number of alternative designs").

use of this rationale. Though courts agreed that functionality should be defined in terms of the impact protection would have on competition, there was a growing concern during the modern period that trademark law was providing too much protection for product designs.²⁴⁹ This concern was not new, as courts expressed similar concerns during the early development of the functionality doctrine.²⁵⁰ Unfortunately, the *Restatement of Torts*, and its apparent rejection of the competitive need rationale, was published while the early period courts were refining the competitive need standard. Courts in the modern period, therefore, were working in largely uncharted waters as they attempted to refine the standard.

The competitive need rationale was refined in two important respects during the modern period. First, courts held that absolute competitive necessity was not the proper standard. A feature is functional, the modern courts held, if it is one of a few available alternatives. Second, some courts began to focus more carefully on the analysis of alternative designs, holding that alternatives must be truly equivalent to the claimed design to support a finding that the design is non-functional.

a. Focusing on the Number of Available Alternatives

As courts embraced the competitive need rationale and either ignored or modified the second prong of the *Inwood* standard, some claimants urged courts to adopt the first prong of *Inwood* as the entire test for functionality.²⁵¹ These claimants argued that a feature is functional only if it is absolutely essential to the operation or marketability of the goods. This approach takes the competitive need rationale to its logical end: only items that are absolutely necessary would be deemed functional and thus denied trademark protection.

Courts rejected these efforts, but recognized the need to better define the competitive need functionality standard. The result was a focus on the number of available alternatives, not on whether the feature was essential.

249. A number of commentators expressed this concern. See, e.g., Mark A. Lemley, *The Modern Lanham Act and the Death of Common Sense*, 108 YALE L.J. 1687, 1700-01 (1999); J. Thomas McCarthy, *Lanham Act § 43(a): The Sleeping Giant is Now Wide Awake*, 59 LAW & CONTEMP. PROBS. 45, 63-64 (1996); J.H. Reichman, *Design Protection and the Legislative Agenda*, 55 LAW & CONTEMP. PROBS. 281, 289 (1992); Dowell, *supra* note 59, at 191-92; 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, 2058 (1993); Laba, *supra* note 42, at 1649-50.

250. See *supra* note 44 and accompanying text.

251. *Inwood Labs. v. Ives Labs.*, 456 U.S. 844, 850 n.10 (1982) (“a product feature is functional if it is essential to the use or purpose of the article or if it affects the cost or quality of the article”).

The nation's specialized patent court again led the way, with the new Federal Circuit holding in 1985 that the key question is whether the feature at issue "is the best, or at least one, of a few superior designs."²⁵² If such a design is protected as a trademark, the court held, "competition is hindered. *Morton-Norwich* does not rest on total elimination of competition in the goods."²⁵³

The Seventh Circuit's treatment of this issue provides a good example of the problem and solution. In *W.T. Rogers Co. v. Keene*,²⁵⁴ a case discussed above,²⁵⁵ the court defined functionality in terms of competitive need.²⁵⁶ In two subsequent cases, however, the Seventh Circuit focused on whether the design claimed as a trademark was "superior or optimal."²⁵⁷ "This [approach] would not be troubling," the court held in a later case, "if 'superior or optimal' were the same thing as 'something costly to do without,' but it is not. 'Superior' could mean something that is costly to do without, but 'optimal' implies that unless the feature in question is the *best possible* way to achieve a result, it is not 'functional.'"²⁵⁸ The court then explained that "[a] feature is functional if it is . . . costly to design around or do without," regardless of whether the feature is optimal, superior, or essential.²⁵⁹

This clarification of the competitive need rationale is important. It prevents the rationale from being used as an excuse to deem virtually all

252. *In re Bose Corp.*, 772 F.2d 866, 872 (Fed. Cir. 1985).

253. *Id.*

254. 778 F.2d 334 (7th Cir. 1985).

255. *See supra* notes 202-05 and accompanying text.

256. *W.T. Rogers Co.*, 778 F.2d at 339.

257. *Vaughan Mfg. Co. v. Brikam Int'l, Inc.*, 814 F.2d 346, 350 (7th Cir. 1987) (quoting *Sicilia Di R. Biebow & Co. v. Cox*, 732 F.2d 417, 429 (5th Cir. 1984)); *see also* *Serv. Ideas, Inc. v. Traex Corp.*, 846 F.2d 1118, 1123-24 (7th Cir. 1988) (quoting *Vaughan Mfg.*, 814 F.2d at 350).

258. *Schwinn Bicycle Co. v. Ross Bicycles, Inc.*, 870 F.2d 1176, 1189 (7th Cir. 1989).

259. *Id.* The Third Circuit and at least one commentator also have emphasized the need to focus on the number of available alternatives rather than whether a feature is essential. *See Merchant & Evans, Inc. v. Roosevelt Bldg. Prods.*, 963 F.2d 628, 634 (3d Cir. 1992) ("This court, like the *Morton-Norwich* court, has held product configurations to be functional when only a limited number of viable alternatives exist."). Professor Jay Dratler has argued for the same approach:

Consequently, the best approach to defining the standard for functional features relies on the concept of features 'dictated by function.' Properly understood, this approach asks not whether the feature is the only way to implement the desired utility, but whether the class of alternative designs that, by virtue of their utilitarian characteristics, have the same competitive potential is small or large. If that class is small, the feature is functional. If it is large, the feature is nonfunctional.

Dratler, *supra* note 35, at 946.

features non-functional. By emphasizing the need to ensure that a reasonable number of viable alternative designs remain available, this approach results in a robust competitive environment.

b. Focusing on the Proper Alternatives

The competitive need rationale, when properly understood, has something of a self-regulating nature. To show that a feature is not needed by competitors, claimants present evidence of alternative designs. The alternatives must be available and equivalent to the claimant's design. The first of these requirements—availability of the alternative designs—produces the self-regulating characteristic of the competitive need rationale.

Consider, for example, a plaintiff arguing that the color of its product is a trademark. To prove the color is non-functional, the plaintiff probably will present evidence of alternative colors that work just as well as the claimed color. There is, however, a risk in the presentation of such evidence. Alternatives must be *available*, which, in this context, means noninfringing. By identifying a particular color or shade as an alternative, a plaintiff may also be admitting that the proffered color or shade does not infringe its rights in the claimed color. In so doing, the plaintiff may be defining the outer limits of its trademark protection, or at least some points outside those limits.

Alternative designs also must be equivalent to the claimed design. The Ninth Circuit recently emphasized the importance of this point in *Leatherman Tool Group, Inc. v. Cooper Industries, Inc.*²⁶⁰ *Leatherman*

260. 199 F.3d 1009 (9th Cir. 1999). The *Leatherman* litigation involved another important issue that ultimately reached the Supreme Court: the proper standard of review in appeals of allegedly excessive punitive damages awards. *Cooper Indus., Inc. v. Leatherman Tool Group, Inc.*, 532 U.S. 424, 435-37 (2001). The issue, and the Ninth Circuit's treatment of it, arose in a rather odd way. As explained in the text above, the Ninth Circuit found the *Leatherman* tool design functional, and therefore reversed the jury's finding of trade dress infringement. *Leatherman Tool Group, Inc.*, 199 F.3d at 1013. That decision, however, did not dispose of the entire dispute.

The *Leatherman* case also included a claim of unfair competition based on Cooper's unauthorized use of photographs of a modified *Leatherman* tool. *Cooper Indus., Inc.*, 532 U.S. at 427-28. When Cooper introduced its new ToolZall multi-purpose tool at a trade show in 1996, Cooper "used photographs in its posters, packaging, and advertising materials that purported to be of a ToolZall but were actually of a modified [*Leatherman*] PST." *Id.* at 427. The photographs apparently were used because Cooper did not have a prototype of its own tool in time to prepare materials for the trade show. *Id.* at 442-43.

The jury awarded *Leatherman Tool Group* \$50,000 in compensatory damages and \$4.5 million in punitive damages. *Id.* at 426. The Ninth Circuit, in an unpublished decision, affirmed the jury's finding of unfair competition based on Cooper's use of the photograph of a modified *Leatherman* PST and, somewhat surprisingly, affirmed the damages awards. *Id.* at 430. The Ninth Circuit held such awards were not an abuse of the district court's discretion. *Id.* at 431.

The Supreme Court vacated the Ninth Circuit's decision on the damages awards, holding that

involved a trademark claim based on the design of the popular Leatherman Pocket Survival Tool (PST), a multi-purpose handheld tool.²⁶¹ In an effort to prove the design was non-functional, the plaintiff introduced evidence of many competing multi-purpose tools, all with designs differing from that of the Leatherman PST.²⁶² A jury found the PST design non-functional, but the Ninth Circuit reversed because the alternative designs were not equivalent to the plaintiff's tool:

While it is appropriate to look to possible alternatives when judging whether a design is functional, the evidence here was unequivocal that none of the alternatives offered the same functionality as the PST. Even though many of the tools likely are highly functional and useful, none of them offer *exactly* the same features as the PST. . . . Leatherman does not have the right to preclude competition in any particular subset of the overall market.²⁶³

The *Leatherman* case provides a good example of the importance of these requirements and the resulting self-regulation of the competitive need rationale. The plaintiff presented evidence of many different multi-purpose tools in the same general competitive group as its own tool.²⁶⁴ There was little risk in presenting such evidence because the differences

questions as to the constitutionality of punitive damages awards must be reviewed de novo by an appellate court. *Id.* The Court noted with approval the Ninth Circuit's treatment of the functionality question, and concluded the punitive damages award might well be constitutionally suspect given the rather thin basis upon which the award ultimately rested. *Id.* at 441. The photograph was neither intentionally nor materially misleading, the Court noted, because it showed the same design and features found in Cooper's new tool. *Id.* at 442. Upon remand, the Ninth Circuit capped the punitive damages award in the case at a maximum of \$500,000. *Leatherman Tool Group, Inc. v. Cooper Indus., Inc.*, 285 F.3d 1146, 1147 (9th Cir. 2002).

The Supreme Court's decision may not end the controversy over the proper standard of review of punitive damages awards. The Court held that questions as to the constitutionality of such awards (i.e., whether an award is so excessive it is unconstitutional under the Court's holding in *BMW of North America, Inc. v. Gore*, 517 U.S. 559 (1996)) must be reviewed de novo, but the Court did not reach the question of what standard should be used to resolve other questions concerning the propriety of punitive damages awards. *Cooper Indus., Inc.*, 532 U.S. at 431. The limited nature of the Court's holding in *Cooper Industries* suggests that the Court resolved an issue that did not really exist. Surely an unconstitutional punitive damages award constitutes an abuse of discretion, since no court has the discretion to issue unconstitutional judgments. Given this reality, it is not clear how a de novo standard of review, if limited to the constitutionality question, will make any difference. The Supreme Court's ruling, of course, did make a difference in the *Leatherman* case, but it is unclear whether that result was due to the changed standard of review or the Supreme Court's rather clear suggestion that the \$4.5 million award, was in fact, unconstitutionally excessive.

261. *Leatherman Tool Group, Inc.*, 199 F.3d at 1010.

262. *Id.* at 1013-14.

263. *Id.*

264. *Id.*

likely sufficed to eliminate any serious risk of consumer confusion. However, the evidence failed to prove that the plaintiff's design was non-functional. To prevail on the functionality issue, the plaintiff would have had to present evidence of designs performing *exactly* the same functions as its own tool. That may have been possible, but such designs probably would have looked much like the plaintiff's own tool, thus severely limiting the scope of the plaintiff's trademark rights.

By refining the alternatives analysis in this way, the courts created a coherent, workable, and somewhat self-limiting functionality standard. It is not, as some critics have argued, a meaningless standard that allows trademark protection of almost any product design.²⁶⁵ Such arguments are based on an incomplete understanding of the competitive need rationale and the alternatives analysis.

D. *Secondary Functionality Issues*

By the end of the modern period, the federal courts had settled on the competitive need rationale as the proper general functionality standard. Two other functionality issues, however, were not so clearly resolved. First, courts continued to struggle with the concept of aesthetic

265. It is certainly true that a great many product or packaging features will be deemed non-functional under a competitive need standard. This standard is not particularly limiting, though one must remember that the functionality rule is only of consequence when the feature or features at issue are distinctive. When distinctive features are denied protection, some confusion is likely to follow. A strong justification is needed to support such a result. The competitive need standard provides that justification by allowing protection except where it would significantly hinder competition. The patent bargain and right-to-copy rules provide little social benefit beyond that already provided by a competition-based functionality rule. For a more complete discussion of these points, see *infra* Part III.A.3. Most criticisms of the competitive need functionality standard are presented in support of either a patent bargain or right-to-copy rule. See *infra* notes 288, 301. These criticisms are often overly formalistic, focusing on the perceived need to ensure that unpatented articles are free for all to copy. See, e.g., Marshall, *supra* note 7, at 639-40 (arguing for a constitutional right to copy all features of unpatented articles and criticizing the *TrafFix* Court for failing to adopt such a rule); Pollack, *supra* note 42, at 295-98 (presenting a patent bargain argument based, in large part, on *Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111 (1938) (discussed in *supra* note 78)); Dowell, *supra* note 59, at 168-70 (arguing for a constitutional right to copy); Weitzer, *supra* note 42, at 195-96 (arguing for a per se rule preventing trade dress protection for any feature disclosed in an expired utility patent).

At least one commentator sees the *TrafFix* decision as a move "that hopefully restores the interests of consumers to a position paramount to the interests of competitors." Kratzke, *supra* note 7, at 74. The commentator argued for "a broad right to copy product features not sufficiently reflecting invention or creativity to be worthy of a patent or copyright." *Id.* at 106. These arguments miss the mark. A right to copy does not protect consumers. It protects competitors who copy distinctive product features, a practice that clearly increases the risk of consumer confusion. The arguments presented by Professor Kratzke are an example of the tendency of many commentators to overlook the confusion costs imposed by adopting a restrictive functionality rule or an even more restrictive right-to-copy rule. See *infra* Part III.A.2.

functionality—the notion that a feature might be functional based solely on the feature's aesthetic value. Second, courts struggled with the patent bargain concept, an issue that arose during the early development of the functionality doctrine. These two issues were not fully resolved by the end of the modern period, but the courts were close to agreement on both points.

1. Aesthetic Functionality and the Competitive Need Rationale

During the early development of the functionality doctrine, courts recognized that in certain product markets aesthetic features provide important competitive advantages.²⁶⁶ For example, in a 1913 case, the Third Circuit refused to protect the design of a small bottle shaped like a desk telephone.²⁶⁷ The court held that the bottles' "function as a container of anything is negligible. . . . They are not articles of utility, and the only reason assignable for their production is that, being diminutive replicas of things in common use, they appeal to a certain sense akin to that of humor, especially in children."²⁶⁸ Various courts reached similar decisions in cases involving toys that resembled trucks or animals.²⁶⁹

These cases were not treated as exceptions to any general rule. The same competition-based standard was used, whether the competitive advantage resulted from utilitarian or aesthetic value. The *Restatement of Torts* endorsed the aesthetic functionality concept in a comment and suggested the use of a competition-based analysis in cases involving aesthetic features.²⁷⁰ In one early case, a court followed the Restatement

266. Some commentators have overlooked the early origins of the aesthetic functionality doctrine. See, e.g., Harriman, *supra* note 35, at 280 ("The first notions of aesthetic functionality were derived from a comment to the 1938 Restatement of Torts."); Kellner, *supra* note 30, at 935 ("*Pagliari v. Wallace China Co.*, 198 F.2d 339, 343 (9th Cir. 1952), was the earliest attempt to formulate a definition of aesthetic functionality.").

267. *John H. Rice & Co. v. Redlich Mfg. Co.*, 202 F. 155, 157 (3d Cir. 1913).

268. *Id.*

269. *Moline Pressed Steel Co. v. Dayton Toy & Specialty Co.*, 30 F.2d 16, 18 (6th Cir. 1929) (allowing the defendant to copy aesthetic features of a toy truck because the features were needed to create a miniature version of a real truck); *Margarete Steiff, Inc. v. Bing*, 215 F. 204, 208 (S.D.N.Y. 1914) ("Name, color, form, and shape are rarely essentials in function, yet they may be, and are here. In so far as the Steiff animals copy or reproduce nature, so far they can claim no protection, for every one can do that."). In an early action involving the shape of a shredded wheat biscuit, *Learned Hand*, writing for the Second Circuit, found certain aspects of the shape functional, despite an apparent lack of utility in the shape. *Shredded Wheat Co. v. Humphrey Cornell Co.*, 250 F. 960, 964-65 (2d Cir. 1918) ("[T]o require the defendant to adopt a shade different enough for commercial distinction would be to force them to bake their biscuits so that they would be repellant to most tastes.").

270. RESTATEMENT OF TORTS § 742 cmt. a (1938):

The determination whether or not such features are functional depends upon

analysis and found aesthetic features functional because the defendant and others needed the features to effectively compete with the plaintiff.²⁷¹ Despite this early application of the Restatement, the aesthetic functionality concept was largely ignored for the next fourteen years. All that changed, however, in 1952.

The aesthetic functionality doctrine leaped into the limelight with the Ninth Circuit's decision in *Pagliario v. Wallace China Co.*²⁷² The case involved an unfair competition claim based on the design of a hotel china pattern, a design feature that clearly provided no utilitarian advantage.²⁷³ In a strong endorsement of aesthetic functionality, the court held the pattern was functional because its aesthetic appeal was "an important ingredient in the commercial success of the product."²⁷⁴ The *Pagliario* decision has been widely criticized, by both courts and commentators.²⁷⁵

the question of fact whether prohibition of imitation by others will deprive the others of something which will substantially hinder them in competition.

A feature is nonfunctional if, when omitted, nothing of substantial value in the goods is lost.

Id. There is some ambiguity in the comment's reference to a competition-based analysis. The comment could be read as supporting the use of a competition-based functionality standard in all cases because it is not clear whether the reference to "such features" was limited to aesthetic features or included both utilitarian and aesthetic features. The courts quickly mooted this point as different functionality standards developed in utilitarian and aesthetic cases following the Restatement. *See supra* notes 115-22 and accompanying text (reviewing applications of the Restatement in utilitarian cases); *infra* notes 272-78 and accompanying text (reviewing development of the "important ingredient" standard for aesthetic functionality).

271. *Ainsworth v. Gill Glass & Fixture Co.*, 26 F. Supp. 183, 186-87 (E.D. Pa. 1938). The case involved the design of a "semi-indirect" lighting fixture, a fixture with an opaque, metallic lower bowl and a translucent top section. *Id.* at 184. The plaintiff held a patent on its fixture and sued for patent infringement and unfair competition. *Id.* The court found the patent invalid and held the design functional. *Id.* at 185, 187.

The court's functionality analysis was based on a Third Circuit precedent and the Restatement comment. The court recognized "the principle that there may be functional features, not protected against imitation, which impart no mechanical or structural advantages to the goods." *Id.* at 186 (citing *Elizabeth Arden, Inc. v. Frances Denney, Inc.*, 99 F.2d 272 (3d Cir. 1938)). The *Ainsworth* court went on to quote the Restatement comment as further support for its decision that the aesthetic elements of the lighting fixture were functional. *Id.* at 186-87 ("When goods are bought largely for their aesthetic value, their features may be functional because they definitely contribute to that value and thus aid the performance of an object for which the goods are intended.") (quoting RESTATEMENT OF TORTS § 742 cmt. a (1938)).

272. 198 F.2d 339 (9th Cir. 1952).

273. *Id.* at 340.

274. *Id.* at 343.

275. The Third Circuit provided the following criticism of the *Pagliario* holding in an influential decision:

The difficulty with accepting such a broad view of aesthetic functionality, which

For many years after *Pagliero* was decided, courts seemed to focus more on the question of whether aesthetic value can ever be a legitimate basis to deny trademark protection, rather than on the question of what functionality standard should be used in cases involving aesthetic features. Some courts reacted to *Pagliero* by rejecting aesthetic functionality entirely. The CCPA, and later the Federal Circuit, under the leadership of Giles Rich, took the lead in this movement.²⁷⁶ The Fifth and Sixth Circuits

relates the doctrine to the commercial desirability of the feature at issue without consideration of its utilitarian function, is that it provides a disincentive for development of imaginative and attractive design. The more appealing the design, the less protection it would receive.

Keene Corp. v. Paraflex Indus., Inc., 653 F.2d 822, 825 (3d Cir. 1981); *see also* *Sicilia Di R. Biebow & Co. v. Cox*, 732 F.2d 417, 427-28 (5th Cir. 1984) ("Defining functionality as anything that is 'an important ingredient in the commercial success' of a product would almost always permit a second comer freely to copy the trade dress of a successful product that has accumulated goodwill."); *Warner Bros. v. Gay Toys, Inc.*, 724 F.2d 327, 331 & n.4 (2d Cir. 1983) (holding that the "functionality defense . . . is designed to encourage competition and the broadest dissemination of useful design features," and analogizing the functionality defense to the useful article doctrine of copyright law); *In re DC Comics, Inc.*, 689 F.2d 1042, 1045 (C.C.P.A. 1982) ("[W]e consider such a broad definition to be at odds with this court's precedent in this area.").

A number of commentators have criticized *Pagliero*, too. *See, e.g.*, Duft, *supra* note 37, at 178 (criticizing the "important ingredient" test from *Pagliero* because all valuable trademarks are important ingredients in the success of the products they identify); Harriman, *supra* note 35, at 281 (the *Pagliero* "test suffers from overbreadth"); Kellner, *supra* note 30, at 935 ("[T]he *Pagliero* definition threatens to cut off protection for product configurations at a point where they are most successfully performing the trademark function of identifying a particular source"); Krieger, *supra* note 37, at 375 ("[U]nder this [*Pagliero*] approach, an attractive design adopted and used to distinguish one's goods and thus serving as a valid trademark may be in danger of losing its legal protection whenever it becomes an important ingredient in the commercial success of a product.").

276. Though the CCPA and Federal Circuit led the movement against aesthetic functionality, both courts seemed to stop short of an outright rejection of the doctrine. For example, in *DC Comics*, the court reversed a TTAB holding because the designs at issue provided "no engineering advantage," a view clearly at odds with the aesthetic functionality concept. *DC Comics*, 689 F.2d at 1045. The court's functionality analysis essentially concluded with the following explanation: "We find no merit in the argument that, by virtue of the aesthetic features identified by the board, appellant's drawings are unable to perform as trademarks for toy dolls." *Id.* This statement might reflect an outright rejection of aesthetic functionality, as it is possible that the "aesthetic features identified by the board" would not make the drawings functional, no matter how much their aesthetic appeal affected competition. The statement also can be read as leaving room for a finding of aesthetic functionality in a later case. One could conclude that sufficient alternatives were available in the *DC Comics* scenario to justify a conclusion that the drawings' aesthetic appeal was not sufficient to render them functional.

In later cases, the Federal Circuit interpreted the *DC Comics* decision as a rejection of the broad aesthetic functionality position taken by the Ninth Circuit in *Pagliero*. *See, e.g.*, *Brunswick Corp. v. British Seagull Ltd.*, 35 F.3d 1527, 1533 (Fed. Cir. 1994) ("[T]he per se doctrine of aesthetic functionality [was] rejected in *DC Comics*."). But it turns out this "per se doctrine" was a somewhat narrow view of aesthetic functionality. In the *Brunswick* case, the court held that the black color

followed this lead,²⁷⁷ while the Eighth and Ninth Circuits followed *Pagliero*, at least in some cases.²⁷⁸

In retrospect, it seems the *Pagliero* court erred not so much in its endorsement of aesthetic functionality, as in the specific standard it adopted.²⁷⁹ The court expressly relied on the free competition policy,²⁸⁰ but

of Brunswick's Mercury outboard engines did not "serve[] purely aesthetic functions." *Id.* Black was a competitively important color, the court held, because "the color black exhibits both color compatibility with a wide variety of boat colors and ability to make objects appear smaller." *Id.* at 1531. Setting aside the questionable view that owners of boats with outboard engines want their engines to "appear smaller," these benefits seem more aesthetic than utilitarian. Unless boats with color-coordinated engines or with engines that "appear smaller" go faster or attract more fish, these features probably do little to increase the utility of the boats or engines.

The *Brunswick* analysis illustrates the problems posed by different functionality standards for aesthetic and utilitarian features. When features of primarily aesthetic value are clearly important to competition, as appeared to be true in the *Brunswick* case, courts are forced to engage in a rather tortured analysis to reach the desired result. In any event, *Brunswick* represented the Federal Circuit's reluctance to embrace aesthetic functionality. The result reached in *Brunswick*, denial of Brunswick's application to register the color black for outboard engines, *id.* at 1529, was probably correct, but it seems a bit silly to characterize the benefits of the black color as utilitarian.

277. See, e.g., *Ferrari S.P.A. Esercizio Fabriche Automobili e Corse v. Roberts*, 944 F.2d 1235, 1247 (6th Cir. 1991) (concluding that the court's prior decisions had "implicitly rejected *Pagliero*'s aesthetic functionality test"); *Sno-Wizard Mfg., Inc. v. Eisemann Prods.*, 791 F.2d 423, 426 n.3 (5th Cir. 1986); *Sicilia Di R. Biebow & Co. v. Cox*, 732 F.2d 417, 428-29 (5th Cir. 1984) (criticizing *Pagliero* and rejecting aesthetic functionality as a bar to trademark protection).

278. The actual aesthetic functionality rule in the Ninth Circuit was not clear during much of the modern period, as illustrated by its decision in *Vuitton et Fils S.A. v. J. Young Enterprises*, 644 F.2d 769 (9th Cir. 1981). The dispute involved a fabric design used on luggage and hand bags. *Id.* at 771. The district court used the *Pagliero* standard and found the design functional. *Id.* On appeal, the Ninth Circuit reversed, holding the design at issue was not needed for effective competition. *Id.* at 777. Though the court did not reject the aesthetic functionality doctrine, it clearly signaled a retreat from the *Pagliero* decision.

Just one year earlier, however, the Ninth Circuit issued a decision that seemed to go beyond even the *Pagliero* rule. In *International Order of Job's Daughters v. Lindeburg & Co.*, 633 F.2d 912, 918 (9th Cir. 1980), the court held that an organization's logo was functional when used with jewelry items. In this case, the logo at issue was clearly a trademark, and a non-functional mark when used in connection with the organization's services. The china pattern at issue in *Pagliero* had no role other than as a decorative china pattern. In *Job's Daughters*, the court effectively eliminated the trademark owner's ability to control the quality of certain goods bearing its mark.

The rule in the Eighth Circuit also was somewhat unclear. However, the court's decision in *J.C. Penney Co. v. H.D. Lee Mercantile Co.*, 120 F.2d 949 (8th Cir. 1941), can be read as an early endorsement of the aesthetic functionality doctrine. See *supra* notes 115-18 and accompanying text (discussing the *J.C. Penney* case). During the modern period, the Eighth Circuit seemed to use the *Pagliero* standard in a case involving cellophane packaging used with a line of potpourri. *Aromatique, Inc. v. Gold Seal, Inc.*, 28 F.3d 863, 874 (8th Cir. 1994) (finding that the various elements of the plaintiff's packaging "are important ingredients in the commercial success of Aromatique's products").

279. It also appears that the rather extreme rejections of the aesthetic functionality doctrine by the Fifth and Federal Circuits were overreactions to the Ninth Circuit's *Pagliero* analysis. These courts were correct to criticize *Pagliero*, but they went too far in the opposite direction. The

the functionality test it used was not well-tailored to advance that policy. While it is surely true that “an important ingredient in the commercial success of a product” is a competitively advantageous feature, it does not follow that competitors need to use the feature. Only by evaluating alternative designs can a court accurately determine the competitive significance of a particular feature or design. The *Pagliari* test does not require any analysis of alternatives. Indeed, the *Pagliari* facts suggest that the defendant could have used any one of many other china patterns.²⁸¹ Denying protection to the plaintiff’s design probably did very little to enhance the competitive market for hotel china.

Over time, some courts, including the Ninth Circuit, moved away from the “important ingredient” standard in aesthetic functionality cases and relied instead on the same competitive need standard used in utilitarian functionality cases.²⁸² This trend is reflected in the *Restatement (Third) of*

adoption of a competition-based analysis for all functionality issues, as illustrated by the Seventh Circuit’s analysis in *W.T. Rogers Co. v. Keene*, 778 F.2d 334 (7th Cir. 1985), *see supra* notes 202-06 and accompanying text, and by the *Restatement (Third) of Unfair Competition*, *see supra* note 220, reflects a better-reasoned position.

280. *Pagliari v. Wallace China Co.*, 198 F.2d 339, 343 (9th Cir. 1952) (basing its functionality standard on “the interest in free competition”).

281. *Id.* at 344 (noting that the defendant “can also compete by developing designs even more aesthetically satisfying”).

282. Judge Posner of the Seventh Circuit provided the following discussion of the challenge posed by aesthetic functionality disputes:

The difficult cases, and this is one, are cases in which the feature sought to be trademarked can be said to be functional only if giving aesthetic pleasure is a function. . . .

. . . .

It is doubtful that any simple rule could be devised to decide these cases. On the one hand it would be unreasonable to deny trademark protection to a manufacturer who had the good fortune to have created a trade name, symbol, or design that became valued by the consuming public for its intrinsic pleasingness as well as for the information it conveyed about who had made the product But it would also be unreasonable to let a manufacturer use trademark law to prevent competitors from making pleasing substitutes for his own brand; yet that would be the effect of allowing him to appropriate the most pleasing way of configuring the product.

W.T. Rogers Co., 778 F.2d at 340 (citations omitted). The court concluded that a competitive need functionality standard provided the proper balance. *Id.* at 343 (“If effective competition is possible without copying that feature, then . . . it is not a functional feature.”); *see also* *Wallace Int’l Silversmiths, Inc. v. Godinger Silver Art Co.*, 916 F.2d 76, 82 (2d Cir. 1990) (holding a claim to the general design elements of baroque-style silverware functional because the elements copied by the defendant were “necessary to compete in the market for baroque silverware”); *Vuitton et Fils S.A.*, 644 F.2d at 777 (rejecting an aesthetic functionality argument because protection of the features at issue would not unduly hinder competition).

Unfair Competition, which endorses a competition-based functionality standard for all cases.²⁸³ The Supreme Court's endorsement of the same approach in *Qualitex* seemed to solidify the move toward a single functionality standard, regardless of the aesthetic or utilitarian nature of the feature at issue.²⁸⁴ The *TrafFix* decision confirmed the legitimacy of the aesthetic functionality concept and the propriety of a competition-based standard in aesthetic functionality cases.²⁸⁵ On these two points, *TrafFix* simply confirmed the existing state of the law. It was the *TrafFix* Court's adoption of a different utilitarian functionality standard, and the problems caused by that standard and the now-important aesthetics/utility distinction, that make *TrafFix* such a troubling decision.

2. The Patent Bargain, the Right to Copy, and the Competitive Need Functionality Standard

During the early development of the functionality doctrine, courts frequently expressed concern that unfair competition protection for product designs could conflict with the patent system.²⁸⁶ These concerns, however, did not lead to any special functionality rules. Instead, courts during the early period consistently used a competition-based functionality standard.²⁸⁷ It seems clear that the courts of this period believed a competitive need standard was sufficient protection against such conflict.

There is, however, more to the story. During the same period, the Supreme Court decided three cases that seemed to recognize a right to copy previously patented inventions.²⁸⁸ The right-to-copy concept and the

283. See RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 17 cmt. c. (1995).

284. *Qualitex Co. v. Jacobsen Prods., Inc.*, 514 U.S. 159, 169 (1995) ("The 'ultimate test of aesthetic functionality . . . is whether the recognition of trademark rights would significantly hinder competition.'" (quoting RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 17 cmt. c. (1985))).

285. *TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 33 (2001) ("It is proper to inquire into a 'significant non-reputation-related disadvantage' in cases of esthetic [sic] functionality . . ." (quoting *Qualitex*, 514 U.S. at 165)).

286. See *supra* notes 51-54 and accompanying text.

287. Note, *supra* note 49, at 552-53.

288. *Scott Paper Co. v. Marcalus Mfg. Co.*, 326 U.S. 249 (1945); *Kellogg Co. v. Nat'l Biscuit Co.*, 305 U.S. 111 (1938); *Singer Mfg. Co. v. June Mfg. Co.*, 163 U.S. 169 (1896). A careful analysis of this trio of cases is beyond the scope of this Article, but I should express my own interpretation in the interest of full disclosure. I believe the right-to-copy language in all three cases is dicta and not relevant to the question of whether trademark law can or should extend protection to unpatented articles. In all three cases, the ultimate decision was based on other grounds, and the Court seemed to be making general statements concerning the public's right-to-copy articles otherwise in the public domain. I provide additional comments on the *Singer* and *Kellogg* decisions in earlier notes. See *supra* notes 59, 78.

A number of commentators have read these cases differently, with some arguing that the Supreme Court confirmed in this trio of decisions a constitutional right to copy any unpatented article. See, e.g., Davis, *supra* note 7, at 249-51 (reviewing the decisions and concluding that the

functionality doctrine developed along separate paths until the modern period. The functionality cases cited in the preceding sections illustrate one path. The right-to-copy path, on the other hand, led to a series of preemption decisions, beginning in 1964 with the companion *Sears* and *Compco*²⁸⁹ cases.

In the *Sears* and *Compco* cases, the Supreme Court held that federal patent law preempted certain unfair competition claims brought under state law.²⁹⁰ Both cases began with patent infringement and unfair competition claims.²⁹¹ In both cases, the district court invalidated the patents, thus eliminating the patent infringement claims.²⁹² The plaintiffs, however, prevailed in both cases on the unfair competition claims.²⁹³ The Supreme Court reversed, holding that the unfair competition claims presented in the cases were preempted by federal patent law.²⁹⁴ The *Sears* and *Compco* decisions were clear enough on this point, but unfortunately the decisions did not clearly indicate what room, if any, was left for unfair competition claims based on product configurations. It was this issue that proved the most controversial in the wake of the *Sears* and *Compco* decisions.

Supreme Court adopted a patent bargain rationale that precludes trademark protection for any features claimed in an expired utility patent); Davis, *supra* note 35, at 641-46 (arguing that functionality is a constitutionally required limitation on trade dress protection); Fischer, *supra* note 42, at 33-35, 59-60 (reviewing the *Kellogg* decision and arguing for a "bright-line rule that precludes the trade dress protection of any feature disclosed in a patent"); Jenkins, *supra* note 42, at 346-48 (arguing that *Singer* and *Kellogg* recognized a right to copy previously patented designs); Marshall, *supra* note 7, at 639-40 (arguing that the *TrafFix* Court erred in not enforcing a constitutional right to copy unpatented articles; it should be noted that Marshall represented the defendant in the *TrafFix* litigation); Pollack, *supra* note 42, at 295-98 (arguing that the *Kellogg* decision recognized a right-to-copy features included in an expired patent); Taylor, *supra* note 7, at 215 ("During the 19th century, the Supreme Court recognized the dominance of patent law over trademark law for protecting functional innovations."); Dowell, *supra* note 59, at 168-71 (arguing that the right to copy is grounded in the Constitution's Patent and Copyright Clause); Geremia, *supra* note 42, at 793-95 (reviewing the trio of decisions and arguing for a right to copy unpatented articles); Gill, *supra* note 42, at 1282-85 (arguing that the Supreme Court's early decisions recognized the "public's right to copy expired patents"); Weitzer, *supra* note 42, at 195 (reviewing the trio of decisions and concluding that "Supreme Court precedent clearly instructs lower courts that configurations included within a patent should be dedicated, without restriction, to the public upon expiration of the patent . . . [T]rade dress protection should not be available for such configurations").

289. *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225 (1964); *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234 (1964).

290. *Sears, Roebuck & Co.*, 376 U.S. at 232-33; *Compco Corp.*, 376 U.S. at 235.

291. *Sears, Roebuck & Co.*, 376 U.S. at 226; *Compco Corp.*, 376 U.S. at 235.

292. *Sears, Roebuck & Co.*, 376 U.S. at 226; *Compco Corp.*, 376 U.S. at 235.

293. *Sears, Roebuck & Co.*, 376 U.S. at 226; *Compco Corp.*, 376 U.S. at 235.

294. *Sears, Roebuck & Co.*, 376 U.S. at 232-33; *Compco Corp.*, 376 U.S. at 237-38.

The two decisions contain somewhat conflicting explanations of the sweep of federal preemption. In *Sears*, the Supreme Court viewed the district court's decision as imposing unfair competition liability "based only on the fact that Sears' lamp was copied from Stiffel's unpatented lamp and that consequently the two looked exactly alike."²⁹⁵ This interpretation of the claim seemed to leave room for unfair competition claims based on product designs proven distinctive. Indeed, the *Sears* Court explained that its ruling should not be read as preempting state unfair competition or trademark laws requiring use of distinctive labels or other source identifiers.²⁹⁶

Compco presented a somewhat more difficult question, because the district court expressly found that the plaintiff's design was distinctive.²⁹⁷ This finding took *Compco* a step beyond *Sears* and raised questions about whether the two decisions could be limited to unfair competition claims based solely on copying.

A State of course has power to impose liability upon those who, knowing that the public is relying upon an original manufacturer's reputation for quality and integrity, deceive the public by palming off their copies as the original. That an

295. *Sears, Roebuck & Co.*, 376 U.S. at 232. The district court found that the "Sears' lamp was 'a substantially exact copy' of Stiffel's and that the two lamps were so much alike, both in appearance and in functional details, 'that confusion between them is likely, and some confusion has already occurred.'" *Id.* at 226. The district court's finding that confusion was likely could be read as implicitly including a finding that the plaintiff's lamp design was distinctive. The Supreme Court, however, did not read the district court's analysis in this way. The Supreme Court concluded that the district court required the plaintiff "only to prove that there was a 'likelihood of confusion as to the source of the products'—that the two articles were sufficiently identical that customers could not tell who had made a particular one." *Id.* at 227.

296. The *Sears* Court explained:

Doubtless a State may, in appropriate circumstances, require that goods, whether patented or unpatented, be labeled or that other precautionary steps be taken to prevent customers from being misled as to the source, just as it may protect businesses in the use of their trademarks, labels, or distinctive dress in the packaging of goods so as to prevent others, by imitating such markings, from misleading purchasers as to the source of the goods.

Id. at 232.

297. *Compco Corp.*, 376 U.S. at 235 (explaining that the district court found "the appearance of Day-Brite's design had 'the capacity to identify [Day-Brite] in the trade and does in fact so identify [it] to the trade'" (alteration in original)). The *Compco* Court seemed to gloss over this point when it explained that *Compco* had been held liable "based wholly on the fact that selling an article which is an exact copy of another unpatented article is likely to produce and did in this case produce confusion as to the source of the article." *Id.* at 237. Relying on this explanation, the *Compco* Court applied the reasoning from the *Sears* decision and held that the unfair competition claim in *Compco* was preempted. *Id.* at 237-38.

article copied from an unpatented article could be made in some other way, that the design is “nonfunctional” and not essential to the use of either article, that the configuration of the article copied may have a “secondary meaning” which identifies the maker to the trade, or that there may be “confusion” among purchasers as to which article is which or as to who is the maker, may be relevant evidence in applying a State’s law requiring such precautions as labeling; however, and regardless of the copier’s motives, neither these facts nor any others can furnish a basis for imposing liability for or prohibiting the actual acts of copying and selling.²⁹⁸

Courts were reluctant to take the *Sears* and *Compco* decisions as far as the Supreme Court’s language seemed to go.²⁹⁹ State trademark and unfair competition claims were still allowed for unpatented product designs, so long as the designs were proven distinctive (i.e., had a secondary meaning)³⁰⁰ and non-functional.³⁰¹ Though some argued that such protection violated the holdings in the *Sears* and *Compco* decisions,³⁰² this position never received significant support in the courts. Moreover, when the Supreme Court revisited the preemption issue twenty-five years later, it made clear that the federal right to copy does not extend to distinctive, non-functional product features.

In *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, the Supreme Court held that federal patent law preempted a Florida boat hull protection statute.³⁰³ The Florida statute prohibited a particularly inexpensive method of copying an existing boat hull and thus created a significant barrier to

298. *Id.* at 238.

299. Brown, *supra* note 179, at 1360-62 (noting that “*Sears* and *Compco* . . . have had a hard life” and reviewing decisions that read the cases narrowly); Note, *The Public Interest and the Right to Copy Nonfunctional Product Features*, 19 WM. & MARY L. REV. 317, 335-39 (1977) (reviewing cases showing a “significant judicial dissatisfaction with the rationale of *Sears* and *Compco*”). Some courts avoided the *Sears* and *Compco* rulings in Lanham Act cases because the Act is itself federal law and thus cannot be preempted by another federal law. See Dratler, *supra* note 35, at 923 (noting this practice and collecting cases).

300. A symbol may be inherently distinctive or may become distinctive through use and promotion. See *Wal-Mart Stores, Inc. v. Samara Bros.*, 529 U.S. 205, 212-13 (2000) (discussing concepts of inherent distinctiveness and secondary meaning). It was possible, at least in theory, to prove a product design was inherently distinctive during this period, but the courts generally required proof of secondary meaning or acquired distinctiveness. *Id.* (reviewing development of trade dress distinctiveness rules).

301. See, e.g., *Ideal Toy Corp. v. Plawner Toy Mfg. Corp.*, 685 F.2d 78, 81 (3d Cir. 1982); *Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, 604 F.2d 200, 203 (2d Cir. 1979); *Truck Equip. Serv. v. Fruehauf Corp.*, 536 F.2d 1210, 1214-15 (8th Cir. 1976).

302. See, e.g., Note, *supra* note 115, at 557-59.

303. 489 U.S. 141, 168 (1989).

competitive copying of unpatented boat hulls.³⁰⁴ The Court held that this protection was an end-run around the federal patent laws and therefore was preempted.³⁰⁵ In the course of its analysis, the Court noted the controversy caused by its *Sears* and *Compco* decisions:

The pre-emptive sweep of our decisions in *Sears* and *Compco* has been the subject of heated scholarly and judicial debate. . . . Read at their highest level of generality, the two decisions could be taken to stand for the proposition that the States are completely disabled from offering any form of protection to articles or processes which fall within the broad scope of patentable subject matter. . . . [T]he broadest reading of *Sears* would prohibit the States from regulating the deceptive simulation of trade dress or the tortious appropriation of private information.

That the extrapolation of such a broad pre-emptive principle from *Sears* is inappropriate is clear from the balance struck in *Sears* itself. The *Sears* Court made it plain that the States “may protect businesses in the use of their trademarks, labels, or distinctive dress in the packaging of goods so as to prevent others, by imitating such markings, from misleading purchasers as to the source of the goods.” Trade dress is, of course, potentially the subject matter of design patents. Yet our decision in *Sears* clearly indicates that the States may place limited regulations on the circumstances in which such designs are used in order to prevent consumer confusion as to source.³⁰⁶

This statement was not all the Supreme Court had to say about trade dress and unfair competition claims in *Bonito Boats*. The Court also noted that the state law claim preempted in *Sears* had protected “the functional aspects of a product which had been placed in public commerce absent the protection of a valid patent.”³⁰⁷ A trade dress claim would not be preempted, the Court later explained, because “the common law tort of unfair competition has been limited to protection against copying of non-functional aspects of consumer products which have acquired secondary

304. *Id.* at 158 (“[T]he beneficiary of the Florida statute may prevent a competitor from ‘making’ the product in what is evidently the most efficient manner available and from ‘selling’ the product when it is produced in that fashion.”).

305. *Id.* at 159-61.

306. *Id.* at 154 (citations omitted).

307. *Id.* at 156. This statement is a bit misleading because the lamp design at issue in *Sears* was patented. The patents were held invalid in the litigation, but when the product was placed in public commerce, it had what was presumptively a valid patent. *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 226 (1964); *see also* 35 U.S.C. § 282 (2000) (patents are presumed valid).

meaning such that they operate as a designation of source.”³⁰⁸ The Court distinguished the Florida boat hull protection law from unfair competition claims, noting that the Florida law was enacted to protect boat makers and to encourage the development of new and improved boat hull designs.³⁰⁹ In unfair competition law, on the other hand, “the focus is on the protection of consumers, not the protection of producers as an incentive to product innovation.”³¹⁰

The Supreme Court’s analysis in *Bonito Boats* is striking. While the Court recognized a federal right to copy unpatented products, the Court also was very careful to note the limited nature of this right. Only claims seeking “patent-like protection”³¹¹ run afoul of the federal right to copy. The Florida boat hull statute, in this sense, was analogous to the application of the state unfair competition law in *Sears*, because the Florida statute protected all hull designs against copying.³¹² Copying was the only element of the unfair competition claim in *Sears*,³¹³ and copying was the only element of the hull protection claim in *Bonito Boats*.³¹⁴ It was in this sense that these laws provided “patent-like protection.” The *Bonito Boats* decision made it clear that trademark protection for product designs does *not* result in “patent-like protection,” because trademark law imposes the non-patent requirements of distinctiveness and non-functionality.³¹⁵

Bonito Boats should have ended any debate on the right-to-copy issue in trademark cases. There is no federal right to copy a distinctive, non-functional design. Despite the clear guidance provided in *Bonito Boats*, many commentators continued to argue for a right to copy even distinctive and non-functional product features.³¹⁶ These arguments largely fell on

308. *Bonito Boats, Inc.*, 489 U.S. at 157.

309. *Id.*

310. *Id.*

311. *Id.* at 156.

312. *Id.* at 144-45.

313. See *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 232; *supra* note 295 and accompanying text.

314. See *Bonito Boats, Inc.*, 489 U.S. at 144-45.

315. At least one commentator takes a similar view of the *Sears*, *Compco*, and *Bonito Boats* decisions. See Paul Heald, *Federal Intellectual Property Law and the Economics of Preemption*, 76 IOWA L. REV. 959, 968-88 (1991) (noting the Court’s focus on the criteria for protection and arguing the Court’s preemption analysis is consistent across these and other decisions when evaluated in this way).

316. Kratzke, *supra* note 7, at 106 (“In *Sears/Compco/Bonito Boats*, the Court established a broad right to copy product features not sufficiently reflecting invention or creativity to be worthy of a patent or copyright.”); Mohr, *supra* note 42, at 365-67 (noting the “narrowing of the *Sears* preemption language” in *Bonito Boats*, but arguing that the decision “strongly reaffirmed the right of the public to copy freely and use whatever patent law has deemed is in the public domain”); Moskin, *supra* note 7, at 684 (claiming that a “federal right to copy and to use subject matter not protected by patent or copyright was acknowledged again by the Supreme Court in *Bonito Boats*”

deaf ears, as the federal courts continued to use a competitive need functionality standard as the only limitation on the scope of trademark protection for distinctive product designs.³¹⁷

The significance of the *Bonito Boats* decision was directly challenged just a few years later in *Kohler Co. v. Moen Inc.*³¹⁸ The case, heard by the Seventh Circuit, presented a very specific question: “does the § 45 definition of ‘Trademark’ in the Lanham Act . . . exclude trademark protection of product configurations?”³¹⁹ The majority noted the differences between trademark and patent protection and observed that “courts have consistently held that a product’s different qualities can be protected simultaneously, or successively, by more than one of the statutory means for protection of intellectual property.”³²⁰ *Bonito Boats* supported trademark protection of distinctive, non-functional product configurations, the majority held, because “the underlying policies of federal trademark law, and the nature of the protection afforded, do not approximate the sweeping, perpetual patent-like state statutes that the Supreme Court found impermissible in *Sears, Compco*, and *Bonito Boats*.”³²¹

(internal quotations omitted)); Pollack, *supra* note 42, at 297-98 (arguing that *Kellogg* remains a controlling precedent, even after *Sears, Compco*, and *Bonito Boats*, and that *Kellogg* precludes trade dress protection for all features of a previously patented product); Dowell, *supra* note 59, at 165 (arguing “the [*Bonito Boats*] Court reaffirmed the *Sears/Compco* policy of the right to copy”); Geremia, *supra* note 42, at 798-99 (recognizing that “[m]uch of the Court’s *Bonito Boats* opinion is devoted to refining the right to copy,” but concluding that “there is an unqualified right to copy subject matter disclosed in expired utility patents”); Gill, *supra* note 42, at 1289, 1296-97 (briefly discussing *Bonito Boats* and later arguing for a broad right to copy previously patented inventions); Laba, *supra* note 42, at 1669 (arguing that *Bonito Boats* “affirmed [the] holdings in *Sears* and *Compco* that states cannot offer protection to products that are unprotected as a matter of federal law”); Weitzer, *supra* note 42, at 188 (arguing that the Supreme Court in *Bonito Boats* “reaffirmed the holdings in *Sears* and *Compco*”).

Some commentators have noted the importance of the *Bonito Boats* dicta discussed in the text. See, e.g., Taylor, *supra* note 7, at 216-17 (explaining that *Bonito Boats* limits the broad preemption language in *Sears* and *Compco* and recognizing that “[u]nder *Bonito Boats*, the key to establishing trademark protection for a product feature was demonstrating a lack of functionality”); John B. Pegram, *The Scope of Industrial Design Protection Under Trademark and Unfair Competition Laws*, 19 U. BALT. L. REV. 333, 345-47 (1989) (reviewing the *Bonito Boats* dicta and explaining its relevance to trademark protection for product designs).

317. See sources cited in *supra* note 301.

318. 12 F.3d 632 (7th Cir. 1993).

319. *Id.* at 633 (citation omitted).

320. *Id.* at 638.

321. *Id.* at 641-42. There was a vigorous dissent in the *Kohler* case. Judge Cudahy concluded that the early Supreme Court cases cited above (i.e., *Singer*, *Kellogg*, and *Scott Paper*), see *supra* note 288, created a broad federal right to copy any unpatented product. *Id.* at 644-45 (Cudahy, J., dissenting). He saw federal trademark protection for such products as a direct violation of this right. *Id.* at 647-48 (Cudahy, J., dissenting). Judge Cudahy also relied on the broad preemptive statements

Three years after the *Kohler* decision, the Tenth Circuit considered somewhat similar arguments in *Vornado Air Circulation Systems v. Duracraft Corp.*³²² The case involved a trade dress claim based on the design of a spiral fan grill.³²³ Certain parts of the fan were claimed in utility patents owned by the plaintiff Vornado, but the defendant's fan was designed in a manner that avoided infringement of the patent.³²⁴ The district court found the Vornado grill design non-functional, in part because "other feasible grill structures could easily do as well on other relevant performance tests, and the spiral grill was not shown to be cheaper to manufacture."³²⁵ In short, the district court found no competitive need to use the spiral grill design developed by Vornado. Because the court also found the Vornado grill design distinctive and the Duracraft fan likely to cause consumer confusion, Duracraft was enjoined from selling its spiral grill fan.³²⁶

Duracraft challenged the district court's factual findings on appeal and presented the legal argument that Vornado's trade dress claim was barred by federal patent law.³²⁷ The district court's findings of distinctiveness and likelihood of confusion seemed suspect,³²⁸ but the Tenth Circuit focused instead on the legal issue.³²⁹ Indeed, the court framed the issue in a way that suggested it had no option but to resolve the difficult patent/trademark conflict question: "We must decide whether a product configuration is entitled to trade dress protection when it is or has been a significant inventive component of an invention covered by a utility patent."³³⁰

in the *Sears* and *Compco* decisions, *id.* at 645-46 (Cudahy, J., dissenting), but failed to appreciate the importance of the *Bonito Boats* clarification of the *Sears* and *Compco* preemption holdings. Judge Cudahy's dissent cannot be squared with the *Bonito Boats* dicta discussed in the preceding text.

322. 58 F.3d 1498 (10th Cir. 1995).

323. *Id.* at 1499.

324. *Id.* at 1500-01 (identifying the Vornado patents and noting "both sides agreed that the [Duracraft] Turbo Fan did not infringe Vornado's patents").

325. *Id.* at 1501.

326. *Id.* at 1502.

327. *Id.* at 1501 n.4, 1502.

328. *Id.* at 1502. The district court found the Vornado spiral grill design inherently distinctive, *id.*, despite the fact that various types of spiral grills have been used on fans for many years. *Id.* at 1500. On the likelihood of confusion issue, the district court found that consumers would be confused, *id.* at 1502, despite Duracraft's use of distinctly different brand names, packaging, and labels. *Id.* at 1501. In fact, Duracraft offered to take additional steps to distinguish its fan from Vornado's fan, but the district court rejected the proposal and issued a broad injunction against further sales of the Duracraft fan. *See id.* at 1502. These findings are highly questionable and would have provided a more reasonable basis for reversal than the Tenth Circuit's analysis of the right-to-copy issue.

329. *Id.*

330. *Id.* at 1499.

The *Vornado* court found a conflict between trademark and patent protection for the same product features because of the difference between the competitive need functionality standard of trademark law and the utility standard of patent law.³³¹ The court was moved by the patent bargain concerns and found the functionality doctrine to be an incomplete solution to the conflict.³³² Rather than modifying its competitive need functionality standard, which was consistent with the standard used in other circuits, the Tenth Circuit decided to impose an additional limitation on the scope of trademark protection:

Where a product configuration is a significant inventive component of an invention covered by a utility patent, so that without it the invention cannot fairly be said to be the same invention, patent policy dictates that it enter into the public domain when the utility patents on the fans expire. To ensure that result, it cannot receive trade dress protection under section 43(a) [of the Lanham Act].³³³

No other court adopted such a rule, either before or after *Vornado* was decided. Many courts have held that a utility patent can be important evidence of functionality, particularly where the patent's disclosure touts the utilitarian benefits of a feature later claimed as trade dress.³³⁴ But *Vornado* marked the first time a court adopted a per se rule prohibiting trademark protection for features previously disclosed or claimed in a patent. The *Vornado* decision sparked a flurry of commentary³³⁵ and led

331. *Id.* at 1506-07.

332. *Id.*

333. *Id.* at 1500.

334. *See, e.g., In re Morton-Norwich Prods.*, 671 F.2d 1332, 1340-41 (C.C.P.A. 1982) (noting the relevance "of an expired utility patent which disclosed the utilitarian advantage of the design sought to be registered as a trademark"); *Dogloo, Inc. v. Dorskocil Mfg. Co.*, 893 F. Supp. 911, 919 (C.D. Cal. 1995) ("A careful review of Dogloo's utility patent reveals that the patent does not attach any particular functional significance to the igloo configuration itself. Thus, the existence of a utility patent is not particularly probative of the functionality of the igloo configuration."); *see also infra* note 336.

335. *See* sources cited *supra* note 42. Though many commentators were critical of the specific rule adopted by the *Vornado* court, the decision clearly breathed new life into the right-to-copy movement, a movement that seemed to be going nowhere prior to *Vornado*. Some commentators approved of the *Vornado* rule, but most of those who supported a broad right to copy used *Vornado* as a springboard for advancing alternative rules. *See* Fischer, *supra* note 42, at 52-54 (evaluating the practical effect of the *Vornado* rule and finding it "excessively narrow"); Pollack, *supra* note 42, at 294, 297-98 (finding the *Vornado* approach better than the use of a unitary functionality rule, but ultimately arguing for a right to copy "the article as it was made during the patent period" (quoting *Kellogg Co. v. Nat'l Biscuit Co.*, 305 U.S. 111, 122 (1938))); Falk, *supra* note 42, at 836-38, 842 (criticizing the *Vornado* rule and suggesting that "a configuration that alone qualifies for a utility patent would necessarily meet the definition of functionality"); Geremia, *supra* note 42,

to a series of circuit court decisions addressing the question of whether a per se rule was needed. Five other circuits (the Fifth, Sixth, Seventh, Ninth, and Federal) considered the issue raised in *Vornado*, and all five rejected the adoption of a per se rule.³³⁶

Perhaps the most persuasive treatment of the patent bargain question came from the Federal Circuit.³³⁷ In *Midwest Industries, Inc. v. Karavan Trailers, Inc.*, the Federal Circuit considered and rejected the *Vornado* analysis.³³⁸ The court relied heavily on prior CCPA and Federal Circuit decisions, which consistently treated utility patents as relevant, but not dispositive evidence of functionality.³³⁹ The proper focus, the Federal Circuit reiterated, was on the competitive significance of the design in question.³⁴⁰ The court held that if the design is disclosed or claimed in a utility patent, but is of little importance in the market, the design is not

at 805-06, 816 (reviewing the *Vornado* rule, but concluding that “[a]nything short of a bright line preclusion rule—a rule precluding trade dress protection for product configurations disclosed in expired utility patents—fails to protect the right to copy adequately”); Perez, *supra* note 42, at 410-12 (agreeing with the Tenth Circuit’s analysis of the problem—the gap between patent utility and trademark functionality—but criticizing the *Vornado* rule); Weitzer, *supra* note 42, at 196-97 (arguing the *Vornado* rule did not go far enough to prevent conflict between trade dress protection and the patent system).

336. *Sunbeam Prods. v. W. Bend Co.*, 123 F.3d 246, 256 n.20 (5th Cir. 1997) (“[T]he mere fact that a feature is named in a utility patent does not automatically render it functional” because a “patent must be examined in detail to determine whether the disclosed configuration is really primarily functional or just incidentally appears in the disclosure of a patent.” (quoting 1 MCCARTHY, *supra* note 5, § 7:89); *Mktg. Displays, Inc. v. Traffix Devices, Inc.*, 200 F.3d 929, 939-40 (6th Cir. 1999) (finding no need for a per se rule); *Thomas & Betts Corp. v. Panduit Corp.*, 138 F.3d 277, 283-89 (7th Cir. 1998) (conducting a careful analysis of the right-to-copy precedents and rejecting arguments for a per se rule); *Disc Golf Ass’n v. Champion Discs, Inc.*, 158 F.3d 1002, 1006 (9th Cir. 1998) (“[A]n expired utility patent is weighty evidence of functionality, although that fact alone is not dispositive.”); *Midwest Indus., Inc. v. Karavan Trailers, Inc.*, 175 F.3d 1356, 1363-64 (Fed. Cir. 1999) (finding no conflict between trade dress protection and patent protection and noting that “[t]he Tenth Circuit stands alone in holding to the contrary”).

337. My claim of persuasiveness is somewhat speculative because the Supreme Court intervened only two years later in *Traffix*, leaving rather little time for other courts to consider the Federal Circuit’s position. But given the prominent role of the Federal Circuit in matters of patent law, it seems fair to say the court’s views on whether trademark and patent law conflict would be of particular interest to the other circuit courts. Moreover, the Fifth, Seventh, and Ninth Circuits all rejected per se rules *before* the Federal Circuit directly addressed the issue. *See supra* note 336. Given the Federal Circuit’s endorsement of the majority view and its heightened persuasive authority on patent law issues, it seems fair to assume the court’s views would have been quite persuasive had the Supreme Court not derailed the common law process in *Traffix*.

338. 175 F.3d at 1364.

339. *Id.* at 1362 (“[T]his court and its predecessor have repeatedly held that the availability of trade dress protection does not depend on whether a patent has been obtained for the product or feature in question.”).

340. *Id.* at 1364.

functional.³⁴¹ “The fact that a curved winch post was disclosed and claimed in [a utility] patent is not a sufficient basis for granting judgment against Midwest”³⁴² If Midwest’s particular winch post design:

is sufficiently distinctive to serve as a designation of source and if the protection of that particular design does not result in a meaningful restriction on Karavan’s ability to compete in the market, either before or after the expiration of [Midwest’s] patent, then Midwest’s state law claims, as well as its Lanham Act claim, would not be barred by any overriding federal policy.³⁴³

It is hardly surprising that in the *Traffix* case the Sixth Circuit Court of Appeals followed the lead of the Fifth, Seventh, Ninth, and Federal Circuits, rather than the solitary position taken by the Tenth Circuit in *Vornado*. Indeed, after the Sixth Circuit joined the persuasive Federal Circuit and the three other regional circuits in holding that a utility patent may contain evidence of functionality but is not necessarily more probative of functionality than other evidence, it seemed likely other circuits would follow suit. The *Vornado* rule appeared destined to become a “derelict[] on the waters of the law.”³⁴⁴ If that had happened, it is also possible that the Tenth Circuit would have overruled its own decision at some point.³⁴⁵ In any event, the split in the circuits on the right-to-copy issue was becoming less significant as more courts joined the trend toward rejection of special patent bargain rules.³⁴⁶

341. *Id.* (noting the feature at issue was part of a utility patent claim, but “that is not to say that the curved winch post is ‘functional,’ i.e., that Midwest’s right to exclude others from using that feature ‘would put competitors at a significant non-reputation-related disadvantage’” (quoting *Qualitex Co. v. Jacobson Prods.*, 514 U.S. 159, 165 (1995))).

342. *Id.* The curved winch post was a feature of the personal watercraft trailer disclosed and claimed in U.S. Patent No. 5,518,261. *Id.* at 1357. The patent’s disclosure says little about the curved winch post, but this feature is clearly illustrated in three of the patent drawings. U.S. Patent No. 5,518,261 (issued May 21, 1996), at 2, 4 figs. 1, 3, 8. The patent describes the winch post as having “an integral free end curved upwardly in an arcuate manner” *Id.* at 6 col. 3, ll. 25-26. The curved winch post is an element of one claim in the patent. *Id.* at 7, col. 5, ll. 14-19 (Claim 10). This feature does not appear to be a particularly important aspect of the invention.

343. *Midwest Indus., Inc.*, 175 F.3d at 1365.

344. *Alabama Pub. Serv. Comm’n v. S. Ry.*, 341 U.S. 341, 357 (1951) (Frankfurter, J., concurring).

345. The Tenth Circuit, like other circuit courts, has an internal rule prohibiting subsequent panels from overruling prior panel decisions. See *United States v. Berryhill*, 880 F.2d 275, 277 (10th Cir. 1989). An en banc decision would have been required to overrule *Vornado*.

346. It is also worth noting that the Tenth Circuit Court of Appeals does not have as many intellectual property appeals as some other regional circuits. Peters, *supra* note 42, at 138. In other words, it might have been some time before a court in the Tenth Circuit heard another case with a fact pattern like the one presented in *Vornado*. Indeed, one commentator criticized the Tenth

When the trend away from *Vornado* is taken together with the circuit courts' move toward use of a single competition-based functionality standard in aesthetic and utilitarian cases, one begins to get a true sense of the state of the law prior to the *TrafFix* decision. Despite decades of struggle and division, the common-law process was working. The federal courts had settled on a competitive need functionality standard and for the most part were using that standard to resolve all functionality issues. The functionality doctrine was more coherent and workable by the end of the twentieth century than it had ever been. That was the *status quo* when the Supreme Court intervened in *TrafFix*.³⁴⁷

II. THE FALL

A. *TrafFix*—The Supreme Court Ignores the Lessons of the Past

The *TrafFix* litigation involved the design of temporary road signs, such as the kind used near road construction sites.³⁴⁸ Because these signs “must withstand strong gusts of wind,” they incorporate certain structural components that allow the signs to bend or flex with the wind.³⁴⁹ These components typically employ springs to ensure the signs will flex with the wind and return to the upright position when the displacing force ends.³⁵⁰ The road signs at issue in *TrafFix* used a dual-spring mechanism for this

Circuit for taking such a bold position on a matter outside the court's core areas of expertise. *Id.* (“A court such as the Tenth Circuit, which does not handle a large volume of intellectual property cases, should not have attempted such a sweeping decision in a particularized area of law.”). I believe this criticism may go a bit far, but it is consistent with the general observation that the *Vornado* case was less important, as a practical matter, than the same holding would have been from the Second, Seventh, or Ninth Circuit.

347. Should the Supreme Court have left well enough alone and denied the petition for certiorari in *TrafFix*? Perhaps, but the *TrafFix* case did present an opportunity for the Supreme Court to confirm the important functionality work done by the lower federal courts. The *TrafFix* Court could have, and should have, rejected the *Vornado* analysis and confirmed the competitive need functionality standard as the only necessary policy-based limitation on the scope of trademark protection for product features. Given the outcome of the *TrafFix* decision, I certainly believe the law would have been better off if the Court had denied certiorari. That reflection, however, is made with the benefit of hindsight. When the Court decided to intervene, I was optimistic because the timing appeared right for a decision that would close the book on most functionality issues. Instead, the Court revisited previously resolved issues and left the functionality doctrine in much worse shape than it was in before the Court's intervention. The functionality wars are now far from over.

348. *TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 25 (2001).

349. *Id.*

350. *Id.* at 31.

purpose.³⁵¹ It was this mechanism, combined with the rest of the visible structure of the signs, that the plaintiff claimed as its trade dress in the *TraFFix* litigation.³⁵² There was, however, more to the story.

The plaintiff, Marketing Displays, Inc., developed its dual-spring sign during the late 1960s and early 1970s.³⁵³ The signs were sold under the brand name WINDMASTER and became successful.³⁵⁴ Marketing Displays owned two U.S. utility patents for different parts of the structure of its signs, including the dual-spring mechanism.³⁵⁵ These patents expired in 1989.³⁵⁶

The defendant, Traffix Devices, Inc., was formed in 1986 to sell temporary road signs.³⁵⁷ In 1994, Traffix introduced a sign using a dual-spring mechanism copied from the Marketing Displays sign.³⁵⁸ The overall structure of the Traffix sign was quite similar to the WINDMASTER sign made by Marketing Displays.³⁵⁹ The new Traffix sign was sold under the name WINDBUSTER.³⁶⁰ Marketing Displays sued Traffix, alleging (1) trademark infringement of the federally registered WINDMASTER mark; and (2) trade dress infringement of the overall design of the WINDMASTER sign.³⁶¹ The latter claim was not limited to the dual-spring mechanism, but was based on the overall impression created by Marketing Displays' WINDMASTER sign.³⁶² The district court resolved the majority of the parties' claims on summary judgment.³⁶³ In its first ruling, the court granted Marketing Displays' motion for summary judgment on its trademark infringement claim, holding that Traffix's use of the trademark WINDBUSTER infringed the plaintiff's registered WINDMASTER trademark.³⁶⁴ The court also granted summary judgment for the plaintiff on an antitrust counterclaim brought by the defendant.³⁶⁵

351. *Id.* at 25-26.

352. *Id.* at 30.

353. *Mktg. Displays, Inc. v. Traffix Devices, Inc.*, 967 F. Supp. 953, 955-56 (E.D. Mich. 1997).

354. *Id.* at 955-56.

355. *Mktg. Displays, Inc. v. Traffix Devices, Inc.*, 971 F. Supp. 262, 264 (E.D. Mich. 1997). The parties filed cross motions for summary judgment, and the district ruled on those motions in separate decisions. *Id.* at 263, 277.

356. *Id.* at 264.

357. *Mktg. Displays, Inc.*, 967 F. Supp. at 956.

358. *Id.*

359. *Id.*

360. *See id.*

361. *Id.*

362. *Mktg. Displays, Inc. v. Traffix Devices, Inc.*, 971 F. Supp. 262, 265 (E.D. Mich. 1997).

363. *See id.* at 264-65.

364. *Mktg. Displays, Inc.*, 967 F. Supp. at 962, 965 ("[T]here is a clear likelihood of confusion between the WINDMASTER and WINDBUSTER marks.").

365. *Id.* at 965 ("[T]he mere assertion of trademark rights does not constitute a dangerous

In a second decision, the district court granted the defendant's motion for summary judgment on the trade dress claim.³⁶⁶ The court found that the design of the WINDMASTER sign was functional and not distinctive.³⁶⁷ Either conclusion would have required a dismissal of the trade dress claim.³⁶⁸ On the functionality issue, the district court noted that during prosecution of its patent application, Marketing Displays "argued that . . . the dual-spring design was superior to the single-spring design taught by the prior art."³⁶⁹ This argument and other evidence convinced the district court that the dual-spring design was functional.³⁷⁰ The district court used a competitive need functionality standard, but gave significant weight to the utility patents and, in particular, to statements made during the efforts to obtain those patents.³⁷¹ Though the district court may have given more weight to the plaintiff's utility patents than some courts have, the court's analysis was generally consistent with the competition-based functionality standard used in the Sixth Circuit and other courts.³⁷² The decision represented no break with established functionality standards. The court did not adopt the *Vornado* rule or any other special patent bargain rule.

The Sixth Circuit affirmed the district court's summary judgment rulings on the trademark infringement claim and the antitrust counterclaim, but reversed the district court on the trade dress claim.³⁷³ There was sufficient evidence, the Sixth Circuit held, to justify a trial on the distinctiveness and functionality issues.³⁷⁴ Though the grant of summary judgment was reversed, the Sixth Circuit did not alter the competition-based standard it had used in prior cases.³⁷⁵ Instead, the Sixth Circuit found errors in the district court's application of this standard, including the district court's emphasis on the existence of utility patents for the dual-spring design.³⁷⁶ In the Sixth Circuit's view, the district court applied something close to the per se rule adopted by the Tenth Circuit in

probability that MDI would gain monopoly power in the market of wind-resistant signs.").

366. *Mktg. Displays, Inc.*, 971 F. Supp. at 263.

367. *Id.* at 269 ("[N]o reasonable trier of fact could determine that MDI has established secondary meaning."); *id.* at 276 ("[T]he dual-spring design asserted by MDI as trade dress is functional as a matter of law.").

368. *See id.* at 276.

369. *Id.* at 274.

370. *See id.* at 276.

371. *See id.* at 273-74.

372. In fact, the district court's summary judgment decision provided a more detailed and careful analysis of the functionality issue than is found in most other decisions. *See id.* at 273-76.

373. *Mktg. Displays, Inc. v. Traffix Devices, Inc.*, 200 F.3d 929, 932 (6th Cir. 1999).

374. *Id.* at 939-40.

375. *Id.* at 940 ("The appropriate question is whether the particular product configuration is a competitive necessity.").

376. *Id.* at 939.

Vornado.³⁷⁷ By focusing so much of its attention on the patents for the dual-spring mechanism, the district court failed to give sufficient weight to the evidence of alternative designs, or so the Sixth Circuit concluded.³⁷⁸

377. The Sixth Circuit described the district court's analysis of the patents as creating "a presumption against a trade dress claim." *Id.* From this starting point, the Sixth Circuit went on to review the *Vornado* decision and its progeny. *Id.* This analysis seems a bit misplaced given the district court's careful analysis of the patents. The district court did not merely cite the patents and conclude the dual-spring design was functional. To the contrary, the district court presented a detailed review of the patent claims, disclosures, and prosecution histories. *Mktg. Displays, Inc.*, 971 F. Supp. at 273-74. The district court noted the significant overlap between the claimed inventions and the trade dress claim. *Id.* at 274 ("[A]ll of the various 'Windmaster' sign stands incorporate all of the features, perform in the same manner, and achieve the same results as the sign stands disclosed and claimed in the '696 and '482 patents." (quoting Marketing Displays' Brief)). The district court also noted that during the prosecution of the patent applications, the plaintiff had "argued that the functioning of the dual-spring design was superior to the single-spring design taught by the prior art." *Id.* The Sixth Circuit may have been correct in its criticism of the district court for focusing almost entirely on the dual-spring mechanism, to the exclusion of other parts of the plaintiff's design, but the district court's analysis of the utility patents was not the equivalent of a per se rule prohibiting trade dress protection for any previously patented invention. The district court's consideration of the patent question covered nearly two full pages of the reported decision. *Id.* at 273-74.

378. *Mktg. Displays, Inc.*, 200 F.3d at 939-40. I disagree with the Sixth Circuit on this point. The district court gave the following explanation of its focus on the dual-spring mechanism:

At the outset, this court notes that when determining whether a product configuration is functional, the product configuration must be looked at in its entirety, not as discrete features that may be functional However, the only significant distinction in appearance between MDI's sign stands and the sign stands of MDI's competitors is the vertical dual-spring design or configuration. Each of the competitors' sign stands identified by MDI includes the other four features claimed as elements of the alleged trade dress. Thus, while this court must look to the entire claimed trade dress, it is clear that the only element of MDI's alleged trade dress that arguably sets MDI's product apart from its competitors, and thus could operate as a source identifier, is the pair of vertically arranged closely spaced coil springs.

Mktg. Displays, Inc., 971 F. Supp. at 273. This analysis is quite reasonable if non-functionality is an element of the plaintiff's claim. The plaintiff must establish that its trade dress is a valid trademark symbol. The dress, therefore, must be both distinctive and non-functional. If only one element of the trade dress is distinctive, then it follows that the functionality analysis should be directed to that same element. A claimant should not be allowed to characterize its trade dress in one way for the distinctiveness analysis and in another for the functionality analysis. The district court did a better job on this important point than did the Sixth Circuit.

Perhaps more importantly, the Sixth Circuit's alternative analysis was more theoretical than real. The district court did not overlook the evidence of alternative designs. *See id.* at 275-76. Instead, the court found the evidence lacking. *Id.* The alternatives either were unavailable (some of the disclosed designs were covered by existing patents) or unequal (other designs would not withstand strong winds as well as the plaintiff's dual-spring design). *Id.* As the district court correctly noted, "[i]f the purported alternatives are not available and equal, then they are not true

In the end, the reversal merely sent the matter back to the district court for trial. The Sixth Circuit's decision did not include any predictions about the outcome of such a trial.

At this point, the *Traffix* litigation appeared unremarkable. Both the Sixth Circuit and the district court used a competitive need functionality standard, and neither adopted a per se rule like the one used by the Tenth Circuit in *Vornado*. The district court gave more weight to the statements made during the prosecution of the patent applications than the Sixth Circuit believed was warranted,³⁷⁹ and the district court gave less weight to the evidence of alternative designs than the Sixth Circuit believed was warranted.³⁸⁰ Neither decision, though, was a break with established principles. Moreover, the Sixth Circuit merely followed the clear trend when it rejected the *Vornado* rule and held that a competitive need functionality standard was sufficient to prevent conflict between patent and trademark protection.

The Supreme Court's decision to grant certiorari in *Traffix* was, therefore, a bit surprising. It was certainly true that a split existed on the need for a special patent bargain rule. The *Vornado* rule was a singular exception, and five other circuits—the Fifth, Sixth, Seventh, Ninth, and Federal Circuits—had rejected arguments for similar rules.³⁸¹ It seemed likely the Supreme Court would endorse the majority view, particularly given the Federal Circuit's strong rejection of the *Vornado* analysis.³⁸² Such a decision by the Supreme Court would have eliminated the final obstacle to uniformity in the federal courts' application of the functionality doctrine. Unfortunately, that did not happen.

alternatives." *Id.* at 276. The Sixth Circuit, on the other hand, concluded that even patented designs must be treated as alternatives in the functionality analysis. *Mktg. Displays, Inc.*, 200 F.3d at 940. This approach is inconsistent with the modern trend toward focusing on truly equivalent alternatives. See *supra* Part I.C.2.b. The competition-based functionality analysis should be grounded in the practical realities of the market, and patent-based exclusivity can be an important part of these realities.

The district court's functionality analysis was more solid than that of the Sixth Circuit. Nevertheless, the summary judgment question was a close one. The plaintiff did present evidence of alternative designs and made an effort to rebut the functionality evidence arising from its utility patents. *Mktg. Displays, Inc.*, 971 F. Supp. at 273-75. I agree with the district court's analysis of this factual evidence (i.e., I agree that the plaintiff's trade dress was functional), but I am in less agreement with the court's conclusion that the design was so clearly functional that summary judgment was appropriate.

379. *Mktg. Displays, Inc.*, 200 F.3d at 939.

380. *Id.* at 940.

381. See *supra* notes 331-46 and accompanying text.

382. See *Midwest Indus., Inc. v. Karavan Trailers, Inc.*, 175 F.3d 1356, 1363-64 (Fed. Cir. 1999).

The Supreme Court began its analysis in *TrafFix* by focusing on the patent bargain issue.³⁸³ This starting point made sense, given the Court's reason for hearing the case, but it was not the correct starting point from which to understand the broader functionality issues. The Court never discussed the competition concern or the potential for consumer confusion that will result when distinctive product features are deemed functional and thus denied trademark protection. Instead, the Court myopically focused on the patent question. That was a grave mistake, and it led to a series of errors that effectively turned the entire functionality doctrine on its head.

Before even considering what the general functionality standard should be or what policy should define that standard, the *TrafFix* Court held "[a] utility patent is strong evidence that the features therein claimed are functional."³⁸⁴ The Court put the cart before the horse; it weighed the evidence before explaining the substantive issue. By starting with the conclusion that a patent is "strong evidence," the Court had little choice but to adopt a functionality standard consistent with that evidentiary conclusion.

The great weight the Court placed on the mere existence of a utility patent is difficult to square with a competition-based functionality standard. An invention must be "useful" to be patented, but there is no requirement of commercial importance.³⁸⁵ Patents sometimes are granted for silly and obscure inventions.³⁸⁶ Patents frequently are granted for very narrow advances over the existing state of the art, a fact that sometimes results in patents with quite narrow scope.³⁸⁷ Patents also are granted for inventions that prove less significant than might have been expected. For these reasons and others, a great many patents lapse, for failure to pay periodically required maintenance fees, well before their statutory

383. *TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 29-30 (2001).

384. *Id.* at 29.

385. 35 U.S.C. § 101 (2000).

386. There are a number of Internet sites featuring patents for silly or obscure inventions. Perhaps the most widely publicized site is Delphion's Gallery of Obscure Patents. *Delphion Gallery of Obscure Patents*, at <http://www.delphion.com/gallery> (last visited Nov. 9, 2003); see also *Crazy Patents.com*, at <http://www.crazypatents.com> (last visited Nov. 9, 2003); ABC News, *Patently Weird Archive*, at http://abcnews.go.com/sections/business/patentlyweird/patentlyweird_index.html (last visited Nov. 9, 2003); *Weird and Wonderful Patents*, at <http://www.lightlink.com/bbm/weird.html> (last visited Nov. 9, 2003); *Patently Absurd!* (identifying a number of other obscure patent sites), at <http://www.patent.freeseerve.co.uk/othersites.html> (last visited Nov. 9, 2003).

387. At least one commentator has been quite critical of these patents. See, e.g., Joshua McGuire, *Intellectual Property: Patent: Patentability: Nonobviousness: Nonobviousness: Limitations on Evidentiary Support*, 18 BERKELEY TECH. L.J. 175, 185-86 (2003) (describing these patents as "parasitic incremental patents protecting trivial inventions").

expiration dates.³⁸⁸ A utility patent, standing alone, is therefore no evidence whatsoever of the competitive significance of “the features therein claimed.”³⁸⁹ It is difficult to determine whether the *TrafFix* Court fully appreciated this important point. Whether or not the Court understood what it was doing, the next step in the Court’s analysis was preordained by its analysis of the patent issue.

When the *TrafFix* Court turned to the Sixth Circuit’s competitive need analysis, the Court had little choice but to reject that analysis. Without discussing the enormous body of case law endorsing the competitive need functionality standard, the *TrafFix* Court declared this standard “incorrect as a comprehensive definition” of functionality.³⁹⁰ In place of the competitive need rule, the *TrafFix* Court substituted the *Inwood* standard: “a feature is . . . functional when it is essential to the use or purpose of the device or when it affects the cost or quality of the device.”³⁹¹ When the *TrafFix* Court resurrected this internally inconsistent and unworkable standard, the trademark bar and the lower federal courts probably let out a collective groan. The competitive need standard was discarded, and in its place came a standard no one really understood.

That was not the worst of what the *TrafFix* Court did to the functionality doctrine. In *Qualitex*, the Supreme Court reconciled the *Inwood* standard with the competitive need standard in use by most courts.³⁹² This clearly posed a significant problem for the *TrafFix* Court. How could the Supreme Court reject the competitive need standard and replace it with a standard that the same Court had equated with the competitive need standard only six years earlier? A dilemma, indeed.

Not to worry—the *TrafFix* Court merely moved on to yet another controversial functionality issue: aesthetic functionality. *Qualitex* was a case about whether a color, standing alone, could be protected as a trademark.³⁹³ *Qualitex* was, the *TrafFix* Court explained, an aesthetic functionality case, and *TrafFix* was not.³⁹⁴ The Court held that the *Qualitex* functionality analysis and, in particular, the competitive need functionality standard, applied only in aesthetic functionality cases.³⁹⁵ Never mind that

388. See, e.g., Mark A. Lemley, *Rational Ignorance at the Patent Office*, 95 NW. U. L. REV. 1495, 1503-04 (2001) (providing statistics and possible explanations for the large number of patents that lapse for failure to pay maintenance fees).

389. *TrafFix Devices, Inc.*, 532 U.S. at 29.

390. *Id.* at 33.

391. *Id.* (citing *Inwood Labs. v. Ives Labs.*, 456 U.S. 844, 850 n.10 (1982)).

392. See *supra* notes 237-48 and accompanying text.

393. *Qualitex Co. v. Jacobson Prods.*, 514 U.S. 159, 160-61 (1995).

394. *TrafFix Devices, Inc.*, 532 U.S. at 33 (“In *Qualitex*, by contrast, aesthetic functionality was the central question . . .”).

395. *Id.* (“It is proper to inquire into a ‘significant non-reputation-related disadvantage’ in cases of aesthetic functionality, the question involved in *Qualitex*.”).

the *Qualitex* Court made no distinction between aesthetic and utilitarian functionality.³⁹⁶ Never mind that the *Qualitex* Court relied on the *Restatement (Third) of Unfair Competition*, which made no distinction between aesthetic and utilitarian functionality.³⁹⁷ The *Traffix* Court needed a distinction, and it found one. The *Traffix* Court held the competitive need standard was fine for aesthetic functionality cases, but in utilitarian functionality disputes, the *Inwood* standard should be used.³⁹⁸

What a disaster. The Supreme Court granted certiorari in *Traffix* to resolve a relatively minor question concerning the relevance of an expired utility patent and ended up rewriting the entire law of functionality. Gone is the uniform use of a competitive need functionality standard. Gone is the consistent treatment of all functionality questions, whether aesthetic or utilitarian. In their place are inconsistent and largely incomprehensible standards and distinctions.

B. *The Aftermath—Division and Confusion in the Courts*

1. Division—What Is the Proper General Functionality Standard?

Within one year of the *Traffix* decision, the lower federal courts divided on the question of which general functionality standard should be used.³⁹⁹ This split is much more harmful than the minor split that led the Court to intervene in *Traffix*, and this time the split is the direct result of

396. The *Qualitex* Court referred to “the important ‘functionality’ doctrine of trademark law,” not to a pair of different functionality rules. *Qualitex Co.*, 514 U.S. at 164. Moreover, when the *Qualitex* Court provided examples of functional designs, it gave both utilitarian and aesthetic examples. *Id.* at 165 (noting that a “special illumination-enhancing shape” of a light bulb would be functional because protecting the shape “would impede competition”); *id.* at 169-70 (citing *Deere & Co. v. Farmhand, Inc.*, 560 F. Supp. 85, 98 (S.D. Iowa 1982), as finding functional “the green color of farm machinery (because customers wanted their farm equipment to match)”).

397. RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 17 cmt. c. (1995) (noting the controversy over aesthetic functionality and recommending use of a competitive need standard regardless of the aesthetic or utilitarian nature of the product features at issue).

398. See *Traffix Devices, Inc.*, 532 U.S. at 33.

399. *Compare* *Valu Eng’g, Inc. v. Rexnord Corp.*, 278 F.3d 1268, 1276 (Fed. Cir. 2002) (continuing to apply a competitive need standard in a utilitarian functionality case), *with* *Eppendorf-Netheler-Hinz GmbH v. Ritter GmbH*, 289 F.3d 351, 356 (5th Cir. 2002) (“*Traffix* supersedes the definition of functionality previously adopted by this court.”), *Eco Mfg. LLC v. Honeywell Int’l, Inc.*, No. 03-2704, U.S. App. LEXIS 26430, *13 (7th Cir. Dec. 31, 2003) (“*Traffix* rejected an equation of functionality with necessity; it is enough that the design be useful.”), *and* *Antioch Co. v. W. Trimming, Corp.*, 196 F. Supp. 2d 635, 640 (S.D. Ohio 2002) (*Traffix* altered the functionality standard).

the Supreme Court's own decision. To understand why courts have divided on this crucial issue, one must take a closer look at the *TrafFix* decision.

It is the *TrafFix* Court's treatment of its earlier *Qualitex* decision that lies at the core of the problem. *Qualitex* was an extremely important final step in the common-law development of the functionality doctrine.⁴⁰⁰ When the *Qualitex* Court adopted a competitive need standard, it confirmed what other federal courts had been doing for years. By reconciling the old *Inwood* test with the competitive need standard, *Qualitex* seemed to eliminate one of the final functionality problems. *TrafFix* brought the problems back, and this time, the problems are more difficult to avoid.⁴⁰¹

In a remarkably short-sighted move, the *TrafFix* Court recast both *Inwood* and *Qualitex*. According to the *TrafFix* Court, *Qualitex* did not explain *Inwood*; it expanded on the *Inwood* standard. After quoting the *Inwood* definition, the *TrafFix* Court continued: "Expanding upon the meaning of this phrase, we have observed that a functional feature is one the 'exclusive use of [which] would put competitors at a significant non-reputation-related disadvantage.'"⁴⁰² The Sixth Circuit, as well as other circuit courts, read this language from *Qualitex* as confirmation of the competitive need functionality standard.⁴⁰³ Indeed, that confirmation was perhaps as important as the *Qualitex* Court's primary holding, because by confirming the circuit courts' adoption of the competitive need standard and eliminating the *Inwood* problem, *Qualitex* provided the final nudge needed to move the courts to complete uniformity on a general functionality standard.⁴⁰⁴

Despite this uniformity, the *TrafFix* Court declared the competitive need standard "incorrect as a comprehensive definition" of functionality.⁴⁰⁵ In place of the competitive need standard, the *TrafFix* Court simply restated the old *Inwood* definition and noted that *Qualitex* "did not purport to displace this traditional rule."⁴⁰⁶ The *Inwood* "rule" was anything but "traditional." It was unworkable. It seemed to simultaneously offer a

400. See *supra* notes 242-48 and accompanying text.

401. The *Inwood* functionality definition was dicta. See *supra* note 177. The *TrafFix* functionality analysis was not dicta. The lower federal courts, therefore, have much less flexibility in applying the *TrafFix* functionality analysis.

402. *TrafFix Devices, Inc.*, 532 U.S. at 32 (alteration in original) (quoting *Qualitex Co. v. Jacobson Prods.*, 514 U.S. 159, 165 (1995)).

403. *Mktg. Displays, Inc. v. TrafFix Devices, Inc.*, 200 F.3d 929, 938-40 (6th Cir. 1999); see, e.g., *Home Builders Ass'n v. L & L Exhibition Mgmt., Inc.*, 226 F.3d 944, 948 n.5 (8th Cir. 2000) (noting the significance of the *Qualitex* Court's focus on competitive disadvantage).

404. See *supra* notes 242-48 and accompanying text.

405. *TrafFix Devices, Inc.*, 532 U.S. at 33.

406. *Id.*

standard less restrictive than the competitive need standard (i.e., “essential to the use or purpose”) and much more restrictive than a competition-based test (i.e., “affects the cost or quality”).⁴⁰⁷ The only reason *Qualitex* did not “displace” the *Inwood* definition is that *Inwood* was not the “rule” when *Qualitex* was decided. The lower courts already had rejected a literal reading of *Inwood*.⁴⁰⁸ At least the *Qualitex* Court recognized the state of the law. The *TrafFix* Court could not have been more wrong in its characterizations of both *Inwood* and *Qualitex*.

The *TrafFix* Court provided almost no additional guidance on how to use the *Inwood* standard. The Court found that the plaintiff’s “dual-spring design provides a unique and useful mechanism to resist the force of the wind. Functionality having been established, whether MDI’s dual-spring design has acquired secondary meaning need not be considered.”⁴⁰⁹ The Court went on to note that the dual-spring design “is the reason the device works.”⁴¹⁰ These comments are not very helpful. It is not at all clear from the *TrafFix* decision whether the mere utility of the dual-spring design rendered it functional or whether it was the utility combined with the expired utility patents.

One point is clear from the *TrafFix* analysis: the reconciliation of *Inwood* with the competitive need standard has been undone. While it remains unclear what the *Inwood* test means, it is *not* a competitive need test. “Where the design is functional under the *Inwood* formulation there is no need to proceed further to consider if there is a competitive necessity for the feature,” the *TrafFix* Court explained.⁴¹¹

What, then, is the proper general functionality standard after *TrafFix*? The easy answer is “the *Inwood* standard,” but we have seen that the conventional interpretation of *Inwood* was rejected by the *TrafFix* Court. What is the correct understanding of *Inwood*? If the standard is applied literally, virtually all designs will be functional because almost every product feature has at least some effect on the cost or quality of the product. Any useful feature affects the quality, but is that enough? Did the *TrafFix* Court really intend to shift the general functionality standard in such an extreme way? Was the Supreme Court trying to effectively end all trademark protection for useful product features? If so, one would have expected the Court to provide at least some discussion or justification of the change. Yet on this point, the *TrafFix* Court was silent.

After *TrafFix*, the lower federal courts struggled to determine what should be the general functionality standard. This struggle was particularly

407. See *supra* notes 179-80 and accompanying text.

408. See *supra* notes 219-41 and accompanying text.

409. *TrafFix Devices, Inc.*, 532 U.S. at 33.

410. *Id.* at 34.

411. *Id.* at 33.

important within the Trademark Trial and Appeal Board (TTAB) and the Federal Circuit, because these two tribunals tend to resolve most substantive issues relating to the right to register a trademark.⁴¹² In a somewhat surprising move, the TTAB did not adopt a new functionality standard after *TrafFix*. Instead, the TTAB continued to define functionality in terms of competitive need.⁴¹³ The TTAB noted, however, that “it is not clear, after [*TrafFix*] whether the availability of alternatives weighs as a factor” in the functionality analysis.⁴¹⁴ This makes no sense. If functionality is defined in terms of competitive need, there is no greater direct evidence of non-functionality than the availability of equivalently performing alternative designs.

The Federal Circuit took a similar approach in its first decision evaluating *TrafFix*. In *Valu Engineering, Inc. v. Rexnord Corp.*, the court considered whether the design of a conveyor guide rail was functional.⁴¹⁵ Though the dispute raised only utilitarian functionality issues, the Federal Circuit applied a competitive need functionality standard:

We do not understand the Supreme Court’s decision in *TrafFix* to have altered the *Morton-Norwich* analysis. As noted above, the *Morton-Norwich* factors aid in the determination of whether a particular feature is functional, and the third factor focuses on the availability of “other alternatives.” We did not in the past under the third factor require that the opposing party establish that there was a “competitive necessity” for the product feature. Nothing in *TrafFix* suggests that consideration of alternative designs is not properly part of the overall mix, and we do not read the Court’s observations in *TrafFix* as rendering the availability of alternative designs irrelevant. Rather, we conclude that the Court merely noted that once a product feature is found functional based on other considerations there is no need to consider the availability of alternative designs, because the feature cannot be given trade dress protection merely because there are alternative designs available. But that does not mean that the availability of alternative designs cannot be a legitimate source of evidence to determine whether a feature

412. The TTAB was established by the Lanham Act and is bound by the precedents of the Federal Circuit. 15 U.S.C. §§ 1067, 1071 (2001). The TTAB is an administrative tribunal that hears interferences, oppositions, petitions for cancellation, and appeals from registration decisions. *Id.* § 1067.

413. See, e.g., *In re Gibson Guitar Corp.*, No. 75-513,342, 2001 TTAB LEXIS 835, at *2-4 (Trademark Trial App. B. Dec. 19, 2001).

414. *Id.* at *5.

415. 278 F.3d 1268, 1271-73 (Fed. Cir. 2002).

is functional in the first place.⁴¹⁶

This reading of *TrafFix* may be reasonable on the specific issue of whether alternative designs are *ever* relevant to the functionality analysis. The more problematic part of the Federal Circuit's position is its continued reliance on *Morton-Norwich*, a decision that expressly defined utilitarian functionality in terms of competitive need.⁴¹⁷ It is true, as the quoted excerpt explains, that the *Morton-Norwich* functionality standard does not require a showing of absolute necessity, but that fact does little to reconcile the competition-based *Morton-Norwich* standard with the *TrafFix* Court's rejection of essentially the same standard. The Federal Circuit may be challenging the Supreme Court on that point⁴¹⁸ by continuing to use a competitive need functionality standard.⁴¹⁹

Other federal courts have read *TrafFix* quite differently. A recent decision by the Fifth Circuit provides a good example.⁴²⁰ The case involved a trade dress claim based on the design of certain laboratory

416. *Id.* at 1276 (citations omitted).

417. *In re Morton-Norwich Prods.*, 671 F.2d 1332, 1339 (C.C.P.A. 1982):

[I]t is clear that courts in the past have considered the public policy involved in this area of the law as, not the right to slavishly copy articles which are not protected by patent or copyright, but the need to copy those articles, which is more properly termed the right to compete effectively.

Id.

418. The Federal Circuit's reluctance to change the functionality rules is understandable. Not only is the Federal Circuit responsible for certain appeals in federal civil court actions (e.g., appeals of cases with claims arising under the Patent Act), but it also sets many of the substantive legal standards for the Patent & Trademark Office. 15 U.S.C. § 1071(a) (2000); 28 U.S.C. § 1295(a)(4)(B) (2000). The Trademark Office has been using the *Morton-Norwich* standards for about twenty years, and it has developed a great deal of experience in evaluating functionality issues. The TTAB, too, has seen many functionality disputes and has developed a substantial body of its own case law applying the *Morton-Norwich* analysis. If the *TrafFix* Court really intended to change all the rules, it would have a profound impact on the operations of the PTO. The Federal Circuit judges may be more observant of these complications than the Supreme Court. Although the convenience of the PTO is surely not a sufficient reason to continue using an improper legal standard, it may be a good reason to ask the Supreme Court for a better explanation of why it changed the rules and what the new rules mean.

419. The Federal Circuit is not alone in the use of a competitive need analysis in utilitarian functionality cases after *TrafFix*, but it is the only court to expressly reconcile this analysis with the *TrafFix* decision. The other courts that continue to use a competitive need standard have either overlooked or badly misconstrued the *TrafFix* analysis. *See infra* notes 434-35.

420. *Eppendorf-Netheler-Hinz GmbH v. Ritter GmbH*, 289 F.3d 351 (5th Cir. 2002).

instruments.⁴²¹ A jury trial was held about ten months *before* the *Traffix* decision, and the jury received the following instruction:

A design or characteristic is nonfunctional if there are reasonably effective and efficient alternatives possible. Hence, a product's trade dress is functional only, one, if competitors need to incorporate it in order to compete effectively because it is essential to the product's use, or, two, if it significantly affects the cost or quality of the article. A design is functional and thus unprotectable if it is one of a limited number of equally efficient options available to competitors and free competition would be significantly disadvantaged by according the design trademark protection.⁴²²

This instruction was based on the Fifth Circuit's pre-*Traffix* functionality decisions, which defined functionality in terms of competitive need. "Relying on this instruction, the jury determined that the [plaintiff's designs] were non-functional."⁴²³ The district court entered judgment based on the jury's findings and awarded the plaintiff \$1.75 million in damages.⁴²⁴ The defendant was permanently enjoined from copying the plaintiff's designs.⁴²⁵ The defendant appealed.⁴²⁶

421. *Id.* at 353. The claims were based on "Eppendorf's line of disposable pipette tips and dispenser syringes capable of accurate and rapid 'multiple dispensing' of liquids." *Id.* (footnote omitted).

422. *Id.* at 356.

423. *Id.* at 357.

424. *Id.* at 354. The jury awarded \$750,000 in lost profits and \$250,000 in lost licensing fees. *Id.* It also found the defendant had willfully infringed upon the plaintiff's trade dress rights—a finding that led the district court to impose an additional \$750,000 in enhanced damages. *Id.* The latter part of the award is questionable because the plaintiff brought only a Lanham Act claim and courts have consistently interpreted the Lanham Act as prohibiting punitive awards. *See, e.g.,* *Dial One of the Mid-South, Inc. v. BellSouth Telecomms., Inc.*, 269 F.3d 523, 527 (5th Cir. 2001); *Balance Dynamics, Corp. v. Schmitt Indus., Inc.*, 204 F.3d 683, 695 (6th Cir. 2000); *Sands, Taylor & Wood Co. v. Quaker Oats Co.*, 34 F.3d 1340, 1347 (7th Cir. 1994). The Fifth Circuit did not address the propriety of the district court's monetary award because it held that the claimed trade dress was functional. *Eppendorf-Netheler-Hinz GmbH*, 289 F.3d at 357.

The Fifth Circuit not only reversed the district court's judgment on the functionality issue, but it also rendered judgment in favor of the defendant. *Id.* at 358. This result seems rather harsh, given the Fifth Circuit's conclusion that the substantive law changed *after* the trial. The plaintiff could hardly have been expected to present evidence based on a legal standard that did not exist at the time of the trial. This situation, it would seem, would necessitate a new trial to give the claimant a fair chance to present its case based on the changed law. The Fifth Circuit apparently concluded that the plaintiff could not possibly prove its trade dress was non-functional based on the standards adopted by the Supreme Court in *Traffix*.

425. *Eppendorf-Netheler-Hinz GmbH*, 289 P.3d at 354.

426. *Id.*

The Fifth Circuit held that the jury was properly instructed based on Fifth Circuit law at the time of the trial, and it further held that the jury's findings were supported by the evidence.⁴²⁷ However, the court reversed, because "*TraFFix* supersedes the definition of functionality previously adopted by this court."⁴²⁸ Relying on the *TraFFix* analysis, the Fifth Circuit held that "if a product feature is 'the reason the device works,' then the feature is functional. The availability of alternative designs is irrelevant."⁴²⁹ The Fifth Circuit concluded that every feature of the plaintiff's product had an effect on the product's performance.⁴³⁰ That was enough to render the features, and the product as a whole, functional.⁴³¹ The "extensive testimony in the record regarding available alternative designs,"⁴³² was irrelevant, the court held, because after *TraFFix*, "alternative designs are not germane to the traditional test for functionality."⁴³³

427. *Id.* at 357.

428. *Id.* at 356; *see also id.* at 357 ("Eppendorf's argument, while consistent with this circuit's utilitarian definition of functionality, is unpersuasive in light of the [Supreme] Court's discussion of functionality in *TraFFix*.").

429. *Id.* at 355 (citations omitted) (quoting *TraFFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 34 (2001)).

430. *Id.* at 357.

431. *Id.* at 356-57.

432. *Id.* at 357.

433. *Id.* at 358. The Seventh Circuit Court of Appeals recently adopted a similar reading of *TraFFix*. In *Eco Mfg. LLC v. Honeywell Int'l, Inc.*, No. 03-2704 2003 U.S. App. LEXIS 26430, *13 (7th Cir. Dec. 31, 2003), the court explained that "*TraFFix* rejected an equation of functionality with necessity; it is enough that the design be useful."

Another striking example of the *TraFFix* decision's significance on the general functionality standard is provided by two district court decisions in the same case. In *Antioch Co. v. Western Trimming Corp.*, 196 F. Supp. 2d 635 (N.D. Ohio 2002), the court granted a renewed motion for summary judgment of functionality. *Id.* at 640. The motion was renewed because of the *TraFFix* decision. *Id.* In an earlier ruling, the court denied the same motion because the plaintiff presented evidence of alternative designs. *Id.* The court agreed with the defendant, who argued that *TraFFix* had changed the general functionality standard. *Id.* ("Accordingly, this Court will not apply the rejected competitive need test when ruling upon the Defendant's [motion]. As a consequence, the Court will not consider whether alternative designs exist, when ruling upon that motion."). Because the features in question had a role in the operation of the plaintiff's product, the district court found the features functional, as a matter of law. *Id.* at 643.

Dicta in a Second Circuit decision suggests that the court also reads *TraFFix* as equating functionality with utility. *Nora Beverages, Inc. v. Perrier Group of Am., Inc.*, 269 F.3d 114, 120 n.4 (2d Cir. 2001). The case involved a trade dress claim based on the design of a plastic water bottle (i.e., the kind used to sell spring water or other drinking water). *Id.* at 117. According to the court, the plaintiff "admit[ed] that its design is useful, but argue[d], incorrectly, that this does not render it 'functional.'" *Id.* at 120 n.4. The court went on to note that the bottle design made it easier to hold the bottle, and that such utility probably was enough to render the design functional. *Id.* The district court had not considered the functionality issue, *id.*, apparently because it found for the defendant on other grounds. The Second Circuit affirmed, *id.* at 125, so the functionality issue was

While the Fifth Circuit and Federal Circuit have reached conflicting interpretations of the *TrafFix* decision, some courts simply seem confused about what *TrafFix* means. The Ninth Circuit, for example, applied the competitive need functionality standard in a post-*TrafFix* case and cited *TrafFix* as being in “accord” with *Qualitex* on this issue.⁴³⁴ The *TrafFix* Court distinguished *Qualitex*, and it is hard to see how one could read the two decisions as supporting the same rule. Other courts, however, have reached the same conclusion.⁴³⁵ In addition, a number of courts have discussed the *TrafFix* decision, without providing any clear indication of how they interpret the case.⁴³⁶ These decisions make it difficult to predict

never adjudicated. Nevertheless, the court's comments may shed some light on the question of how courts will interpret the *TrafFix* decision.

434. *Clicks Billiards, Inc. v. Sixshooters, Inc.*, 251 F.3d 1252, 1258 (9th Cir. 2001).

435. See *Malaco Leaf, AB v. Promotion in Motion, Inc.*, No. 01 Civ. 7600 (WHP), 2003 U.S. Dist. LEXIS 17086, at *19-20 (S.D.N.Y. Sept. 29, 2003) (citing *TrafFix* and *Qualitex* as support for a competition-based functionality standard); *Logan Graphic Prods. v. Textus USA, Inc.*, No. 02 c 1823, 2002 U.S. Dist. LEXIS 24547, at *27-32 (N.D. Ill. Dec. 23, 2002); *Waddington N. Am. Bus. Trust v. EMI Plastics, Inc.*, No. 02-cv-3781 (FB), 2002 U.S. Dist. LEXIS 16634, at *9-10 (E.D.N.Y. Sept. 5, 2002). *Logan Graphic Products* is particularly interesting because the court examined the patent issue from *TrafFix*. 2002 U.S. Dist. LEXIS 24547, at *27-32. The court noted the importance of evaluating the patent claims and held that there was not enough evidence that the trade dress claim was based on the same elements previously covered by the patent. *Id.* at *27-29. After rejecting the defendant's patent-based functionality argument, the court used a competitive need functionality standard, despite the utilitarian nature of the product features at issue. *Id.* at *29-31. The claims were based on a matte cutter used for preparing prints, photos, or other items for framing. *Id.* at *3.

436. The Third Circuit recently discussed *TrafFix* in the context of a trade dress dispute between two pharmaceutical companies. *Shire U.S., Inc. v. Barr Labs.*, 329 F.3d 348, 353 (3d Cir. 2003). At issue was the design of a prescription medication. *Id.* at 349. The district court, in a post-*TrafFix* decision, used the *Inwood* functionality standard and found that the plaintiff's tablet design was likely functional. *Id.* at 354. The Third Circuit affirmed, but seemed to hedge on the meaning of *TrafFix*, noting the Court's discussion of both the *Inwood* standard and the competitive need standard. *Id.* at 353 (“In *TrafFix*, the Supreme Court set forth two tests for functionality.”); see also *Am. Gen. Corp. v. DaimlerChrysler Corp.*, 311 F.3d 796, 805 (7th Cir. 2002) (noting that DaimlerChrysler's competitive need functionality argument “seems right and is un rebutted,” but failing to evaluate the relevance of the *TrafFix* decision to this issue); *E-Z Bowz, L.L.C. v. Prof'l Prod. Research Co.*, No. 00 civ. 8670(LTS)(GWG), 2003 U.S. Dist. LEXIS 15364, at *66-72 (S.D.N.Y. Sept. 5, 2003) (finding a utility patent highly relevant to the functionality analysis (i.e., following *TrafFix* in this respect), but then using a competition-based functionality standard); *Straumann Co. v. Lifecore Biomed., Inc.*, 278 F. Supp. 2d 130, 133-34 (D. Mass. 2003) (discussing the *TrafFix* decision, but equating non-functionality with arbitrariness); *David White Instruments, L.L.C. v. TLZ, Inc.*, No. 02 c 7156, 2003 U.S. Dist. LEXIS 8375, at *22 (N.D. Ill. May 16, 2003) (“A feature is functional when (1) it is essential to the use or purpose of the article, (2) it affects the cost or quality of the article, or (3) exclusive use of the feature would put competitors at a significant non-reputation-related disadvantage.”).

At least two courts have treated the *Inwood* test and the *Qualitex* test as alternative functionality standards, denying trademark protection if the features at issue are functional under either test. See *Mark Bric Display Corp. v. Joseph Struhl Co.*, No. 98-532ML, 2003 U.S. Dist. LEXIS 12933, at

what the law will be in many courts. The current division and confusion in the lower federal courts is much more significant than the minor split on the patent/trademark conflict issue that led the Supreme Court to intervene in *TrafFix*. Moreover, the *TrafFix* Court's resolution of that issue has caused problems as well.

2. Using Patents to Defeat Trademarks

One thing is clear about the *TrafFix* decision: the Supreme Court believed utility patents should have a strong impact on the functionality analysis.⁴³⁷ The *TrafFix* Court based its analysis on the patent bargain concept and held that a "utility patent is strong evidence that the features therein claimed are functional."⁴³⁸ Though this focus on the claims of a utility patent makes sense—as the patent bargain concept seems to demand such an analysis—it poses problems of its own.

A recent dispute involving the ASICS athletic shoe Stripe Design provides a good illustration of the problem and the risk posed by the *TrafFix* Court's emphasis on examining the claims of a utility patent.⁴³⁹ The case arose when Target, a large national retailer, began selling an athletic shoe with a stripe design resembling the well-known design used by ASICS.⁴⁴⁰ When ASICS moved for a preliminary injunction, Target argued the ASICS Stripe Design was functional.⁴⁴¹ Target's argument was based, in large part, on two utility patents owned by ASICS.⁴⁴² One of the patents disclosed and claimed a shoe having a skeleton-shaped outer

*18-20 (D.R.I. July 9, 2003); *In re Dippin' Dots Patent Litig.*, 249 F. Supp. 2d 1346, 1371-74 (N.D. Ga. 2003). The *Dippin' Dots* court used the *Inwood* standard, the competitive need standard, and even employed the four-factor approach based on *Morton-Norwich*. *Id.* The latter test is just a framework for applying the competitive need standard, but the court used it with an abundance of caution. In the end, the court found the product design at issue functional under all the possible standards. *Id.* This analysis was accepted by another court in a related proceeding, *Frosty Bites, Inc. v. Dippin' Dots, Inc.*, No. 3-10-CV-1532-M, 2003 U.S. Dist. LEXIS 8472, at *16-20 (N.D. Tex. May 19, 2003).

437. As Professor McCarthy has noted, the *TrafFix* Court used the phrase "strong evidence" four times when referring to the relevance of a utility patent. 1 MCCARTHY, *supra* note 5, § 7:89.

438. *TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 29 (2001).

439. *ASICS Corp. v. Target Corp.*, 282 F. Supp. 2d 1020, 1024 (D. Minn. 2003). A drawing of the ASICS Stripe Design is provided in the Appendix to this Article. The drawing is taken from ASICS' U.S. trademark registration for the design. U.S. Regis. No. 937,464 (July 11, 1972).

440. *ASICS Corp.*, 282 F. Supp. 2d at 1025.

441. *Id.* at 1025-26.

442. *Id.* at 1026.

carapace.⁴⁴³ The other patent claimed an improved tightening member for an athletic shoe.⁴⁴⁴

The district court focused primarily on the patent for the shoe with the skeleton-shaped carapace and found at least two claims from this patent covering the ASICS Stripe Design.⁴⁴⁵ These claims required a number of structural elements, including separate internal and external carapaces, a rather uncommon design. Many athletic shoes have a removable sock liner, a soft insert that rests between the wearer's foot and the sole of the shoe. But the ASICS patents require a shoe with a full sock-like internal shell that is separate from the outer, structural shell of the shoe. Moreover, the outer carapace must include "a toe reinforcement portion, a heel reinforcement portion, an eyelet portion," and longitudinal and lateral reinforcement portions.⁴⁴⁶ The ASICS Stripe Design was disclosed in the patent's description as one means of providing the longitudinal and lateral reinforcement required by the patent's claims.⁴⁴⁷ Because a patent's claims must be interpreted in light of the patent's written description of the invention, the district court held the ASICS Stripe Design was covered by the patent claims.⁴⁴⁸ In other words, use of the Stripe Design by another, the court concluded, would infringe the ASICS patent.⁴⁴⁹

The ASICS case illustrates three problems with the *TrafFix* holding on the patent issue. First, a patent for a structural feature *could* be infringed by a feature whose structural role is clearly secondary to its role as a distinctive trademark. That seems to be what happened in the ASICS

443. U.S. Patent No. 5,533,279 (issued July 9, 1996) at col. 6, l.15. The carapace of a shoe is the upper shell portion of the shoe. In the invention claimed in the ASICS patent, the shoe has two distinct carapaces. *Id.* at col. 1, ll. 50-56. The inner carapace is soft and surrounds the wearer's foot like a sock. *Id.* The outer carapace provides the structural support for the shoe and has a "skeleton-shaped" structure, allowing for more use of mesh or other breathable material in the outer shell. *Id.* at col. 1, l. -col. 2, l. 20. This design purportedly provides a better fit for an athletic shoe and allows for greater use of a breathable material in the upper, thus enhancing the aeration function of the shoe. *Id.* at col. 1, ll.46-56.

444. U.S. Patent No. 5,430,959 (issued July 11, 1995). This patent disclosed and claimed a tightening structure for an athletic shoe using a flexible strap around the heel portion of the shoe and other straps connecting the eyelet portion of the shoe to the area where the upper and sole are joined. *Id.* at col. 1, ll. 38-50. This patent resulted from a continuation application based on the application that led to the carapace patent. For this reason, both patents contain identical drawings and very similar written disclosures.

445. *ASICS Corp.*, 282 F. Supp. 2d at 1026.

446. *Id.* at 1027.

447. *Id.*

448. *Id.* at 1027-28.

449. *Id.* This conclusion, standing alone, is clearly incorrect because the patent claims required a number of different elements. The court apparently meant that if the other structural elements were present together with the ASICS Stripe Design—the embodiment of the ASICS shoe and description of that shoe provided in the patent contained these other claim elements—the resulting shoe would infringe the claims.

case.⁴⁵⁰ ASICS makes many types of athletic shoes, but few seem to use the Stripe Design in a structural manner.⁴⁵¹ This fact, however, matters little in the *TrafFix* analysis because the Stripe Design *could* be used in a manner that, when combined with other potentially infringing features, would infringe at least one claim of the skeleton-shaped carapace patent. The ASICS Stripe Design, therefore, is likely functional under *TrafFix*.

The second problem presented by the *TrafFix* analysis is the potential for a single patent claim element to render a distinctive design feature functional. The primary patent involved in the ASICS case did not *require* use of the ASICS Stripe Design. In fact, a number of different longitudinal and lateral reinforcement designs could satisfy this structured element of the patent claims. It is true, as the court noted, that claim two of the skeleton-shaped carapace patent requires the use of two “substantially parallel” lateral and two “substantially parallel” longitudinal reinforcement portions.⁴⁵² This claim does require a design that may resemble the ASICS Stripe Design, to some extent,⁴⁵³ but does not *require* use of the particular ASICS Stripe Design. *TrafFix*, nonetheless, suggests that a design feature is functional if it meets the requirements of a single claim element.⁴⁵⁴

450. *Id.* at 1024 (noting that the Stripe Design was registered as a trademark in 1972 and has been in use since 1966).

451. The ASICS Internet site lists over ten different types of shoes ranging from cheerleading shoes, to running shoes, to youth shoes. *ASICS U.S.A.*, at http://www.asicstiger.com/index_no_intro.htm (last visited Nov. 20, 2003). Many of the shoes in these categories appear to lack the structural elements of the patent claims at issue in the dispute with Target. Indeed, the product information provided on the ASICS Internet site identifies the structural role of the leather uppers of some shoes, and other structural features, including stabilizing materials used in the sole and arch regions of the shoes. A review of the product information on every shoe identified on the ASICS site revealed no mention of any structural support role of the ASICS Stripe Design. *Id.* (presenting information on 100 shoe models).

452. *ASICS Corp.*, 282 F. Supp. 2d at 1027.

453. See Appendix for a drawing of the ASICS Stripe Design. In the ASICS design, the lateral stripes (i.e., those beginning at the heel section of the shoe and running along the length of the shoe) clearly begin as a single stripe. This stripe then separates, forming two stripes that flare outward and curve down toward the sole of the shoe. It may be reasonable, as the court held, to consider the lateral stripes in the ASICS design “substantially parallel,” *ASICS Corp.*, 282 F. Supp. 2d at 1027, but it is easy to construct other “substantially parallel” lateral stripes that would look quite different from those used in the ASICS Stripe Design trademark. The two longitudinal stripes in the ASICS design are always two distinct stripes and are more consistently parallel than the lateral stripes.

454. In *TrafFix*, the Court held the dual-spring design functional because it was within the scope of an element of an expired utility patent claim. *TrafFix Devices, Inc. v. Mktg. Displays Inc.*, 532 U.S. 23, 30-31 (2001). A number of other elements in the patent claims were at issue in *TrafFix*, but because the dual-spring design was deemed the “essential feature of the trade dress,” *id.* at 30, the Court focused on whether that element was within the scope of the patent claims. The first claim from one of the two patents at issue in *TrafFix* is presented below to better illustrate the point that a single claim element can now render a design functional:

The third, and perhaps most troubling, problem with the ASICS court's analysis of the patent issue is the focus on the claimant's design rather than the allegedly infringing design.⁴⁵⁵ ASICS owned the two patents involved in the Target dispute, and both patents were unexpired.⁴⁵⁶ Yet ASICS did not sue Target for patent infringement. This fact strongly suggests that the Target shoe was not using a stripe pattern for structural reasons that met the requirements of the ASICS patent claims.⁴⁵⁷ If this assumption is correct, Target avoided liability for trademark infringement despite the fact that it was using a design *not covered* by the claims of a utility patent and one that presumably did little or nothing to enhance the quality of its shoe. In other words, Target was using a design that would be non-functional even under the *TrafFix* analysis, but Target nevertheless avoided liability and effectively invalidated a well-known athletic shoe

1. A display device comprising an unanchored base, said base including a pair of spaced-apart elongated ground-engaging means, an upstanding frame structure having a relatively large surface area for receiving display indicia, a spring structure mounting the frame structure onto the base, said spring structure comprising an elongated torsion spring extending entirely across the base, a pair of spaced-apart brackets securing the frame structure to the torsion spring, said spring structure being mounted centrally of the ground-engaging means with the plane of the frame structure at substantially right angles to the longitudinal axis of said ground-engaging means, the surface area of the frame being of a size which normally causes displacement of the base upon application of a sufficient wind force thereagainst, said spring structure normally maintaining the frame structure in an upright position and being yieldable in either direction along an axis generally parallel to the plane of the frame structure to permit downward deflection thereof, the area of the frame structure being proportioned to the size of the base to result in downward deflection of the frame structure upon a force applied thereto without displacement of the base.

U.S. Patent No. 3,646,696 (issued Mar. 7, 1972) at col. 3, l. 59-col. 4, l. 20. Though this claim may not be easy to read and understand, it is clear the claim requires much more than just a dual-spring design. The same was true of the claims at issue in the *ASICS* case.

455. This focus is almost certainly a result of the modern trend in the functionality analysis noted above, which asks whether the claimant's design is non-functional, rather than whether the copied features are non-functional. *See supra* text accompanying notes 98-101. I argue for a change to this approach below. *See infra* Part III.B.

456. The skeleton-shaped carapace patent, U.S. Patent No. 5,533,279 (issued on July 9, 1996), is assigned to ASICS Corp. and expires on July 9, 2013. The tightening member patent, U.S. Patent 5,430,959 (issued on July 11, 1995), is also assigned to ASICS Corp. and expires on January 29, 2013. The expiration date determinations for these two patents is somewhat complicated by the fact that the patents are entitled to a term of either twenty years from their earliest priority filing date (January 29, 1993), or seventeen years from issuance, whichever is longer. 35 U.S.C. § 154(c)(1) (2000).

457. It also is likely the Target shoe did not utilize a separate inner and outer carapace, as required by the claims of the ASICS patents.

trademark.⁴⁵⁸ Such a result does nothing to advance the patent bargain. If Target was not infringing the ASICS patents, then it makes little sense to let Target off the hook for trademark infringement in order to avoid a de facto extension of the term of the patents.⁴⁵⁹ The ASICS decision is the most troubling of its kind, but it is not the first, and it is not likely to be the last.⁴⁶⁰

3. Confusion—What Is the Difference Between Aesthetic and Utilitarian Value?

In addition to the problems described in the two preceding sections, courts now face another daunting challenge: drawing a line between aesthetic and utilitarian features. This distinction was less important before *Traffix* because most courts used a competitive need standard regardless of the nature of the feature at issue.⁴⁶¹ However, with the starkly different functionality standards now used in some circuits for utilitarian and aesthetic functionality cases, it is likely that disputes will arise over where to draw the line between aesthetics and utility.⁴⁶²

458. The court's ruling denied a motion by ASICS for a preliminary injunction and therefore did not constitute a final judgment on the merits of the functionality issue. *ASICS Corp.*, 282 F. Supp. 2d at 1032. Despite the preliminary nature of the ruling, it seems unlikely that the court will change its mind on the functionality issue. In fact, ASICS requested reconsideration of the court's functionality determination, but the request was denied. *ASICS Corp. v. Target Corp.*, No. 03-3486 (RHK/AJB), 2003 U.S. Dist. LEXIS 14876, at *1-2 (D. Minn. Aug. 22, 2003).

459. The scenario presented in the ASICS case is even more striking an example of this problem given the unexpired status of the two patents.

460. In *Eco Manufacturing L.L.C. v. Honeywell Int'l, Inc.*, No. 1:03-cv-0170-DFH, 2003 U.S. Dist. LEXIS 11384 (S.D. Ind. June 20, 2003), *aff'd*, No. 03-2704, 2003 U.S. App. LEXIS 26430 (7th Cir. Dec. 31, 2003), the court found the round shape of Honeywell's thermostat functional based largely on a 1946 patent for an early version of the thermostat. *Id.* at *5. The court found the patent contained a claim (Claim 23) that included the round shape as an element. *Id.* at *10-11. This claim was "strong evidence" that the round shape was functional. *Id.* at *31 (quoting *Traffix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 29 (2001)). The court noted other evidence of functionality, including the limited number of other available shapes and the apparent utilitarian advantages of the Honeywell round shape. *Id.* at *49, *57-58. The outcome in *Honeywell* may have been correct, but the court's willingness to place great weight on a single claim for a 1946 patent illustrates the potential significance of the *Traffix* Court's patent analysis.

The Seventh Circuit affirmed the district court's ruling, but said little about the evidence of alternative designs. *Eco Mfg.*, 2003 U.S. App. LEXIS 26430, at *11-12. The court did, however, read *Traffix* as equating functionality with utility. *Id.* at 13 ("*Traffix* rejected an equation of functionality with necessity; it is enough that the design be useful.>").

461. See *supra* notes 282-84 and accompanying text.

462. One court recently avoided a dispute by holding that "aesthetic appeal . . . should not be considered in the functionality analysis." *Big Island Candies, Inc. v. Cookie Corner*, 244 F. Supp. 2d 1086, 1091 (D. Haw. 2003). The court's conclusion was based on a line of Ninth Circuit decisions that backed away from the aesthetic functionality analysis presented in the *Pagliero* decision. *Id.* at 1090. For a discussion of *Pagliero* and the development of the aesthetic

The *TrafFix* Court's treatment of this issue is not helpful. The Court characterized *Qualitex* as an aesthetic functionality case, explaining that "there [had] been no indication that the green-gold color of the laundry press pad had any bearing on the use or purpose of the product or its cost or quality."⁴⁶³ This characterization may not be entirely correct. There was evidence in *Qualitex* that the green-gold color of the plaintiff's press pads helped the "pads to maintain a clean appearance,"⁴⁶⁴ apparently by hiding the stains that typically occur on such pads. The district court in *Qualitex* concluded that "hundreds if not thousands" of other colors would have performed this task just as well,⁴⁶⁵ and the Ninth Circuit found no error in this conclusion.⁴⁶⁶

One can certainly argue that the value of the green-gold color of the *Qualitex* press pads (i.e., its ability to hide stains) was an aesthetic benefit. But was it? The Federal Circuit held in a leading functionality decision that the black color of Mercury outboard engines is functional because black makes the engines look smaller and better matches a variety of boat colors.⁴⁶⁷ The Federal Circuit held that those two attributes were "not in this case mere aesthetic features."⁴⁶⁸ The stain-hiding ability of a press pad color would seem to have at least as much utility as the black color of Mercury outboard engines. Yet the *TrafFix* Court characterized *Qualitex*, with its stain-hiding, green-gold press pads, as an aesthetic functionality case.⁴⁶⁹

functionality doctrine, see *supra* Part I.D.1. The court's conclusion in the *Big Island Candies* case is questionable, given the Supreme Court's express endorsement of aesthetic functionality in *TrafFix*. It was the existence of this concept that allowed the *TrafFix* Court to distinguish that case from *Qualitex*. In any event, the *Big Island Candies* decision illustrates the continuing difficulty courts have in dealing with functionality disputes involving features with aesthetic value.

463. *TrafFix Devices, Inc.*, 532 U.S. at 33.

464. *Qualitex Co. v. Jacobson Prods.*, 13 F.3d 1297, 1304 (9th Cir. 1994).

465. *Id.*

466. The Ninth Circuit explained:

Although evidence was presented that there may be a functional reason to have colored press pads to maintain a clean appearance, we conclude that it was not error for the district court to conclude that "there is no competitive need for the green-gold color, since other colors are equally usable" and that "the range of tones of available distinctive suitable colors . . . is in the hundreds if not thousands."

Id. (omission in original).

467. *Brunswick Corp. v. British Seagull Ltd.*, 35 F.3d 1527, 1532-33 (Fed. Cir. 1994).

468. *Id.* at 1533. The Federal Circuit had previously rejected the aesthetic functionality doctrine, a holding that seemed to force the court in *Brunswick* to stretch the notion of utility.

469. See *supra* note 394 and accompanying text.

What are the lower federal courts to do when faced with the difficult task of distinguishing between aesthetic and utilitarian features? In one post-*Traffix* case, a district court found yellow plastic tubing used for underground drainage functional because the yellow color was useful.⁴⁷⁰ The court acknowledged that in some applications the yellow tubing might be used for aesthetic reasons, but concluded that in most applications, the aesthetic appeal of such tubing was unimportant to potential purchasers.⁴⁷¹ Because the yellow color was easy to see during installation or removal and was less vulnerable to heat damage than black tubing, the court concluded the yellow color was functional.⁴⁷²

The court's analysis of the yellow tubing seems correct, but the role of the yellow color is not so different from the role of the green-gold press pads at issue in *Qualitex*. The green-gold color served to hide stains, but was non-functional because many other colors could do the job just as well. In the tubing case, one probably could have reached a similar conclusion. The yellow color of the plaintiff's tubing may have provided certain advantages over black tubing, but many other colors probably would have provided the same benefits. The yellow color had no effect on how well water or other fluids flowed through the tubing. Yet in the tubing case, the court used a functionality standard quite different from the competitive need standard endorsed in *Qualitex*. The plaintiff won in *Qualitex*, but the plaintiff lost in the yellow tubing case. Much now rides on the distinction between aesthetics and utility although, as one prominent judge has noted, the line separating the two is far from clear.⁴⁷³

III. THE RECOVERY

In this Part, I identify three possible solutions to problems caused by *Traffix*. First, a competition-based standard could be reestablished as a unitary functionality standard. This change would essentially restore the law to its pre-*Traffix* state, at least in most circuits.⁴⁷⁴ There would be no

470. *Baughman Tile Co. v. Plastic Tubing, Inc.*, 211 F. Supp. 2d 720, 724-25 (E.D.N.C. 2002).

471. *Id.* at 722 n.2.

472. *Id.* at 723-24.

473. In *W.T. Rogers Co. v. Keene*, 778 F.2d 334, 344-45 (7th Cir. 1985), Judge Posner noted that "the word 'utilitarian' is ambiguous. It can mean anything which gives pleasure, which is the approximate sense in which 'utility' and 'utilitarian' are used by philosophers; or it can mean useful in a sense which excludes beauty, which is the commoner lay meaning of 'utilitarian.'"

474. One post-*Traffix* commentator has made a similar suggestion. Weinberg, *supra* note 7, at 61. Professor Weinberg argued for the competitive need standard and criticized the *Traffix* Court for rejecting or raising doubts about that standard, but he concluded that most courts will eventually return to a competition-based analysis. *Id.* I held the same optimistic view in the months just after *Traffix*. There was, it seemed, enough ambiguity in the *Traffix* analysis to allow courts room to continue using the competitive need standard, or at least some variation on that standard. The Federal Circuit's decision in *Valu Engineering, Inc. v. Rexnord Corp.*, 278 F.3d 1268 (Fed. Cir.

special patent bargain or right-to-copy rules and the aesthetics/utility distinction would be of no consequence. The functionality doctrine would be a clear and workable limitation. It would not, however, be a very limiting rule. Many, perhaps most, product features would be non-functional under this standard.

The second fix replaces the modern functionality rule (i.e., the requirement that a claimant prove its overall design is non-functional) with a limited functionality defense. This solution changes the focus from the plaintiff's product to the defendant's product, or more specifically, to those features of the defendant's product copied from the plaintiff's product. Functionality would be defined based on competitive need, just as in the first proposal, but the question would be whether the defendant needs the copied features, not whether the overall design of the plaintiff's product is competitively significant. This solution is based, in part, on the practice during the early development of the functionality doctrine.

My third proposal is a combination of the first two solutions. Such a combination may be the most acceptable approach to fixing the functionality doctrine. Under this combined approach, a claimant would have to prove its overall design is non-functional to bring a trade dress infringement claim or to obtain a trademark registration from the Patent & Trademark Office. The limited functionality defense would be available in litigated disputes. Thus, even where a plaintiff proves its design is distinctive and non-functional, a defendant could avoid broad injunctive relief by proving the copied features were functional. This solution would combine the benefits of focusing on the defendant's design with the need for some front-end filtering to prevent harassment suits and the registration of distinctive, but purely functional, designs.

A. *Solution One—Returning to the Competitive Need Standard*

The *Traffix* Court erred when it rejected the competitive need functionality standard. The Court failed to appreciate the significance of the lower federal courts' use of that standard to resolve most functionality issues.⁴⁷⁵ Not only did the *Traffix* Court introduce, or reintroduce, depending upon the circuit, the difficult and controversy-laden distinction between aesthetic functionality and utilitarian functionality,⁴⁷⁶ but the Court also returned to the inconsistent and unworkable *Inwood* standard

2002), relied on the *Traffix* ambiguity and reiterated that court's use of a competitive need standard. Unfortunately, since *Valu Engineering* was decided, most courts have read *Traffix* as rejecting the competitive need standard, adopting instead a much less rigorous functionality standard. See *supra* notes 420-33 and accompanying text.

475. See, e.g., Weinberg, *supra* note 7, at 17-21, 37-38.

476. See Discussion, *supra* note 7, at 533 n.113.

without acknowledging the important history of that standard in the lower courts. In short, the *TrafFix* Court turned its back on almost 100 years of common-law progress⁴⁷⁷ and left the lower federal courts with a confusing, yet controlling, new precedent.⁴⁷⁸ In the following sections, I argue for a return to the competitive need standard. This functionality standard best balances the competing interests at stake.

1. Two Policies and Three Rules

Before turning to the relative merits of the different functionality rules, it is important to review the exact meaning of those rules. There are, in fact, many possible variations on the functionality rules discussed in the preceding parts of this article. A unitary competition-based standard could be used to resolve all functionality questions, or different competition-based standards could be used in aesthetic and utilitarian functionality cases, with a more restrictive rule applied in utilitarian functionality disputes.⁴⁷⁹ A competition-based standard could be used in aesthetic functionality disputes and a utility-based standard could be used in utilitarian functionality disputes (this is a leading interpretation of the *TrafFix* holdings). A special, patent-based, per se rule could be used in cases involving trade dress claims for features previously claimed or disclosed in a patent, with the possibility of different rules depending upon whether a utility or design patent is involved. An absolute right to copy all unpatented articles could be used, either as a functionality standard or as an alternative to the functionality doctrine. Each of these approaches has received at least some support.

The situation, thankfully, is not as difficult as it may appear. Courts have identified two primary policies supporting the functionality doctrine: (1) the free competition concern, or more specifically, the concern that overly broad trade dress protection could unduly hinder free and vigorous competition;⁴⁸⁰ and (2) the patent/trademark conflict concern, or more specifically, the concern that overly broad trade dress protection might conflict with, and undermine, the role of patent protection in stimulating

477. Weinberg, *supra* note 7, at 10-22 (reviewing the historical development of the competitive need standard); *supra* Parts I.A.-I.C.

478. See Discussion, *supra* note 7, at 534.

479. It is, of course, possible to use a more rigorous functionality standard for either utilitarian or aesthetic functionality disputes. But because many courts and commentators have expressed concern about the propriety of an aesthetic functionality doctrine, the approach described in the text probably would receive more support.

480. See Davis, *supra* note 7, at 249-50; Discussion, *supra* note 7, at 557; Kratzke, *supra* note 7, at 84; A. Samuel Oddi, *The Functions of "Functionality" in Trademark Law*, 22 HOUS. L. REV. 925, 927-28 (1985); Weinberg, *supra* note 7, at 38; Note, *supra* note 49, at 551-52.

innovation.⁴⁸¹ These two policies have been used to support different functionality standards. Three standards have received the most support.

The free competition policy leads, rather directly, to the competitive need functionality standard. If the desire is to protect the competitiveness of markets, it makes sense to define functionality in terms of the competitive significance of the feature or features at issue.

The concern over conflict between trademark and patent protection has led to two functionality rules. The first I call the patent bargain rule. It is a per se rule denying trademark protection for product features claimed in expired utility patents.⁴⁸² The rule is designed to prevent de facto extensions of the patent term through use of trademark law.⁴⁸³ This rule is, however, only a partial functionality solution. The patent bargain rule says nothing about how to deal with general functionality disputes (i.e., those cases where the design at issue was not part of a previously patented invention). The Tenth Circuit adopted a special patent bargain rule in *Vornado Air Circulation Systems v. Duracraft Corp.*, but retained the competitive need standard for other functionality issues.⁴⁸⁴ This is the second approach of interest.⁴⁸⁵

The third rule, which also is based on the patent/trademark conflict concern, seeks to completely separate patent and trademark protection by recognizing an absolute right to copy all unpatented articles. This rule establishes and polices a border between the subject-matter domains of patent law and trademark law. To achieve this result, the rule equates functionality with utility,⁴⁸⁶ thus barring trademark protection for all useful

481. See Discussion, *supra* note 7, at 528; Kratzke, *supra* note 7, at 84; Oddi, *supra* note 480, at 927; Taylor, *supra* note 7, at 205; Welkowitz, *supra* note 36, at 299-300; Fuller, *supra* note 7, at 306.

482. This rule could, and for conceptual consistency probably should, extend to features covered by expired design patents, too. It is clear, however, that many courts and commentators believe utility patents warrant special rules limiting trademark protection, but that design patents do not justify similar restrictions. See *infra* Part III.A.4.

483. See Dinwoodie, *supra* note 21, at 712; Discussion, *supra* note 7, at 537; Dratler, *supra* note 42, at 531; Fischer, *supra* note 42, at 59; Groff, *supra* note 42, at 74; Marshall, *supra* note 7, at 638-39; Taylor, *supra* note 7, at 208; Dowell, *supra* note 59, at 138, 151; Note, *supra* note 115, at 568.

484. 58 F.3d 1498, 1500 (10th Cir. 1995).

485. It is possible to define the per se patent bargain rule in different ways. For example, the Tenth Circuit held a design may not receive trade dress protection when it is or has been "a significant inventive component of an invention covered by a utility patent." *Id.* A patent bargain rule could be based more directly on the patent claims. The question of how to best construct a patent bargain rule is outside the scope of my analysis, largely because I conclude that potential rules, however constructed, impose too much social cost while providing too little benefit. See *infra* Parts III.A.3.-5.

486. This approach—limiting the right to copy to useful articles—is common, but flawed. Advocates of a limited right to copy fail to adequately explain why the right does not extend to

product features.⁴⁸⁷ This rule goes well beyond the patent bargain rule set forth above.⁴⁸⁸

In the following sections, I evaluate these three rules, a unitary competitive need standard, a per se patent bargain rule coupled with a competitive need standard, and a right-to-copy rule, to determine which rule best balances the competing interests at stake. The result is not close. Only a unitary competitive need functionality standard provides a reasonable balance between the need to limit trade dress protection and the need to prevent consumer confusion. The two patent-based rules present a number of problems.

2. Functionality Cost and the Problem of Perspective

The functionality doctrine imposes a real cost on society. When a distinctive product identifier is deemed functional, consumer confusion is likely to follow. Consider, for example, a recent case involving yellow plastic tubing used for underground drainage.⁴⁸⁹ The court found the yellow color functional because it made the tubing less vulnerable to heat damage and easier to see during installation and removal.⁴⁹⁰ In reaching this conclusion, the court compared the yellow tubing at issue to black tubing used by other companies.⁴⁹¹ The court's conclusion is likely correct if functionality is equated with utility. Though a different conclusion might have been reached under a competitive need standard, the important point here is the effect of the court's decision.

The plaintiff in the yellow tubing case had an incontestable federal trademark registration for the yellow color of its tubing.⁴⁹² This fact is significant because the incontestable status of the registration effectively eliminated the distinctiveness issue from the case.⁴⁹³ Assuming the yellow

unpatented ornamental designs; i.e., to those designs within the subject matter of design patent law. I address this point in more detail below. See *infra* Part III.A.4.

487. Welkowitz, *supra* note 36, at 367-68; Dowell, *supra* note 59, at 190-92; Weitzer, *supra* note 42, at 195; cf. Note, *supra* note 115, at 568 (arguing that any potentially patentable article should be deemed functional, including ornamental designs within the scope of the design patent provisions).

488. Mohr, *supra* note 42, at 428-29 (arguing for an extension of the patent bargain rule to invalidated patents and to inventions where patent protection was sought but denied); Pollack, *supra* note 42, at 298-99.

489. *Baughman Tile Co. v. Plastic Tubing, Inc.*, 211 F. Supp. 2d 720, 721 (E.D.N.C. 2002).

490. *Id.* at 723-24.

491. *Id.* at 723-25.

492. *Id.* at 721-22.

493. *Park 'N Fly, Inc. v. Dollar Park & Fly, Inc.*, 469 U.S. 189, 196 (1985) (“[L]anguage of the Lanham Act also refutes any conclusion that an incontestable mark may be challenged as merely descriptive.”). The defendant could have argued the yellow color was generic, but the court's references to black tubing seem to refute such a challenge.

color was distinctive, the court's judgment means that the plaintiff's competitors may make and sell yellow tubing that looks just like the plaintiff's tubing. Those consumers who were familiar with the plaintiff's tubing, and who associated the yellow-colored tubing with the plaintiff, probably would be confused by the appearance of the same color tubing made by other companies. Yet this is precisely the result sanctioned by the court's decision.

Functionality cost is real, but it is easy to miss. When courts and commentators consider the patent bargain arguments, the focus is on patent law, not trademark law.⁴⁹⁴ This perspective tends to blind advocates to the consumer confusion cost, because such a concern forms no part of patent law. The *TrafFix* decision provides a good example.⁴⁹⁵ The Supreme Court never considered the consumer confusion cost of the functionality rules it adopted. Instead, the *TrafFix* Court focused entirely on the rights of competitors to copy previously patented articles.⁴⁹⁶ This concern is important, but it cannot be addressed in a vacuum. The functionality doctrine should reflect a balancing of competing interests.

This problem is one of perspective. It is a particularly persistent problem because one of the primary justifications for the functionality doctrine is the prevention of harmful conflict between patent and trademark law.⁴⁹⁷ To evaluate this concern, one must consider the nature of patent law and the importance of the patent bargain. That bargain requires a patentee to surrender her invention to the public domain upon expiration of the patent.⁴⁹⁸ When one starts the analysis from this perspective, it is an easy step to the per se patent bargain rule discussed above. At some point, however, one must take into account the potential consumer confusion cost. This consideration does not necessarily mean a patent bargain rule is improper, but it does illustrate the need to weigh the benefits of such a rule against its costs. This balancing analysis is absent from most patent bargain arguments.⁴⁹⁹

494. See, e.g., Dratler, *supra* note 42, at 524-27; Pollack, *supra* note 42, at 293-94; Fuller, *supra* note 7, at 306; Geremia, *supra* note 42, at 781; Recent Case, *supra* note 42, at 1459-62; Weitzer, *supra* note 42, at 195. In one rather extreme example of the patent perspective, a commentator explained that "[t]he [functionality] doctrine exists only to prevent conflict between the coequal federal patent and trademark acts." Dowell, *supra* note 59, at 169. Dowell's description of the patent and trademark acts as "coequal" is somewhat misleading, given his argument for a denial of trademark protection when there is a potential conflict with patent law. *Id.* at 190-92.

495. *TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23 (2001).

496. *Id.* at 29, 33-34.

497. See Jenkins, *supra* note 42, at 331; David, *supra* note 42, at 262; Dowell, *supra* note 59, at 170; Geremia, *supra* note 42, at 781; Recent Case, *supra* note 42, at 257.

498. See, e.g., Taylor, *supra* note 7, at 214; Weitzer, *supra* note 42, at 181.

499. *TrafFix* again provides a good example, as the Court never considered the consumer confusion cost likely to result from the new functionality rules it adopted. 532 U.S. at 33-34.

The patent perspective also leads to another common analysis error. Patent bargain advocates often describe trademark protection for useful articles as “patent-like” protection⁵⁰⁰ or, in the case of a previously patented article, as a de facto extension of the patent monopoly.⁵⁰¹ The commentators who make these arguments seem to jump from the notion of patent protection to trademark protection without considering the requirements of either.⁵⁰² Some commentators have pointed out the significant differences between patent and trademark protection, including the different requirements for protection and the different scope of protection.⁵⁰³ Yet despite these helpful explanations, many commentators continue to push for strong patent bargain rules without recognizing the importance of the differences between trademark law and patent law.⁵⁰⁴

The most important difference in this context is the distinctiveness requirement of trademark law. To obtain trademark protection for any product feature, whether useful or not, a claimant must prove the feature is distinctive.⁵⁰⁵ This requirement is more onerous for product designs today than it was some years ago because the Supreme Court recently held that a product design cannot be inherently distinctive.⁵⁰⁶ As a result of this

500. See, e.g., Oddi, *supra* note 88, at 146.

501. See McLean, *supra* note 36, at 128; Mohr, *supra* note 42, at 371-72; Oddi, *supra* note 88, at 140; Dowell, *supra* note 59, at 138, 151; Laba, *supra* note 42, at 1676; Note, *supra* note 115, at 558.

502. See, e.g., Mohr, *supra* note 42, at 372-74; Dowell, *supra* note 59, at 173-74.

503. See Cotter, *supra* note 42, at 61; Dratler, *supra* note 42, at 565-70; Oddi, *supra* note 88, at 146-59; Opderbeck, *supra* note 42, at 38; David, *supra* note 42, at 280-81; Marcotte, *supra* note 7, at 329.

504. See Marshall, *supra* note 7, at 638 (arguing that the *TrafFix* case presented a situation where trade dress protection would have been “the practical equivalent of an expired utility patent” (quoting *TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 35 (2001))); McLean, *supra* note 36, at 128 (equating trade dress and patent protection); Mohr, *supra* note 42, at 373 (describing alleged “ease” with which trade dress protection may be obtained); Pollack, *supra* note 42, at 293-94 (arguing that functionality is not a sufficient protection of the right to copy); Taylor, *supra* note 7, at 214 (“Patent law advocates dedicating innovations to the public, while trademark law favors perpetual protection . . .”); Dowell, *supra* note 59, at 173 (arguing that trade dress protection for a product feature would eliminate competition); Fuller, *supra* note 7, at 306-07 (arguing that trade dress protection threatens to extend the patent monopoly); Geremia, *supra* note 42, at 816 (a competition-based functionality standard, “coupled with the unpredictable nature of contemporary trade dress law, threatens to effectively extend patent monopolies into perpetuity”); Laba, *supra* note 42, at 1676 (equating trade dress and patent protection); Weitzer, *supra* note 42, at 195 (arguing that any restriction on the public’s right to copy, including restrictions resulting from protection of distinctive trade dress, “harms the public good and undermines the policies of patent law”).

505. 15 U.S.C. § 1127 (2000) (defining trademark as a symbol used by a person “to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown”).

506. *Wal-Mart Stores, Inc. v. Samara Bros.*, 529 U.S. 205, 216 (2000) (“We hold that, in an

holding, claimants seeking trademark protection for a product design have to prove the design has become distinctive (i.e., that it has a secondary meaning).⁵⁰⁷ By requiring proof of secondary meaning, the Supreme Court eliminated the risk of a jury finding of inherent distinctiveness where there is little evidence of actual distinctiveness.⁵⁰⁸

action for infringement of unregistered trade dress under section 43(a) of the Lanham Act, a product's design is distinctive, and therefore protectible, only upon a showing of secondary meaning." The *Wal-Mart* Court distinguished product design from product packaging and left open the possibility that product packaging trade dress can be inherently distinctive. *Id.* at 212-15.

507. There are a number of ways to prove secondary meaning, including showing substantially exclusive and continuous use for a significant period of time. This principle is codified in the Lanham Act, which provides that "the Director may accept as prima facie evidence that the mark has become distinctive, . . . proof of substantially exclusive and continuous use thereof as a mark . . . for . . . five years . . ." 15 U.S.C. § 1052 (f) (2000). Courts also have used the five-year period as a benchmark for measuring the time needed to develop secondary meaning. *See, e.g.,* *Stuart Hall Co. v. Ampad Corp.*, 51 F.3d 780, 789-90 (8th Cir. 1995). This statutorily defined period raises the possibility that a party might claim secondary meaning for a previously patented product design based solely on the long period of exclusive use resulting from the patent rights. Though this concern is somewhat justified, the PTO rejects these claims, and an informed court would likely do the same.

For a matter which does not inherently function as a mark because of its nature (e.g., nondistinctive product container shapes, overall color of a product, or mere ornamentation), evidence of five years' use is not sufficient to show acquired distinctiveness. In such a case, actual evidence that the feature is perceived as a mark for the relevant goods or services would be required to establish distinctiveness. TRADEMARK MANUAL OF EXAMINING PROCEDURE § 1212.05 (a) (2003), available at <http://www.uspto.gov/web/offices/tec/tmep/1200.htm> (last visited Feb. 12, 2004).

508. This risk was real under the pre-*Wal-Mart* rule, and it remains real in product packaging cases. To appreciate the nature of this problem, one need look no further than the *Two Pesos* case, one of the Supreme Court's most important trade dress decisions. *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763 (1992). The Supreme Court held in *Two Pesos* that trade dress may be inherently distinctive. *Id.* at 776. This holding was distinguished in *Wal-Mart*, 529 U.S. at 214-25. There was, however, much more to the *Two Pesos* dispute.

The defendant, Two Pesos, obtained copies of blueprints for the plaintiff's, Taco Cabana's, restaurants, and used the blueprints to build its own restaurants. *Taco Cabana Int'l, Inc. v. Two Pesos, Inc.*, 932 F.2d 1113, 1124-25 (5th Cir. 1991). There was evidence the defendant obtained the plans through deceptive and improper means, though the defendant's witnesses denied these charges. *Id.* The jury found that Two Pesos misappropriated the plans. *Id.* The jury further found that Two Pesos willfully infringed Taco Cabana's trade dress, a conclusion also reached by the district court and the Fifth Circuit. *Id.* at 1127 & n.20 ("The weight of the evidence persuades us, as it did Judge Singleton, that Two Pesos brazenly copied Taco Cabana's successful trade dress . . .").

The jury essentially found that Two Pesos was a bad actor, having improperly obtained and used blueprints of the Taco Cabana restaurants. But the jury also found that Taco Cabana failed to prove its restaurant design had a secondary meaning, a finding that raises questions about the distinctiveness of the design at the time of the litigation. *Id.* at 1120 n.7. By finding the Taco Cabana trade dress inherently distinctive, the jury was able to find Two Pesos liable for trade dress infringement. A skeptical reader, or a losing defendant, could easily conclude the jury's finding of inherent distinctiveness was simply a means to an end (i.e., the jury wanted Two Pesos held

Under this new rule, only product designs that are proven distinctive will receive trademark protection. Relatively few designs will satisfy this requirement, but those that do carry with them an added assurance that we have not erred in extending protection. This assurance also means confusion is more likely when such a design is copied by a competitor. In other words, by making the distinctiveness requirement more difficult to satisfy, the Supreme Court's new rule will weed out many of the weaker product design trademark cases. Those cases left present a much stronger justification for protection.

The *Traffix* Court failed to consider this fact when it rejected the well-established competitive need functionality standard. Again, the problem of perspective likely explains the Court's failure to appreciate the importance of its prior decision. When the functionality doctrine is evaluated from the perspective of patent law, the distinctiveness requirement of trademark law is unlikely to be a consideration. By adopting a new functionality rule that will deny protection to even those designs proven distinctive, the *Traffix* Court adopted a rule that goes further than necessary. Consumer confusion is quite likely in such situations.

I suspect that much of the opposition to trademark protection for useful product features is based on the belief that such features are not really distinctive product identifiers. This view is seldom articulated, but it may be responsible for much of the hostility to trademark protection for product designs. After all, useful features such as the shape of a plastic spray bottle⁵⁰⁹ or the round design of a thermostat⁵¹⁰ are quite common and are not the kind of stimuli consumers are accustomed to viewing as source identifiers.⁵¹¹ The shape of a plastic bottle of Fantastik® cleaner, for

accountable for its bad acts). Because there is no meaningful or quantifiable measure of inherent distinctiveness, the jury's finding on this issue was largely insulated from review by the district court, the Fifth Circuit, and the Supreme Court.

Though I do not mean to suggest that the Taco Cabana restaurant design is not distinctive—I am familiar with the restaurant, having practiced law in Austin, Texas for several years, and believe it is distinctive—the facts and findings in the litigation with Two Pesos suggest the jury may have had other reasons for finding the Taco Cabana trade dress inherently distinctive. This is the risk posed by a rule that allows juries to find trade dress inherently distinctive. It is a risk the Supreme Court acknowledged in *Wal-Mart*, but did not address in *Two Pesos*. *Wal-Mart Stores, Inc.*, 529 U.S. at 214 (“Competition is deterred, however, not merely by successful suit but also by the plausible threat of successful suit, and given the unlikelihood of inherently source-identifying design, the game of allowing suit based upon alleged inherent distinctiveness seems to us not worth the candle.”); *Two Pesos, Inc.*, 505 U.S. at 774 (“We see no basis for requiring secondary meaning for inherently distinctive trade dress protection under § 43(a) but not for other distinctive words, symbols, or devices capable of identifying a producer's product.”).

509. *In re Morton-Norwich Prods.*, 671 F.2d 1332, 1334 (C.C.P.A. 1982).

510. *In re Honeywell, Inc.*, 497 F.2d 1344, 1335 (C.C.P.A. 1974).

511. These symbols, if distinctive, are likely to serve as secondary source identifiers. The *Wal-*

example, is likely to be much less distinctive—if distinctive at all—than the Fantastik® brand name. To the extent this concern motivates some of those who have pushed for patent bargain rules, these persons have been pushing for the wrong reform. A more rigorous distinctiveness requirement, a more demanding infringement standard, and more flexible remedial measures,⁵¹² would more directly address the problem than would a functionality rule that simply denies protection to more designs. The latter approach is a rather crude solution and one that imposes substantial consumer confusion cost.

Mart Court provided the following explanation of this point:

The attribution of inherent distinctiveness to certain categories of word marks and product packaging derives from the fact that the very purpose of attaching a particular word to a product, or encasing it in a distinctive packaging, is most often to identify the source of the product. Although the words and packaging can serve subsidiary functions—a suggestive word mark (such as “Tide” for laundry detergent), for instance, may invoke positive connotations in the consumer’s mind, and a garish form of packaging (such as Tide’s squat, brightly decorated plastic bottles for its liquid laundry detergent) may attract an otherwise indifferent consumer’s attention on a crowded store shelf—their predominant function remains source identification. Consumers are therefore predisposed to regard those symbols as indication of the producer, which is why such symbols “almost *automatically* tell a customer that they refer to a brand,” and “immediately . . . signal a brand or a product ‘source.’” And where it is not reasonable to assume consumer predisposition to take an affixed word or packaging as indication of source—where, for example, the affixed word is descriptive of the product (“Tasty” bread) or of a geographic origin (“Georgia” peaches)—inherent distinctiveness will not be found. That is why the statute generally excludes, from those word marks that can be registered as inherently distinctive, words that are “merely descriptive” of the goods, or “primarily geographically descriptive of them.” In the case of product design, as in the case of color, we think consumer predisposition to equate the feature with the source does not exist. Consumers are aware of the reality that, almost invariably, even the most unusual of product designs—such as a cocktail shaker shaped like a penguin—is intended not to identify the source, but to render the product itself more useful or more appealing.

Wal-Mart Stores, Inc., 529 U.S. at 212-13 (citations omitted).

512. This concept—that some types of symbols are more likely to serve as source identifiers than others—can be extended to the infringement context, where the use of similar secondary identifiers, like color or product design, should be deemed less likely to cause actionable confusion. Moreover, when the use of such identifiers is found to be likely to confuse consumers, courts should recognize the potential to significantly reduce, if not eliminate altogether, the risk of further confusion by ordering the defendant to adopt distinctly different primary identifiers. *See infra* text accompanying notes 520-22.

3. The Patent Bargain and Right-to-Copy Rules Provide Little Social Benefit

Patent bargain and right-to-copy advocates tend to overlook the cost of the rules they promote, but that is only half the analysis. If the patent bargain and right-to-copy rules provide important social benefits, such benefits might outweigh the confusion costs imposed by the rules.

Much literature evaluates the patent bargain and right-to-copy arguments. Those sources supporting the arguments suggest that any restriction on the right to make and use a previously patented invention will upset the balance struck by the patent system.⁵¹³ These arguments, and those supporting the right-to-copy rules, tend to be formalistic, and seldom address trademark policies. But these arguments suggest that the rules are needed to protect the patent system. If such a limitation on trademark protection were needed to avoid threatening the patent system, the rules might well be justified.

It is this issue that seems to divide the commentators. The patent bargain advocates argue that trademark protection offers perpetual patent-like protection without the rigorous requirements of patent law.⁵¹⁴ Opponents of the patent bargain rules argue that trademark law is different from patent law.⁵¹⁵ Trademark protection for a product feature, opponents argue, does not extend the patent term because trademark law protects only the distinctiveness of the feature and only prevents uses of the feature that are likely to cause confusion.⁵¹⁶

I believe the opponents of the patent-based rules have the better argument, though some who oppose such rules may understate the

513. See sources cited *supra* note 504.

514. See, e.g., Jenkins, *supra* note 42, at 357 (arguing that trade dress protection for a feature of a previously patented invention is a windfall for the inventor); McLean, *supra* note 36, at 128 (equating trade dress and patent protection); Mohr, *supra* note 42, at 373 (describing the alleged ease with which trade dress protection may be obtained); Pollack, *supra* note 42, at 293-94 (arguing that functionality is not a sufficient protection of the right to copy); Fuller, *supra* note 7, at 306 (arguing that trade dress protection threatens to extend the patent monopoly); Geremia, *supra* note 42, at 816 (arguing that a competition-based functionality standard, "coupled with the unpredictable nature of contemporary trade dress law, threatens to effectively extend patent monopolies into perpetuity"); Laba, *supra* note 42, at 1676 (equating trade dress and patent protection).

515. See Oddi, *supra* note 88, at 144-45; Opperbeck, *supra* note 42, at 38-39; David, *supra* note 42, at 262-63 & n.84; Marcotte, *supra* note 7, at 369-71.

516. Cotter, *supra* note 42, at 63 n.231 (noting importance of the likelihood-of-confusion standard in trade dress infringement disputes); Dratler, *supra* note 42, at 555-65 (discussing several key differences between patent protection and trademark protection); Gary Myers, *Statutory Interpretation, Property Rights, and Boundaries: The Nature and Limits of Protection in Trademark Dilution, Trade Dress, and Product Configuration Cases*, 23 COLUM.-VLA J.L. & ARTS 241, 263-64 (2000).

potential for conflict between trademark and patent protection.⁵¹⁷ It is true that trademark protection is quite different from patent protection.⁵¹⁸ It is also true and highly significant that trademark infringement does not automatically follow from the act of copying a distinctive design.⁵¹⁹ For example, when a distinctive product design is copied, it is quite possible that confusion can be avoided through the use of other distinctive and different identifiers.⁵²⁰ If one copies another's product design but uses her own distinctive brand name on the copied product, the risk of confusion will be reduced.⁵²¹ Product features are, at best, secondary product identifiers, and the use of a prominent primary identifier (e.g., a brand name or logo) may be enough to prevent confusion and, thus, avoid infringement in most situations.⁵²²

517. Professor Cotter, for example, argues that no real conflict exists because patents seldom confer true monopoly power. Cotter, *supra* note 42, at 61-63. A competition-based functionality standard, Cotter argues, prevents claimants from obtaining market power via trademark law. *Id.* at 62-63. Thus, "if competitors do not need access to a feature in order to compete, allowing the patentee to exert exclusive rights in that feature from now until Judgment Day will not confer any monopoly power and . . . will instead bestow some limited benefits on consumers." *Id.* I agree with this analysis, but it does not fully respond to the patent bargain argument. Professor Cotter concludes that the patent bargain and right-to-copy arguments "elevate form over substance," *id.* at 63, another correct observation in my view. There is, however, some merit (i.e., substance) to the patent bargain concerns, namely the question of whether a competition-based functionality standard will lead to practices that undermine patent law's incentive system. Though I agree with Professor Cotter's analysis, I don't believe his arguments provide a sufficient basis, standing alone, for rejecting the patent bargain and right-to-copy rules.

518. Dratler, *supra* note 42, at 555-65; Myers, *supra* note 516, at 257.

519. Cotter, *supra* note 42, at 63 n.231; Weinberg, *supra* note 7, at 9.

520. Glynn S. Lunney, Jr., *The Trade Dress Emperor's New Clothes: Why Trade Dress Does Not Belong on the Principal Register*, 51 HASTINGS L.J. 1131, 1175-78 (2000) (arguing that product features are rarely used by consumers as source identifiers, particularly when labels or other source indicia are present); Dowell, *supra* note 59, at 191-92; Note, *supra* note 49, at 556-57.

521. Note, *supra* note 49, at 556 & n.80.

522. A number of commentators have discussed the importance of labeling and brand usage to prevent or reduce the risk of confusion where product configurations are similar. Lunney, *supra* note 520, at 1164-65, 1177-78; James M. Treece, *Protectability of Product Differentiation: Is and Ought Compared*, 18 RUTGERS L. REV. 1019, 1041-42 (1964); see also Welkowitz, *supra* note 36, at 367-68; *supra* note 511.

There is, however, an important context in which labeling may do little to reduce the risk of harmful confusion. I am speaking of post-sale confusion, a form of confusion that occurs when the goods are viewed or used *after* the sale is completed. Post-sale confusion can be a sufficient basis for relief under the Lanham Act, but it is important to recognize that not all confusion after the point of sale constitutes infringement. Only where the post-sale confusion is likely to influence a purchasing decision should a finding of infringement follow. See, e.g., *Insty*Bit, Inc. v. Poly-Tech Indus., Inc.*, 95 F.3d 663, 672 (8th Cir. 1996) (holding post-sale confusion relevant to a trade dress claim where the appearance of the goods might be used by future purchasers to identify the goods they desire); RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 20 reporters' notes cmt. b (1995) ("Confusion of persons other than the actual purchaser is actionable, however, only if it is likely to cause harm to the commercial interests of the trademark owner."). See generally Ann K.

But what about the scenario where a distinctive product design cannot be effectively copied without causing consumer confusion? In this situation, trademark law would provide a level of exclusivity approaching that of patent law. Even in cases where it is possible to avoid confusion, a party found to be infringing may still be required to make changes to its product.⁵²³ In either case, the party found to infringe trademark rights in a product design may be no better off than a party found to infringe patent

Wooster, Annotation, "Post-Sale Confusion" in Trademark or Trade Dress Infringement Actions Under § 43 of Lanham Trade-Mark Act (15 U.S.C.A. § 1125), 145 A.L.R. FED. 407 (1998) (explaining the significance of post-sale confusion).

523. A number of leading trade dress cases have involved situations where the risk of confusion probably could have been greatly reduced through use of distinctive product labeling and branding. The trial courts, nevertheless, tend to issue injunctions prohibiting losing defendants from further use of the product configuration at issue. Results of this type contribute to the growing sense that trade dress protection has gone too far. Such a conclusion is too simplistic. The real problem in many of these cases is the failure of the trial courts to find the least restrictive remedy available. It is, after all, very well-established that courts must impose no more relief than is needed to prevent consumer confusion and to remedy any monetary harm suffered by the trademark owner. *See, e.g.,* Champion Spark Plug Co. v. Sanders, 331 U.S. 125, 131 (1947).

Two leading, and somewhat controversial, trade dress decisions provide a good illustration of my point. In *Sunbeam Prods. v. West Bend Co.*, 123 F.3d 246, 249-50 (5th Cir. 1997), the district court issued a preliminary injunction prohibiting the defendant from selling a particular type of stand mixer. The Fifth Circuit affirmed the injunction without considering whether a less restrictive remedy would have been sufficient. *Id.* The products at issue (stand mixers) were large enough to allow prominent labeling. If the defendant had clearly used its own brand name in prominent places on the body of the mixer, the risk of confusion surely would have decreased. The result in *Sunbeam* is significant because a preliminary injunction in like cases can effectively end the dispute. The defendant faced with an injunction must either redesign its product, a process that may be costly and somewhat time consuming, or remain out of the market until after a final judgment is reached. Because it can easily take two years or more for a case to reach trial, staying out of the market is not usually an attractive option. Because of the cost and effort required to redesign a product, many defendants will opt to stay with the new design rather than continuing the burdensome litigation. The win by Sunbeam was only preliminary in the eyes of the law, but in the market, it probably was a final victory over its competitor West Bend.

The Ninth Circuit's decision in *Clamp Manufacturing Co. v. Enco Manufacturing Co.*, 870 F.2d 512 (9th Cir. 1989), provides another example of a situation where labeling might have been enough to avoid confusion. The parties made competing screw-type clamps. *Id.* at 513. The plaintiff had owned a patent for parts of its clamp design, but its patent expired before the trade dress dispute arose. *Id.* The plaintiff's product was sold under the trademark Kant-Twist. *Id.* The defendant made a clamp almost identical in design to the plaintiff's and adopted the trademark No-Twist. *Id.* The district court found infringement of the Kant-Twist trademark and the clamp design. *Id.* at 514. Though confusion might have been likely, given the use of a somewhat similar trademark on an identical product, the court should have considered the effect of changing the defendant's trademark or adding other distinctive branding to the defendant's product. If the defendant changed its trademark to something different from the plaintiff's Kant-Twist mark, and also added its own company name or mark to its clamp, the risk of confusion would have been reduced. The court did not discuss this option, and instead enjoined the defendant from making a clamp of the same design as the plaintiff's clamp. *See id.* at 513.

rights in the same design. Either way, the party may be enjoined from copying the product.⁵²⁴ This result will not always follow when a trademark right is asserted, but it can, and that fact raises important patent bargain concerns.⁵²⁵

Thus, trademark protection does present some potential for conflict with the patent bargain. For some commentators, this conclusion is the end of their analysis.⁵²⁶ These commentators go on to argue for per se rules prohibiting trademark protection for previously patented features,⁵²⁷ but that approach also misses the mark. The functionality analysis must focus on all the policies implicated by the doctrine and seek the best balance of those policies.⁵²⁸ In this context, the key question is not whether there is any potential for conflict between trademark protection and the patent bargain, but whether such conflict is harmful to the patent system.

To answer this question, one must first consider the value provided by a patent. A patent is a government-created right to exclude.⁵²⁹ A patent owner can prevent others from making, using, selling, offering for sale, or importing her claimed invention.⁵³⁰ It is the right to say no that provides the value, and, more specifically, it is the government's enforcement of the right to say no that makes patents economically valuable. However, the economic value of a patent depends upon the scope and market significance of the patent claims.⁵³¹ If equivalent or better noninfringing alternatives to the claimed invention are available, the patent has little market value.⁵³² The most valuable patents enable their owners to exert control over some segment of a market.⁵³³ Absent at least some influence in a market, the patent-created right of exclusivity is of little economic value.

This analysis suggests that the greatest concern over extension of the patent-created exclusivity arises where the patent continues to provide

524. Oddi, *supra* note 88, at 159; *see also* Note, *supra* note 49, at 556 & n.81.

525. Myers, *supra* note 516, at 259.

526. *See* sources cited in *supra* note 504.

527. *See* sources cited in *supra* note 504.

528. *See* Jordan, *supra* note 42, at 354; Perez, *supra* note 42, at 411-13 (discussing the need to balance the objectives of trademark law and patent law).

529. As the Supreme Court explained in an early patent case, "[t]he franchise which the patent grants, consists altogether in the right to exclude every one from making, using, or vending the thing patented, without the permission of the patentee. This is all that he obtains by the patent." *Bloomer v. McQuewan*, 55 U.S. (14 How.) 539, 549 (1852). This proposition remains an accurate description of the rights granted through a patent. *See, e.g., Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 476-78 (1974); *Leatherman Tool Group, Inc. v. Cooper Indus., Inc.*, 131 F.3d 1011, 1014-15 (Fed. Cir. 1997); Weitzer, *supra* note 42, at 181.

530. 35 U.S.C. § 271 (2000); Geremia, *supra* note 42, at 788-89.

531. Cotter, *supra* note 42, at 32.

532. *Id.* at 33.

533. *Id.* at 32-33.

significant power in a particular market at or near the expiration date of the patent.⁵³⁴ In this situation, an effective extension of the patent monopoly will provide great value to the patent owner. No special patent bargain rule is needed to prevent trademark protection in this scenario, however, because the competitive need functionality rule guards precisely against this result.⁵³⁵ If trademark protection would allow a former patent owner to continue to exert control over some part of a market, then the exclusive use of the features sought to be protected under trademark law would, by definition, be placing competitors at a significant competitive disadvantage.⁵³⁶ The competitive need rationale, therefore, protects against the most harmful extensions of the patent monopoly.

What about patents that are still of some value at expiration? The inventions claimed in these patents may be important in a market, but there are likely a number of alternative designs available.⁵³⁷ In this situation, where the competitive need functionality standard might not block trademark protection, a special patent bargain rule would provide additional protection for the patent bargain. But is such protection needed? Would the prospect of post-patent-expiration trademark protection of an invention of modest value materially alter the balance reflected by the patent laws? I doubt it.

Patent applications must be filed early, and it is unlikely that most inventors at that stage are thinking much about the potential for trademark protection fifteen to twenty years down the road.⁵³⁸ So while it is true that the inventor in such a scenario seems to get something more than the patent system promised, this possibility is not likely to undermine the patent system. Moreover, the inventor is not getting that something extra

534. *Id.* at 62.

535. *Id.* at 62-63.

536. *Id.* at 62 n.230.

537. Oddi, *supra* note 88, at 145.

538. Cotter, *supra* note 42, at 33. To the extent that some inventors do give thought to the potential for trademark protection after the patent term, the availability of protection would not seem to undermine the patent system. If anything, the possibility of some exclusionary protection after the patent expires would create an additional incentive to create worthwhile inventions. Unless trademark protection is seen as a viable alternative to patent protection (i.e., unless trademark law provides comparable or better protection), the possibility of trademark protection in addition to patent protection is unlikely to lead inventors to forego patent protection. So long as the patent system is used, the benefits (e.g., full and early disclosure) are still obtained by the public. Though some commentators have argued that the disclosure benefit is lost if the product itself would have been placed in an open market, *see, e.g.*, Pollack, *supra* note 42, at 293-94 (arguing that when manufacturing and sale of a product would disclose its construction, "the public has received no consideration whatsoever from the patent holder"), I disagree with this view. It is the early and complete disclosure of the claimed invention that provides an important part of patent law's public benefit, and this disclosure is by no means certain when an unpatented product is introduced into the market.

for nothing. The inventor must satisfy all the elements of a trademark claim to receive the extra protection.⁵³⁹ Even if such protection is viewed as an extension of the exclusivity originally created by a patent, the end result poses little threat to society. This scenario reflects the strongest justification for the special patent bargain rules, yet even here, the rules provide minimal incremental social benefit.

When a patent has little or no market value upon expiration, there is even less reason to prohibit trademark protection for some part of the claimed invention. If the patent no longer confers any real value in the market, it seems perverse to speak of an "extension" of the patent monopoly. Those who argue for special patent bargain rules in this situation are elevating form over substance.⁵⁴⁰ There is no social benefit to a rule that denies trademark protection for distinctive product designs that have little or no market value apart from their distinctiveness. The same is true for articles never protected by a patent. An absolute right-to-copy rule, therefore, provides little or no social benefit. In fact, the patent-driven rules pose problems of their own.

4. The Patent Bargain and Right-to-Copy Rules Threaten Copyright and Trademark Protection for Ornamental Designs

The patent bargain argument is premised on the notion that a patented invention must be fully surrendered to the public domain when the patent expires. If there is merit to the argument, it would seem to apply with equal force to utility patents and design patents, for both provide a limited term of protection in exchange for a complete, early disclosure of the invention. To obtain a utility patent, an invention must be novel, nonobvious, and useful.⁵⁴¹ Design patents, on the other hand, are granted to inventions that are novel, nonobvious, and ornamental.⁵⁴² The ornamental requirement of design patent law stands in contrast to the usefulness requirement of utility patent law. Every feature of a product is,

539. Trade dress protection is by no means automatic in this scenario. The claimant must prove that its design has become distinctive. Mere passage of time will not be enough to prove secondary meaning for product configurations. *See supra* note 507. In addition, the claimant must prove a likelihood of confusion, which can be difficult if the defendant uses its own distinctive brand name or logo on its product. *See supra* notes 520-22 and accompanying text.

540. *See* Cotter, *supra* note 42, at 63 (making a similar argument).

541. 35 U.S.C. §§ 101-103 (2000).

542. *Id.* § 171 (designs must be "new, original, and ornamental" to qualify for a patent). The same provision explains that other "provisions of this title relating to patents for inventions shall apply to patents for designs, except as otherwise provided." *Id.* This rule effectively imposes the novelty and nonobviousness requirements of §§ 102 and 103 on applications for design patents. Design patents are available only for ornamental designs of "article[s] of manufacture." *Id.* § 171. This limitation precludes design patent protection for many artistic works.

at least in theory, within the subject matter scope of either utility or design patent law.

This fact has important consequences for the patent bargain and right-to-copy rules. Consider first a patent bargain rule that denies trade dress protection to previously patented features.⁵⁴³ If an ornamental design is patented, then under this rule the design must be fully surrendered to the public domain upon expiration of the design patent. No restrictions on the public's right to copy the design can be tolerated. But what if the same design is copyrighted? Copyright protection extends to "sculptural works," a category that overlaps somewhat with the ornamental design scope of design patent law,⁵⁴⁴ and copyright protection lasts much longer than a design patent.⁵⁴⁵ Though copyright protection may be more limited than design patent protection, the existence of a valid copyright for an ornamental design clearly imposes important restrictions on the public's right to copy the design. A conflict thus seems to exist between design patent protection and copyright protection.

How should this conflict be resolved? The supporters of the special patent bargain rules argue that trade dress protection must be prohibited when that protection conflicts with the public's right to copy a previously patented invention. Does this mean copyright protection for a previously patented ornamental design is lost when the design patent expires? It is difficult to support any other conclusion if one accepts the basic premise of the patent bargain argument, but this conclusion gives patent law priority over copyright law. Some patent bargain advocates openly argue for giving patent law priority over trademark law, but what about the relationship between patent law and copyright law? Both are grounded in the same provision of the U.S. Constitution.⁵⁴⁶ Both are exclusively federal

543. There are, as noted earlier, a number of possible per se patent bargain rules. *See supra* note 485. This potential for further debate over how to best enforce the patent bargain is interesting, but not directly relevant to the argument presented in the text.

544. 17 U.S.C. § 102 (a)(5) (2000) (Copyright protection is available for "pictorial, graphic, and sculptural works."). A manufactured item can be a "sculptural work" for the purposes of copyright law, so long as the work satisfies the ordinary requirements for protection. The most significant limitation on copyright protection for many articles of manufacture is the useful article doctrine. *See, e.g.,* *Brandir Int'l, Inc. v. Cascade Pac. Lumber Co.*, 834 F.2d 1142, 1143 (2d Cir. 1987). That limitation, however, is less likely to bar copyright protection for purely ornamental designs than for the useful characteristics of such articles. For this reason, there is significant overlap between design patent protection and copyright protection for ornamental designs of useful articles.

545. 17 U.S.C. § 302 (copyright term is life of author plus seventy years or, for anonymous, pseudonymous, and works made for hire, ninety-five years from publication or 120 years from creation, whichever is less); 35 U.S.C. § 173 (design patents "shall be granted for the term of fourteen years from the date of grant").

546. *See* U.S. CONST. art. I, § 8.

law. There is little reason to suggest that patent law should somehow trump copyright law.

Maybe patent and copyright law must coexist, and maybe the patent bargain advocates must accept the potential for copyright protection after the expiration of design patents. Such a concession may be of little practical significance,⁵⁴⁷ but it does undermine the basic justification for the patent bargain argument. It is simply incorrect to suggest that when a patent expires, be it utility or design, the invention is free for all to use. The patent protection is lost, but other restrictions may still be in force. The copyright example is merely one such restriction.⁵⁴⁸

The right-to-copy rule goes even further. This rule holds that any article within the broad subject matter scope of patent law must be protected by a patent, or not at all. Most supporters of the right to copy focus on the subject matter scope of utility patent law (i.e., on useful articles), but the right, if it exists, should extend to all potentially patentable articles. When the right to copy is applied to all useful and ornamental designs, trade dress protection for three-dimensional objects is effectively foreclosed. This sweeping result may be attractive to some commentators,⁵⁴⁹ but it clearly was not intended by Congress.⁵⁵⁰ Moreover, a denial of trade dress protection for distinctive, ornamental features of a product or its packaging probably would impose a substantial consumer confusion cost.

547. That is, there may be relatively few actual copyright infringement disputes involving previously patented ornamental designs.

548. Consider a utility patent for an improved nuclear or biological weapon, or for a new process of decoding encrypted radio transmissions. Such inventions may satisfy all the requirements of patent law, but there almost surely will be other important restrictions on the right to make and use these inventions. It would make little sense to argue that upon expiration of a patent for a new biological weapon, the public has an unrestricted right to make and use the invention. Although this example differs in important respects from both the trade dress and copyright scenarios, it does illustrate yet another type of restriction on the use of certain previously patented inventions.

549. Professor Glynn Lunney, for example, has argued that trade dress protection for product features is often unwarranted. Lunney, *supra* note 520, at 1175-78.

550. Recent amendments to the Lanham Act confirm an intent, at least on the part of Congress, to provide some trade dress protection to objects. See Trademark Amendments Act of 1999, Pub. L. No. 106-43, 113 Stat. 218 (1999) (placing the burden of proof for the functionality issue on the plaintiff in actions brought under section 43 (a)); Trademark Law Treaty Implementation Act, Pub. L. No. 105-330, 112 Stat. 3064 (1998) (adding functionality as grounds for rejection of trademark applications, for oppositions, and for cancellation proceedings). It would make little sense for Congress to twice amend the Lanham Act to incorporate functionality provisions if there were no intention to provide trademark protection to at least some three-dimensional objects.

5. The Patent Bargain and Right-to-Copy Rules Create an Incentive to Trade on Goodwill

The patent bargain and right-to-copy rules tend to create an incentive for competitors to trade on goodwill represented by distinctive product designs. Consider the yellow tubing case again.⁵⁵¹ Why did the defendant copy the yellow color of the plaintiff's tubing? There was no evidence that yellow tubing was less expensive to make, and there apparently was evidence that other colors would have worked just as well as yellow.⁵⁵² So why pick yellow? Perhaps the defendant wanted to trade on the plaintiff's goodwill.⁵⁵³

There are many possible reasons why one competitor might decide to copy another's product design. Avoiding the time and expense of developing an alternative design might be reason enough in some situations. But what if there are numerous alternative designs on the market with no significant differences in cost or quality? Which one would be copied? What if one of the designs, though useful, is also highly distinctive? What if the design is well-known to consumers in the market and is regarded as a symbol of quality? Under the patent bargain and right-to-copy rules, competitors might be free to copy such a design, despite its distinctiveness and the availability of equivalently performing alternative designs.

This problem arises because the patent bargain and right-to-copy rules make no exception for product designs with significant reputational value. Under the competitive need functionality standard, on the other hand, a product feature is functional only "if exclusive use of the feature would put competitors at a significant *non-reputation-related* disadvantage."⁵⁵⁴

551. *Baughman Tile Co. v. Plastic Tubing, Inc.*, 211 F. Supp. 2d 720 (E.D.N.C. 2002).

552. *Id.* at 723-25.

553. *Myers*, *supra* note 516, at 256 & nn.68-69. It is important to distinguish between the goodwill of a product and the goodwill of a producer. Trademark law protects the latter, not the former. When a new product is developed and is patented, there is the potential to develop goodwill in both the product and the producer. The product may serve a need or desire of consumers. The producer may develop a reputation for making a product with a consistent quality level. When the patent protection ends, others are entitled to enjoy the goodwill in the product, but not the reputational goodwill of the producer. Competitors have the right to try to satisfy the consumer demand for the type of product previously covered by the patent, but they must do so in a way that does not create consumer confusion as to the source of the product. Some commentators have confused these two very different forms of goodwill, and have read early Supreme Court decisions involving the right to make a previously patented invention as opening the door to trading on the former patent owner's reputational goodwill. *See, e.g.*, Pollack, *supra* note 42, at 298; Marcotte, *supra* note 7, at 347.

554. *Qualitex Co. v. Jacobson Prods.*, 514 U.S. 159, 165 (1995) (emphasis added). The *Qualitex* Court went on to note:

Reputational value is expressly excluded from the functionality analysis under this standard,⁵⁵⁵ as it should be. The patent bargain and right-to-copy rules do not take market value of any kind into consideration. These rules, therefore, allow competitors to copy designs even where the only significant value of the design lies in its distinctiveness.

When the right-to-copy rule is adopted—that is, when functionality is equated with utility⁵⁵⁶—the potential for trading on goodwill is substantial. Many distinctive product designs will be denied protection under such a standard, leaving competitors free to copy. When the focus on alternatives is rejected, there is no way to protect against copying for the sole purpose of trading on goodwill. Functionality is an element, and all the copying party need do is file a motion for summary judgment showing the design is useful.

6. Seeking Balance

The three functionality rules impose significantly different consumer confusion costs. The competitive need standard renders the fewest designs

Although sometimes color plays an important role (unrelated to source identification) in making a product more desirable, sometimes it does not. And, this latter fact—the fact that sometimes color is not essential to a product's use or purpose and does not affect cost or quality—indicates that the doctrine of “functionality” does not create an absolute bar to the use of color alone as a mark.

Id.

555. Dinwoodie, *supra* note 21, at 710.

556. I refer here to the right-to-copy rule most commonly advanced by commentators. The right should extend to all potentially patentable articles (i.e., useful and ornamental objects), but most advocates focus on useful articles. *See, e.g.*, Dratler, *supra* note 35, at 938-39 (“[T]he fundamental meaning of the word ‘function’ in the doctrine’s name is not merely any purpose, but a useful or utilitarian purpose in the utility patent sense.”); Mohr, *supra* note 42, at 389-92 (arguing that the functionality doctrine fails to preserve the subject matter domain of utility patents, but making no reference to design patents); Pollack, *supra* note 42, at 297-99 (making a patent bargain argument based on inventions disclosed and claimed in expired utility patents, without addressing the potential applicability of the same argument to ornamental designs claimed in expired design patents); Taylor, *supra* note 7, at 214-15 (arguing that the functionality doctrine fails to protect the utility patent system, but making no similar argument concerning the design patent system); Geremia, *supra* note 42, at 809-15 (arguing for a right to copy based on utility patent law, but making no reference to design patent protection). Some commentators, however, have noted that the patent bargain argument would seem to apply with equal force to utility and design patents. *See, e.g.*, Oddi, *supra* note 88, at 139-40 (noting the potential for violation of the patent bargain when a previously patented design receives trademark protection); Dowell, *supra* note 59, at 171-72 (noting that courts and commentators have focused on the potential for conflict between trademark protection and utility patents, but not on the risk of conflict between trademark protection and design patents). When the right-to-copy argument is taken to its logical end—when the right is extended to all useful and ornamental articles—the potential for improper trading on goodwill becomes even greater.

functional, and therefore, imposes the lowest confusion cost.⁵⁵⁷ This standard also creates the smallest potential for bad-faith copying. The patent bargain rule creates a higher confusion cost and provides competitors more chances to intentionally trade on goodwill. The right-to-copy rule imposes the highest confusion cost and creates the greatest risk of bad-faith copying.

On the other hand, the three rules provide different social benefit. The competitive need standard provides the greatest, or at least the most direct, social benefit by prohibiting trademark protection for those product features that would adversely hinder free competition.⁵⁵⁸ There is little disagreement about the importance of this policy.⁵⁵⁹ The patent bargain rule provides some social benefit in cases that fall outside the scope of the competitive need standard, but this benefit is minimal. The right-to-copy rule provides little or no social benefit, other than the reduced administrative costs of this bright-line rule.

When the costs and benefits of the three rules are considered, the result is quite clear. The competitive need standard is the only rule that provides any balance at all. The patent bargain rule may provide some added benefit, but it comes at too high a cost. The right-to-copy rule provides little or no benefit and imposes the highest costs. It seems clear that the right-to-copy rule goes too far and must be rejected. Unfortunately, the *Traffix* decision seems to be leading courts to adopt just such a rule.⁵⁶⁰

7. The Patent Bargain Argument Is Inherently Flawed

A number of commentators who support the patent bargain rule argue that trademark protection provides patent-like protection, without any durational limit.⁵⁶¹ The potential for such protection, some argue, undermines the patent bargain.⁵⁶² This argument is inherently flawed.

557. See Opderbeck, *supra* note 42, at 35-36.

558. *Id.* at 37.

559. See RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 1 cmt. a (1995) (“The freedom to engage in business and to compete for the patronage of prospective customers is a fundamental premise of the free enterprise system.”); 1 MCCARTHY, *supra* note 5, § 1.1. Indeed, most commentators who favor a patent bargain or right-to-copy rule recognize the importance of vigorous competition. See, e.g., Mohr, *supra* note 42, at 381-82; Taylor, *supra* note 7, at 207-08; Welkowitz, *supra* note 36, at 307; Gleiberman, *supra* note 249, at 2045; Laba, *supra* note 42, at 1677; Note, *supra* note 115, at 555.

560. See *supra* notes 420-33 and accompanying text.

561. See, e.g., Welkowitz, *supra* note 36, at 343-46; David, *supra* note 42, at 262-63; Laba, *supra* note 42, at 1676; Weitzer, *supra* note 42, at 195.

562. See, e.g., Fischer, *supra* note 42, at 59-60; Mohr, *supra* note 42, at 429; Pollack, *supra* note 42, at 293-94; Geremia, *supra* note 42, at 816.

The patent bargain rule creates a sort of election between trademark and patent protection by prohibiting post-patent trademark protection.⁵⁶³ In other words, the patent bargain rule forces a party with a new product to decide whether to seek patent protection, which will last for only a fixed period of time, or trademark protection, which will last as long as the product design is distinctive and non-functional.⁵⁶⁴ If trademark protection for product designs is really equivalent to patent protection, the patent bargain rule should lead inventors to pick trademark protection over patent protection because of the unlimited term.⁵⁶⁵ The patent bargain rule would backfire. It would lead to more, not less, reliance on trademark protection for product designs.

What is going on here? The flaw lies in the assumption that patent and trademark protection are equivalent or interchangeable. They are not. The patent bargain argument has some merit, but it cannot be taken too far. If one starts from the assumption that trademark protection for product designs is an equivalent substitute for patent protection, the argument collapses. But if one accepts that trademark protection can restrict in some ways a competitor's ability to make and use a previously patented invention, though by no means to the same extent that a patent would restrict such behavior, then the patent bargain argument makes some sense. The argument is not as compelling as it may have seemed, but that is because trademark and patent protection are significantly different.

Having said that, the patent bargain argument and the notion of an election between patent and trademark protection do raise some interesting issues. First, some product designs probably become distinctive because of a long, patent-generated period of exclusivity.⁵⁶⁶ Without the patent protection, such designs might never have become distinctive in the first place. Second, if one were to "elect" trademark protection over patent protection, the election would likely be final. Patents must be filed within one year of a public use or offer for sale of the invention, whereas trademarks require use in commerce.⁵⁶⁷ Because it takes time to develop distinctiveness, it is quite likely that at the one-year and one-day point, the inventor will have lost the chance to obtain patent protection, but may not have protectable trademark rights either. Such an approach would be risky, at best. It seems much more likely that a prudent inventor would at least

563. Long, *supra* note 7, at 883-89 (describing the rise of an election scenario in light of recent decisions).

564. Fischer, *supra* note 42, at 58-59; Mohr, *supra* note 42, at 427-28.

565. Dinwoodie, *supra* note 21, at 626; Weitzer, *supra* note 42, at 198.

566. I do not believe this result is common. Some deliberate actions will be required in most cases to develop distinctiveness in a product design. See *supra* note 507.

567. 35 U.S.C. § 102(b) (2000).

seek patent protection, while simultaneously trying to develop distinctiveness.⁵⁶⁸

8. The *TrafFix* Rule Has Huge Complexity Cost

When the *TrafFix* Court held that “[a] utility patent is strong evidence that the features therein claimed are functional,”⁵⁶⁹ it may have introduced into trademark law one of the most difficult of all patent issues. Patent claims define the scope of the exclusive patent right,⁵⁷⁰ but the claims are written in a highly-specialized style and often use technical language unfamiliar to persons unskilled in the particular subject matter.⁵⁷¹ By linking the evidentiary weight of a utility patent to the claims, the *TrafFix* decision may require a full interpretation of some patent claims in trademark cases.⁵⁷²

If *TrafFix* results in the incorporation of the patent claim interpretation process into trade dress cases, some undesirable, and likely unintended, consequences might follow. The Federal Circuit Court of Appeals has had exclusive appellate jurisdiction over cases involving claims arising under the Patent Act since the court was created in 1982.⁵⁷³ The regional circuit courts, therefore, heard relatively few appeals involving questions of patent law during the last twenty years.⁵⁷⁴ Trade dress claims, on the other

568. Of course, at some point, the inventor would have to make the election required by the patent bargain rule. But the inventor could prosecute a patent application through allowance, a process that can take three or more years, before deciding on patent or trade dress protection. By that time, the inventor probably would have a reasonably good estimate of the value of the two forms of protection. This scenario hardly seems like an efficient use of resources, but it is possible under the patent bargain rule.

569. *TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 29 (2001).

570. See, e.g., *Gen. Foods Corp. v. Studiengesellschaft Kohle mbh*, 972 F.2d 1272, 1274 (Fed. Cir. 1992) (“It is to the claims of every patent, therefore, that we must turn when we are seeking to determine what the invention is, the exclusive use of which is given to the inventor by the grant provided for in the statute.”); Davis, *supra* note 7, at 235.

571. See, e.g., Mark A. Lemley, *Intellectual Property Rights and Standard-Setting Organizations*, 90 CAL. L. REV. 1889, 1934 (2002) (describing patent claim interpretation as “a complex and uncertain legal inquiry”); Philip M. Nelson, *Definition for “Limitation” in the Context of Prosecution History Estoppel and the All Elements Rule: A Proposed Solution to the Troubling Dictum in Kustom Signals v. Applied Concepts*, 2003 BYU L. REV. 353, 355-56 (2003) (discussing the complex and technical nature of many patent claims).

572. Davis, *supra* note 7, at 266-72; Renke, *supra* note 7, at 629 (noting that patent claim “analysis could turn each trade dress case into a lengthy, complicated, and expensive patent-type proceeding”).

573. *Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800, 807-09 (1988) (explaining the jurisdiction of the federal circuit); Ellen E. Sward & Rodney F. Page, *The Federal Courts Improvement Act: A Practitioner’s Perspective*, 33 AM. U. L. REV. 385, 385-87 (1984) (explaining the creation of the Federal Circuit).

574. The situation may change significantly due to the Supreme Court’s recent decision in

Holmes Group, Inc. v. Vornado Air Circulation Systems, 535 U.S. 826 (2002). The Court there held the Federal Circuit does *not* have jurisdiction over patent counterclaims, even where the claims are compulsory under the *Federal Rules of Civil Procedure*. *Id.* at 832-33. The decision was based on a formalistic application of the well-pled complaint rule, which, the Court noted, has historically limited federal jurisdiction to actions where the plaintiff's complaint includes a claim raising a federal question. *Id.* at 831-32. The Court was not persuaded by arguments that its decision would undermine consistency in patent law, one of the very reasons Congress created the Federal Circuit. *Id.* at 833-34.

Prior to the *Holmes* decision, regional circuits heard appeals in patent licensing cases, which sometimes include defenses based on patent law. For example, where a patent owner sues a licensee for breach of contract, the licensee may respond by challenging the validity of the patent. *See, e.g.,* Nellie A. Fisher, *The Licensee's Choice: Mechanics of Successfully Challenging a Patent Under License*, 6 TEX. INTELL. PROP. L.J. 1, 2 (1997) (“[T]he licensee has the power to negotiate a license, sue for a declaratory judgment of invalidity to release herself from future royalty obligations, and possibly be free of such payments while the suit is in progress.”). Such a defense raises patent law issues, but the Supreme Court has held that the “arising under” language of the federal jurisdictional statutes is limited to claims and cannot be based on issues relevant solely to a defense. *Christianson*, 486 U.S. at 809. The Federal Circuit later distinguished *Christianson* in an action involving a patent law counterclaim. *Aerojet-Gen. Corp. v. Mach. Tool Works, Oerlikon-Buehrle Ltd.*, 895 F.2d 736, 744-45 (Fed. Cir. 1990) (en banc). This holding limited the impact of *Christianson*, though the regional circuits still faced an occasional patent law question.

The *Holmes* decision goes much further and seems to undo much of what Congress hoped to accomplish through creation of the Federal Circuit. Counterclaims are both procedurally and practically different from defenses. When a patent owner becomes aware of a possible infringement of her patent, she must take steps to end the infringement. She could sue, assuming she has done an adequate investigation to confirm her suspicions, or she could contact the other party to initiate patent license negotiations. The latter approach seems more constructive, and was, absent situations where there is little likelihood of reaching a license agreement, the more common approach. After *Holmes*, however, the patent owner faces a new risk. If the contact is too strong—that is, if it creates a reasonable apprehension of a patent infringement action—it will give the other party a basis to file a declaratory judgment action seeking a declaration of invalidity, noninfringement, or both. When this type of action is filed, the patent owner has no choice but to bring a patent infringement counterclaim. Such a claim is compulsory under the *Federal Rules of Civil Procedure*.

There always has been some risk of forum shopping inherent in the declaratory judgment process, but that risk was reduced in patent disputes because of the Federal Circuit's exclusive appellate jurisdiction. The conventional view was that it made less difference which federal district court heard the patent case because the Federal Circuit would hear the appeal regardless of where the action was filed. That is no longer true. It is too early to tell how important *Holmes* will be—there is the question of predicting when and how the regional circuits might differ from the Federal Circuit, a speculative game indeed, and the question of whether Congress will allow *Holmes* to stand, given the rather blatant conflict it creates with congressional intent. The decision already has been the target of significant commentary, much of it critical. *See, e.g.,* C.J. Alice Chen, *Patent: Federal Circuit Jurisdiction*: *Holmes Group, Inc. v. Vornado Air Circulation Systems, Inc.*, 18 BERKELEY TECH. L.J. 141 (2003); Christopher A. Cotropia, “*Arising Under*” *Jurisdiction and Uniformity in Patent Law*, 9 MICH. TELECOMM. & TECH. L. REV. 253 (2003); Molly Mosley-Goren, *Jurisdictional Gerrymandering? Responding to Holmes Group v. Vornado Air Circulation Systems*, 36 J. MARSHALL L. REV. 1 (2002); Christian A. Fox, Note, *On Your Mark, Get Set, Go! A New Race to the Courthouse Sponsored by Holmes Group, Inc. v. Vornado Air Circulation Systems, Inc.*, 2003 BYU L. REV. 331 (2003); Timothy E. Grimsrud, Comment, *Holmes and the Erosion of Exclusive Federal Jurisdiction Over Patent Claims*, 87 MINN. L. REV. 2133 (2003); Peter O. Huang,

hand, are within the appellate jurisdiction of the regional circuits.⁵⁷⁵ This arrangement, when coupled with the *TrafFix* Court's emphasis on the significance of utility patent claims in trade dress cases, could result in the regional circuit courts reviewing district court patent claim interpretation decisions in appeals of trade dress cases.

An even more perverse result could follow if a trade dress case is brought during the patent term. Such a case could be appealed to a regional circuit court and could result in a final interpretation of certain patent claims, or parts of patent claims, by that court. If a patent infringement claim was filed after, or during the pendency of, the trade dress litigation, the possibility would arise for separate claim interpretation decisions by the Federal Circuit, which would hear any appeal in the patent infringement action, and the regional circuit with jurisdiction over the appeal of the trade dress action. The potential would then exist for different interpretations of the same patent claim by two circuit courts. This result would be ironic, because the Federal Circuit was created to avoid just such outcomes.⁵⁷⁶

The scenarios described in the preceding paragraphs are unlikely to occur often, but the injection of the patent claim interpretation issue into trade dress cases is a troublesome aspect of the *TrafFix* holding.⁵⁷⁷ This added complexity will increase the cost of litigating many trade dress claims. Such a result is not sufficient, standing alone, to justify a rejection of the *TrafFix* analysis, but it does raise additional questions about the need for the patent rule adopted by the *TrafFix* Court.

B. *Solution Two—Eliminating Functionality as an Element*

The functionality conundrum could be resolved by eliminating functionality as an element of trade dress claims and recognizing a limited functionality defense.⁵⁷⁸ The focus of this defense would be the

Development and Practice Notes, *The Holmes Group, Inc. v. Vornado Air Circulation Systems, Inc.: The Return of Patent Appeals to the Regional Circuits*, 5 J. APP. PRAC. & PROCESS 197 (2003); Ashley B. Summer, Note, *Aerojet Takes a Dive After Over Twelve Years of Flight*, 54 S.C.L. REV. 1131 (2003).

575. This point is illustrated by the Federal Circuit's treatment of cases involving patent and trademark claims. The patent claims are resolved based on the Federal Circuit's interpretation of the Patent Act, but the court looks to the regional circuits to resolve the trademark questions. See, e.g., *L.A. Gear, Inc. v. Thom McAn Shoe Co.*, 988 F.2d 1117, 1129 n.5 (Fed. Cir. 1993) ("Since unfair competition issues are not within the Federal Circuit's exclusive jurisdiction, we apply the discernable precedent of the regional circuit . . ."); *Black & Decker, Inc. v. Hoover Serv. Ctr.*, 886 F.2d 1285, 1291 (Fed. Cir. 1989).

576. The same result could occur after the Supreme Court's recent *Holmes* decision, as explained above. See *supra* note 574.

577. See *supra* note 572.

578. See Dinwoodie, *supra* note 21, at 699-703 (presenting a similar argument).

defendant's product, or more specifically, those parts of the defendant's product that were copied from the plaintiff's product. If the defendant has taken only functional features from the plaintiff's product design, the defendant should not be enjoined from using the features, regardless of whether the overall design of the plaintiff's product is functional or non-functional.⁵⁷⁹

The modern functionality framework—the use of a front-end functionality requirement based on the overall design of the trade dress claimant's product—will sometimes overprotect and sometimes underprotect distinctive trade dress. The modern approach overprotects when a plaintiff can prove its overall product design is non-functional, but where only functional features of that design are copied.⁵⁸⁰ The same rule underprotects when it classifies a plaintiff's design as functional and denies all protection, despite the possibility that a defendant might copy only non-functional elements.⁵⁸¹

These problems are easily avoided. The functionality inquiry should focus on the defendant's product, not on the plaintiff's product. Moreover, if functionality is a limited defense, it would not relieve a defendant of all responsibility for consumer confusion. For example, if the defendant copied only functional features, but the defendant's product was still likely to cause confusion, a court could require the defendant to take additional steps to differentiate the two products. So long as effective distinctions could be made without placing the defendant at a competitive disadvantage, a court would be justified in requiring such relief.⁵⁸² Indeed, the consumer interest in preventing confusion would seem to mandate such a solution. The modern functionality framework unfortunately precludes this approach. If the plaintiff's design is functional, its trade

579. *Id.* at 736-37.

580. *Id.* at 735 & n.458.

581. In such cases, a plaintiff may attempt to define its trade dress to include only the non-functional parts of its product, but some courts emphasize the need to evaluate functionality based on the plaintiff's product as a whole. *See, e.g.,* *Fuddrucker, Inc. v. Doc's B.R. Others, Inc.*, 826 F.2d 837, 842 (9th Cir. 1987) (“[O]ur inquiry is not addressed to whether individual elements of the trade dress fall within the definition of functional, but to whether the whole collection of elements taken together are functional.”). This approach also may fail if the plaintiff's distinctiveness evidence was based on the overall image of its product, a fairly likely scenario. If the symbol a plaintiff claims as its trademark must be distinctive and non-functional—if the functionality rule is applied as an element of the plaintiff's claim—then it follows that both requirements must be met by the same symbol.

582. *Dinwoodie, supra* note 21, at 747.

dress claim will be missed.⁵⁸³ The defendant in such a case is not required to take any steps to reduce the risk of confusion.⁵⁸⁴

This proposal is not radical or new. In many early functionality cases, courts used just such an approach.⁵⁸⁵ The passing off claim required proof that the plaintiff's design was distinctive and that the defendant's copying was likely to confuse consumers.⁵⁸⁶ Once passing off was proven, the burden shifted to the defendant. If the defendant could prove that the copied features were functional, the court would then ask whether the defendant had taken reasonable steps to distinguish its product from the plaintiff's product.⁵⁸⁷ If such steps were taken, no further relief was granted.⁵⁸⁸

This solution provides more protection to consumers than the modern functionality approach. As explained above, product designs are, at best, secondary product identifiers.⁵⁸⁹ Brand names and logos are more likely to be used by consumers to identify and distinguish products. If courts define "reasonable steps to distinguish" as requiring prominent use of a distinctive brand name or logo by a defendant, the risk of consumer confusion will be greatly reduced.

This solution does not avoid the difficult question of what functionality standard should be used, but it does provide more flexibility. The competitive need functionality standard should still be the general rule, for the reasons given in the preceding sections. If a defendant copied only features it needs to compete, the features should be functional, and the limited defense would be established. But what if a defendant copies a

583. See, e.g., *Eppendorf-Netheler-Hinz GmbH v. Ritter GmbH*, 289 F.3d 351, 358 (5th Cir. 2002) (holding the plaintiff's trade dress functional and rendering judgment for the defendant).

584. This statement may be a bit of an exaggeration because some courts have granted limited relief under section 43 (a), 15 U.S.C. § 1125 (a) (2000), even where the plaintiff's trade dress or trademark was deemed invalid. See, e.g., *Am. Greetings Corp. v. Dan-Dee Imp., Inc.*, 807 F.2d 1136, 1144-49 (3d Cir. 1986). The Restatement explains, "[A]lthough the possibility or even certainty of such confusion will not deprive competitors of their right to copy functional designs, the general proscription against misrepresentations of source may require subsequent users of functional but distinctive designs to take reasonable precautions to minimize the risk of confusion." *RESTATEMENT (THIRD) OF UNFAIR COMPETITION* § 16 cmt. d. (1995). This explanation is more consistent with the early period "passing off" cases than with the modern cases. See *supra* note 85. This approach is similar to my proposal, because both essentially redirect the functionality analysis to the elements copied and balance the use of functional features against the risk of consumer confusion. In my view, the proposal in the text is a bit more clear, and for that reason alone, might be a better option for the courts. Substantively, however, my proposal and the position taken in the Restatement are quite similar.

585. See *supra* notes 85, 89-93, 98-100 and accompanying text.

586. See *supra* note 47 and accompanying text.

587. Note, *supra* note 49, at 554-55; see *supra* notes 85, 98-100 and accompanying text.

588. See *supra* note 85.

589. See *supra* notes 511-12.

feature that isn't very important in the market, but is taken directly from an expired patent? Under the modern functionality framework, this scenario creates an all-or-nothing dilemma. Either the defendant is liable—a likely result if a competition-based functionality standard is used—or not—a likely result if a patent bargain rule is used. There is no middle ground.

If functionality is instead a limited defense, courts can use a competition-based rule as the general functionality standard, while still providing some protection for the patent bargain. In the scenario described in the preceding paragraph, a court could require the defendant to take reasonable steps to distinguish its product, and might even ask whether there are other aspects of the product that could be changed so the defendant retains the right to use the previously patented feature. When faced with such a choice, some defendants might decide that the right to make and use the previously patented invention is less important than keeping other elements of its product design, but that would be a choice left to the defendant. The patent bargain, and the right to make and use the invention claimed in the expired patent, would receive some protection from the court.

The flexibility of this solution also would allow courts to balance the patent bargain concern against the need to prevent confusion. If the elements taken from the expired patent are among the most distinctive elements of the plaintiff's design, but provide little other value in the market, a court might order the defendant to cease use of the elements. In effect, the court would be balancing reputational value, which is an indicator of the potential for consumer confusion, against the desire to respect the patent bargain. Where little reputational value is at stake, courts could look for remedies that support the patent bargain. But where confusion is likely to result from the copying of a previously patented feature that is not otherwise important in the market, the consumer interest should prevail and the copying should be enjoined.

Learned Hand summarized the solution proposed here in an early case. His explanation remains apt, as does his faith in the ability of the trial courts to resolve difficult issues fairly.

The proper meaning of the phrase "nonfunctional," is only this: That in such cases the injunction is usually confined to nonessential elements, since these are usually enough to distinguish the goods, and are the least burdensome for the defendant to change. Whether changes in them are in all conceivable cases the limit of the plaintiff's right is a matter not before us. If a case should arise in which no effective distinction was possible without change in functional elements, it would demand consideration; but the District Court may well find an escape here from that predicament.

Certainly the precise extent and kind of relief must in the first instance be a matter for the discretion of that court.⁵⁹⁰

There are, however, two significant practical problems presented by eliminating functionality as a front-end, filtering requirement. First, the elimination of functionality as a positive element of a trade dress claim might increase the risk of harassment suits. If plaintiffs could bring trade dress infringement suits based on purely functional designs, there might be a marked increase in unjustified actions brought to harass, burden, or frustrate competitors. Large, established players in a market might use such a strategy to impose burdensome, and socially wasteful, entry costs on competitors attempting to move into the market.

This risk is real, but I do not think the proposed elimination of functionality as an element would make a material difference here. Functionality would remain an important part of many trade dress disputes, but the focus would be directed more to the defendant's product than to the plaintiff's product. If, however, a plaintiff brought an action based on the copying of all or part of a wholly functional design, it seems quite likely the defendant would have a valid functionality defense. The existence of such a defense could be used to defeat the plaintiff's claim in much the same way that defendants currently use the modern functionality rule.⁵⁹¹ Moreover, if plaintiffs were to bring harassment suits under the proposed rule, courts would have the power to impose appropriate sanctions, just as they do under the modern rules. For these reasons, I doubt the proposed rule would lead to a significant increase in the number of unjustified harassment claims.

The second practical problem posed by this solution is more troubling. If functionality were eliminated as a front-end rule, the Patent and Trademark Office presumably would have to register all distinctive product designs, including wholly functional designs. The risk that such designs could receive federal trademark registrations might lead to an increase in harassment trade dress claims. The limited functionality defense would remain an important barrier to such claims, but the added value of a federal registration might increase both the frequency and costs of such unjustified claims. The situation is a bit analogous to the existence of trademark protection, and federal trademark registrations, for descriptive terms. By giving such terms the official federal stamp of approval, there is an increased risk of harassment suits against parties

590. *Crescent Tool Co. v. Kilborn & Bishop Co.*, 247 F. 299, 301 (2d Cir. 1917).

591. Defendants would be able to move for dismissal or summary judgment based on a functionality defense, just as many defendants now move for dismissal or summary judgment based on the functionality element. Either way, the claim could be resolved at a relatively early stage of the litigation.

making purely descriptive uses of the terms. The Lanham Act recognizes a descriptive fair use defense in these situations,⁵⁹² a defense similar in some respects to the limited functionality defense I propose, but that defense does not prevent all unjustified claims.

I have no solution to the registration problem, but I doubt the problem is as significant as it might appear. I believe the distinctiveness requirement is, or should be, the more important limitation on trademark protection for product designs. I tend to agree with the Supreme Court's analysis in the recent *Wal-Mart* case, which concluded that product designs are seldom used by consumers as source identifiers.⁵⁹³ If this conclusion is correct, it would seem to follow that more functional product designs are even less likely to be distinctive source identifiers. In other words, I doubt the Patent and Trademark Office will be swamped with applications to register distinctive, but wholly functional, product designs. It will be, I suspect, quite rare to find a wholly functional product design that is truly distinctive. While theoretically possible, I believe the practical likelihood of this situation is so low that it effectively eliminates the risk of abusive registration of wholly functional designs. For these reasons, I believe the elimination of functionality as an element of trade dress claims, and the removal of functionality as a consideration in registration decisions, would pose minimal risk of abuse. The benefits of replacing the modern functionality approach with a limited functionality defense outweigh such risks.

*C. Solution Three—Combining a Competition-Based Front-End
Functionality Rule with a Limited Functionality
Defense—The Perfect Solution?*

I believe the proposal for a limited functionality defense is the best solution to the problems created by the *TrafFix* decision. I recognize, however, that the risks posed by this proposal may make it unacceptable to some. For that reason, I propose a third solution: a combination of a front-end functionality rule and a limited functionality defense. A competitive need standard would be used both as a filtering requirement—focusing on the overall design of the claimant's trade dress—and as the basis for a limited defense. This approach would eliminate the problems noted above—the increased risk of harassment suits and the problem of registering wholly functional designs—while maintaining the primary benefits of the limited functionality defense. The only significant drawback to this approach is the added complexity and

592. 15 U.S.C. § 1115(b)(4) (2000).

593. *Wal-Mart Stores, Inc. v. Samara Bros.*, 529 U.S. 205, 212-13 (2000).

cost of considering functionality as both an element of the plaintiff's claim and as an affirmative defense.

If this solution is adopted, a competitive need standard would be used as a filtering requirement, eliminating from litigation and registration those designs or features needed by others to effectively compete. The threshold would be rather high, meaning that most designs would be found non-functional. The rule would have only a limited filtering effect, but it would prevent the harassment problems identified above. Those concerned that a competitive need functionality standard provides too little protection for the patent bargain would be able to present their arguments in the context of the more flexible limited functionality defense. The defense would be applied in the manner described above, and would allow courts the flexibility to find remedies that protect the right to compete and the patent bargain. The combination proposal might be the best overall solution to the *TrafFix* problems.

IV. CONCLUSION

In *TrafFix*, the Supreme Court turned its back on the remarkable common-law development of the functionality doctrine. The Court rejected the general functionality standard in use by all the circuit courts, and in its place adopted rules that have confused and divided the lower federal courts. The functionality doctrine was not in need of major repair when *TrafFix* was decided. Unfortunately, the Supreme Court decided to "fix" the doctrine anyway.⁵⁹⁴ It is now time to repair the damage wrought by the *TrafFix* decision.

The repair will not be easy. It will require either another decision by the Supreme Court or an amendment of the Lanham Act by Congress. The former is quite possible, given the post-*TrafFix* divisions. But it is unlikely the Supreme Court will revisit all the functionality issues anytime soon. If the Court does hear another functionality case in the next few years, it is likely that the case will be limited to a specific functionality issue. Indeed, one of the most troublesome aspects of the *TrafFix* decision was the scope of the Court's tinkering with the functionality doctrine. The Court literally rewrote the entire law of functionality in *TrafFix*.

Congressional action may be more likely. The two leading intellectual property organizations in the United States have formally criticized the *TrafFix* decision and have called for its reversal.⁵⁹⁵ Given this level of opposition to the *TrafFix* Court's analysis, it is possible Congress may

594. The old saying, "if it ain't broke, don't fix it," comes to mind. Some may have believed the functionality doctrine was broken before *TrafFix*, but that view fails to account for the significant areas of agreement in the pre-*TrafFix* courts. See *supra* Part I.C.

595. See *supra* note 33.

take action to correct the *TrafFix* problems. If that happens, the background and arguments presented above might provide a helpful foundation for Congressional evaluation of the functionality doctrine. I hope the arguments presented in this Article will spark a renewed discussion of the functionality doctrine and will lead to reforms of the current rules. Something must be done to correct the troubling problems caused by the ill-advised holdings of the *TrafFix* Court.

FLORIDA LAW REVIEW

APPENDIX

