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## Consolidating the Diffuse Paths to Trade Dress Functionality: Encountering TrafFix on the Way to Sears

Margreth Barrett

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# Consolidating the Diffuse Paths to Trade Dress Functionality: Encountering *TrafFix* on the Way to *Sears*

Margreth Barrett\*

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### I. Introduction

Dissatisfied with the available protection under U.S. patent and copyright law<sup>1</sup> and repeatedly failing to win passage of *sui generis* protection,<sup>2</sup> U.S. product designers have increasingly looked to federal trademark and unfair competition law<sup>3</sup> in their attempts to prevent product knock-offs. They have argued that consumers identify and distinguish the products of one producer from those of others not only through the producers' marks and packaging, but also through the appearance of the products themselves. Accordingly, if one producer is permitted to copy the appearance of another producer's product, this will lead to a likelihood of consumer confusion about the source of the products or cause consumers falsely to assume an affiliation between the producers. This potential consumer confusion is the very harm that the Lanham Act, which provides a federal cause of action for trademark and trade dress infringement, seeks to prevent.

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1. For an explanation of product designers' dissatisfaction with U.S. patent and copyright laws, see Margreth Barrett, *Trade Dress Protection for Product Configurations and the Federal Right to Copy*, 20 HASTINGS COMM. & ENT. L.J. 471, 472-75 (1998).

2. For discussion of the repeated attempts of U.S. product designers to win passage of bills to provide *sui generis* protection of product design features, see *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 167-68 (1989); Jay Dratler Jr., *Trademark Protection for Industrial Designs*, 1988 U. ILL. L. REV. 887, 904-08; J.H. Reichman, *Design Protection in Domestic and Foreign Copyright Law: From the Berne Revision of 1948 to the Copyright Act of 1976*, 1983 DUKE L.J. 1143, 1186-90.

3. See Lanham Act §§ 2, 32, 42, 43(a), 15 U.S.C. §§ 1052, 1114, 1124, 1125(a) (2000) (outlining the various methods of protecting trademarks and other unregistered trade dress features). While some product configurations and other features, or both, are registered as marks on the Lanham Act principal register, most businesses avail themselves of the provisions of Section 43(a) of the Lanham Act, which provides a federal cause of action for infringement of unregistered trade dress and other indications of origin. *Id.* § 1125(a).

Businesses found reasonably fertile ground for such Lanham Act claims during the 1980s and 1990s. To establish trademark or unfair competition rights, the claimant must demonstrate that its alleged indication of origin is distinctive (meaning that it indicates the origin of the claimant's product to consumers) and nonfunctional, and that the defendant's use of a similar indication of origin causes a likelihood of consumer confusion about the source, sponsorship, or affiliation of the products.<sup>4</sup> On the whole, courts were receptive to arguments alleging that product feature trade dress could meet these standards.<sup>5</sup> In 2000, however, product feature trade dress claimants received a significant set-back from the Supreme Court's decision in *Wal-Mart Stores, Inc. v. Samara Brothers, Inc.*<sup>6</sup> In *Wal-Mart*, the Court expressed skepticism that consumers typically rely on product features to indicate origin<sup>7</sup> and concern about the potential anticompetitive effects of readily recognizing Lanham Act rights in unpatented aspects of the product itself.<sup>8</sup> Accordingly,

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4. See, e.g., *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205, 209–211 (2000) (discussing the Court's interpretation of the Lanham Act's requirements for protection of unregistered "trade dress").

5. Federal trade dress claimants received a particular boost from the Supreme Court's decision in *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763 (1992), in which the Supreme Court held that courts could protect inherently distinctive unregistered trade dress pursuant to Section 43(a) of the Lanham Act without the necessity of demonstrating secondary meaning. Product feature trade dress claimants also stood to benefit considerably from the growing acceptance of the premise that a likelihood of postsale consumer confusion would suffice to establish infringement liability. See Barrett, *supra* note 1, at 504–07 (analyzing the possibility of added protection for product feature trade dress claimants under a postsale consumer confusion theory). Some of the circuit courts of appeals were more hospitable to product feature trade dress claims than others. For a discussion of the positions of particular circuits, see *id.* at 486–507.

In this context, some courts and commentators describe the alleged indications of origin as "product features" and others describe them as "product configurations" or "product designs." This Article uses the terms interchangeably, while acknowledging that courts may deem the term "configuration" narrower than the term "feature" and that the term "product feature" may (and often does) refer to a combination of features.

6. *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205 (2000).

7. *Id.* at 213. Justice Scalia explained:

In the case of product design . . . 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.

*Id.*

8. *Id.* at 213–14; see Stuart M. Riback, *Product Design Trade Dress: Where Do We Go from Here?*, 90 TRADEMARK REP. 563, 564 (2000) (noting the Court's concern for free competition and suggesting that this concern was a motivating factor in the Court's decision that "product designs can never be inherently distinctive"). The Court also noted that the potential

the Court held that product feature trade dress (as opposed to product packaging trade dress) can never be deemed inherently distinctive.<sup>9</sup> Lanham Act Section 43(a)<sup>10</sup> claimants who seek to assert rights in product features must always demonstrate secondary meaning—in other words, establish that "in the minds of the public, the primary significance of a [trade dress] is to identify the source of the product rather than the product itself."<sup>11</sup> Because of the difficulty of establishing secondary meaning in many unregistered trade dress cases, the Court's decision significantly decreased the availability of the Lanham Act Section 43(a) cause of action.<sup>12</sup>

The Supreme Court dealt an even stronger blow the following year, in *TrafFix Devices, Inc. v. Marketing Displays, Inc.*,<sup>13</sup> which addressed the proper standard for determining whether product feature trade dress is nonfunctional. As a general matter, the nonfunctionality requirement's purpose is to ensure that trade dress protection will not unduly interfere with free competition.<sup>14</sup> The circuit courts of appeals had struggled considerably to define the proper standard for functionality and failed to agree on a uniform standard. The

availability of design patent and copyright protection for product design features made it less necessary to provide liberal unfair competition protection pursuant to the Lanham Act. *Wal-Mart*, 529 U.S. at 214.

9. A trademark or other indication of origin is "inherently distinctive" if "[its] intrinsic nature serves to identify a particular source." *Id.* at 211 (quoting *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 768 (1992)). If an indication of origin is found inherently distinctive, it can be predicated on a showing that the claimant used it in commerce. It is not necessary for the claimant to demonstrate actual consumer reliance on the indication for information about source.

10. *Wal-Mart* dealt with a Lanham Act Section 43(a) unregistered product feature trade dress claim. The Court did not address whether the same rule regarding inherent distinctiveness would apply in the case of product features that are registered as marks on the Lanham Act principal register. However, the Court's reasoning likely applies equally to registered product features.

11. *Wal-Mart*, 529 U.S. at 211 (quoting *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 851 n.11 (1982)).

12. See Jeffrey M. Samuels & Linda B. Samuels, *Trade Dress Undressed: Wal-Mart v. Samara*, 29 AIPLA Q.J. 43, 59–63 (2001) (analyzing *Wal-Mart* and the Court's secondary meaning requirement to protect nonpatented trade dress); Riback, *supra* note 8, at 569–71 (observing the possible ramifications of the *Wal-Mart* holding that product designs cannot be "inherently distinctive" and thus must have secondary meaning to gain trade dress protection).

13. *TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 34 (2001).

14. As this Article demonstrates, this statement about the purpose of the nonfunctionality requirement is intentionally general. Competing theories exist about what specific anticompetitive effects the doctrine is meant to avoid and how it achieves these differing goals. See *infra* Part V (examining the four policies related to market competition that traditionally have served as the basis for functionality and evaluating *TrafFix*'s implementation of these policies, or lack thereof).

majority of circuits determined that functionality should be measured by evaluating the actual likely anticompetitive impact (or "practical effect") of trade dress protection for product features under the circumstances of each case. While these circuits varied in their formulations for measuring functionality, they all placed considerable weight on the availability of alternative product features that would provide competitors with an equally effective product.<sup>15</sup>

In *TrafFix*, the Supreme Court rejected the practical effect approach as the primary standard for functionality. It adopted instead a standard that focuses on the role that the product feature plays in the product. If the feature is "essential to the use or purpose of the article or if it affects the cost or quality of the article," it is functional and unprotectable.<sup>16</sup> The Court held that measuring the actual anticompetitive impact of trade dress protection should serve only as a second hurdle for plaintiffs if the plaintiffs demonstrate that the product features at issue are nonfunctional under the role of the feature standard.<sup>17</sup>

While most commentators agree that the *TrafFix* decision further reduces a business's ability to assert trade dress protection for product features, considerable disagreement exists among both scholars and the courts of appeals over precisely how the Supreme Court intended its functionality standard to be interpreted and applied.<sup>18</sup> This Article attempts to construe the difficult *TrafFix* decision in light of earlier case law and to place it in the larger context of courts of appeals and Supreme Court jurisprudence regarding trade dress protection and the relationship between Lanham Act protection for product features and patent law.

The first part of this Article reviews prior Supreme Court and courts of appeals decisions and argues that the functionality standards that the courts have stated can be roughly divided into three general categories: (1) a role of the feature standard, which focuses on the role the feature plays within the product;<sup>19</sup> (2) a practical effect standard, which evaluates the actual likely anticompetitive impact of product feature trade dress protection in a given case

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15. See *infra* Part II.B.2 (discussing the various levels of importance attached to the availability of alternative designs in determining whether a product feature is functional).

16. *TrafFix*, 532 U.S. at 32 (quoting *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 165 (1995)).

17. See *id.* ("Where the design is functional under the *Inwood* formulation there is no need to proceed further to consider if there is competitive necessity for the feature.").

18. See *infra* Part IV.E (describing the different interpretations of the *TrafFix* functionality standard, as applied by the federal courts).

19. See *infra* notes 69–73, 80, 83–94 and accompanying text (analyzing the functional standard under the role of the feature categorization and describing the application of this functionality interpretation).

(taking into account the availability of alternative product features);<sup>20</sup> and (3) an important ingredient standard, which asks whether the product features at issue are an important ingredient in the commercial success of the product.<sup>21</sup>

Part II describes the Supreme Court's decision in *TrafFix* in greater detail,<sup>22</sup> and Part III discusses how the decision should be construed. Part III concludes that *TrafFix* establishes a role of the feature standard that is somewhat similar to the standard that the Third Circuit and the Restatement of Torts Section 742 adopted as the primary standard for functionality. Under this standard, a product configuration or feature will be functional if it plays a material or important role in the use or purpose of the product, or affects the product's cost or quality.<sup>23</sup> *TrafFix* relegates the practical effect standard (which the majority of the circuits had adopted) to serve as a back-up to prevent trade dress protection of certain strictly aesthetic, arbitrary or incidental product features, and it ignores the important ingredient standard altogether. Contrary to the Federal Circuit's construction, Part III argues that the *TrafFix* Court intended courts applying its role of the feature standard to not consider the availability of alternative features.<sup>24</sup>

In an attempt to better understand the Supreme Court's purpose, Part IV juxtaposes the *TrafFix* formulation, as construed, against four differing theoretical underpinnings, or roles, that have been advanced for the functionality doctrine. These theoretical underpinnings are: (1) the *Sears/Compco/Bonito Boats* line of cases;<sup>25</sup> (2) the policy to avoid undercutting utility patents;<sup>26</sup> (3) the general policy favoring free competition;<sup>27</sup> and (4) the constitutional doctrine of the "public bargain."<sup>28</sup> This Article concludes that

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20. See *infra* Part II.B.2 (discussing the practical effect form of the functionality standard).

21. See *infra* Part II.B.3 (describing the important ingredient standard and its application in determining whether a product feature is functional).

22. See *infra* Part III (stating the factual background and the Court's findings in the *TrafFix* decision).

23. See *infra* Part IV (discussing *TrafFix*'s adoption of the role of the feature standard of functionality and its connection to the policy basis of the functionality doctrine).

24. See *infra* Parts IV.A & E (evaluating *TrafFix* and stating that *TrafFix* does not consider alternative designs to be relevant to the functionality standard).

25. See *infra* Part V.A (examining the Court's policy decisions in the *Sears/Compco/Bonito Boats* line of cases and analyzing how *TrafFix* compares to the policies in that line of cases).

26. See *infra* Part V.B (discussing whether *TrafFix* reinforces or denies the policy to "avoid undercutting utility patents").

27. See *infra* Part V.C (analyzing the "free competition" policy as an underlying theme of the functionality standard and determining how *TrafFix* affects the policy).

28. See *infra* Part V.D (discussing the connection between the public bargain

the *TrafFix* formulation is not fully consistent with any of the policies that courts have cited as justifying or defining the functionality doctrine. However, *TrafFix* can be characterized as taking the next step in defining the scope of the policy set forth in the *Sears/Compco/Bonito Boats* line of cases by incorporating that policy into its construction of the functionality requirement under federal law, and thus limiting the reach of Lanham Act protection. In contrast, the *TrafFix* formulation varies from the *Sears/Compco/Bonito Boats* doctrine by applying a lower bar to protection for purely ornamental product features.<sup>29</sup>

## II. *Functionality Prior to TrafFix Devices, Inc. v. Marketing Displays, Inc.*

In construing and evaluating the Supreme Court's decision in *TrafFix*, it is helpful to first consider the standard for evaluating product feature functionality as it existed prior to that decision. Attempting to provide this evaluation, this Part first examines prior Supreme Court precedent and then examines a sampling of individual courts of appeals decisions. What one finds in this undertaking is that no one settled standard existed, either in the Supreme Court or in the circuits, but three recurring (and somewhat conflicting) themes regularly surfaced in the case law and commentaries.<sup>30</sup>

### A. *Functionality in the Supreme Court*

Prior to *TrafFix*, the Supreme Court had not directed much attention to the functionality doctrine. What the Court had said about the doctrine varied somewhat from case to case (and even within the same case), providing little guidance for lower courts. The following summaries catalogue the Supreme Court's decisions prior to *TrafFix*.

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constitutional doctrine and the functionality standard and arguing that *TrafFix* is inconsistent with this policy).

29. See *infra* Part V.E (discussing *TrafFix* in relation to other precedent).

30. As noted earlier, when this Article refers to "a product feature," the term may encompass a product's overall configuration or a combination of product features. Traditionally, the term "trade dress" has mostly referred to the overall effect of a combination of product or packaging elements. However, as will be discussed below at note 150, the Supreme Court in *TrafFix* preferred to focus on a single element of the plaintiff's alleged trade dress.



# 1. Kellogg Co. v. National Biscuit Co.

In *Kellogg Co. v. National Biscuit Co.*,<sup>31</sup> the plaintiff manufactured and sold its breakfast cereal, Shredded Wheat, in the pillow-shaped form in which it is still sold today.<sup>32</sup> The plaintiff held utility patents in the product and in the process and machinery for making the product and a design patent in the pillow shape.<sup>33</sup> All of these patents had expired or been held invalid.<sup>34</sup> In its suit, the plaintiff argued that the defendant's practice of selling its competing product in the same pillow-shaped form constituted unfair competition.<sup>35</sup> The Supreme Court refused to enjoin the defendant from marketing its product in the pillow form, noting, among other things:<sup>36</sup> "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."<sup>37</sup> Assuming that the Court intended to state a general standard for functionality,

31. *Kellogg Co. v. Nat'l Biscuit Co.*, 305 U.S. 111 (1938).

32. *Id.* at 113.

33. *Id.* at 114–15.

34. The utility patents had expired. *Id.* at 117–18. The Court declared the design patent invalid on the ground that the design had been in public use for more than two years prior to the application for the patent. *Id.* at 119 n.4.

35. *Id.* at 116.

36. The Court provided two other justifications for its decision. First, the Court seemed to suggest that the pillow form was generic:

A particular manufacturer can no more assert exclusive rights in a form in which the public has become accustomed to see the article and which, in the minds of the public, is primarily associated with the article rather than a particular producer, than it can in the case of a name with similar connections in the public mind.

*Id.* at 120.

Second, the Court held that when a creator accepts patents for a creation he implicitly agrees that the creation will be dedicated to the public when the patents expire. This reasoning is sometimes called the public bargain doctrine. See *infra* Part V.D (discussing the public bargain doctrine). The *Kellogg* Court explained:

The plaintiff has not the exclusive right to sell shredded wheat in the form of a pillow-shaped biscuit—the form in which the article became known to the public. That is the form in which shredded wheat was made under the basic patent. The patented machines used were designed to produce only the pillow-shaped biscuits. And a design patent was taken out to cover the pillow-shaped form. Hence, upon expiration of the patents the form . . . was dedicated to the public. As was said in *Singer Mfg. Co. v. June Mfg. Co.* . . . "It is self-evident that on the expiration of a patent the monopoly granted by it ceases to exist, and the right to make the thing formerly covered by the patent becomes public property. It is upon this condition that the patent is granted."

*Kellogg*, 305 U.S. at 119–20 (footnote omitted).

37. *Id.* at 122.

this standard leaves many unanswered questions. It is unclear whether the product feature must merely *affect* the cost or quality of the product or whether it must *decrease* the cost or *increase* the quality. Must the product feature be *superior to the available alternatives* in terms of quality or cost of manufacture? The Court has never expressly clarified, although (as discussed below) it later adopted a general standard for functionality that asks whether the product feature "*affects* the cost or quality of the article."<sup>38</sup> The Court cited *Kellogg* as authority for that standard.<sup>39</sup>

## 2. Inwood Laboratories, Inc. v. Ives Laboratories, Inc.

In *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*,<sup>40</sup> the plaintiff marketed the 200 mg dose of its formerly patented drug in red capsules and the 400 mg dose in red-and-blue capsules.<sup>41</sup> The plaintiff alleged both unfair competition and contributory trademark infringement against generic drug companies who, in producing and distributing generic versions of the drug, used the same color scheme for their capsules.<sup>42</sup> The district court held for the defendants on both claims, finding, among other things, that the red and red-and-blue capsule colors were functional and thus freely available to copy.<sup>43</sup> The court of appeals reversed the finding of no contributory trademark infringement, but did not address the unfair competition (trade dress) claims.<sup>44</sup> The Supreme Court reversed and instructed the court of appeals to review the unfair competition claim.<sup>45</sup>

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38. *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 850 n.10 (1982).

39. *Id.*

40. *Id.* at 844.

41. *Id.* at 846-47.

42. *Id.* at 850.

43. *Ives Labs., Inc. v. Darby Drug Co., Inc.*, 488 F. Supp. 394, 398-99 (C.D.N.Y. 1980).

The District Court reasoned that the colors:

were functional to patients as well as to doctors and hospitals: many elderly patients associate color with therapeutic effect; some patients commingle medications in a container and rely on color to differentiate one from another; colors are of some, if limited, help in identifying drugs in emergency situations; and use of the same color for brand name drugs and their generic equivalents helps avoid confusion on the part of those responsible for dispensing drugs.

*Inwood Labs., Inc.*, 456 U.S. at 853.

44. *Id.*

45. *Id.* at 858-59.

While the Supreme Court did not need to comment on the functionality issue, the Court nonetheless defined functionality in a footnote: "In general terms, 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."<sup>46</sup> For authority, the Court cited two cases: *Kellogg* and *Sears, Roebuck & Co. v. Stiffel Co.*<sup>47</sup> *Sears* is not a functionality case.<sup>48</sup> Rather, *Sears* involved a question of federal preemption of state law.<sup>49</sup> *Sears* emphasized Congress's intent that unpatented product features remain in the public domain, available for competitors to copy.<sup>50</sup> While *Sears* addressed the use of *state* unfair competition laws to shield unpatented product features from imitation, the *Inwood* Court's citation suggests that it believed the decision to be relevant to federal trademark and trade dress protection, as well.

The *Inwood* definition of functionality is open to conflicting interpretations. The first half of the *Inwood* standard asks whether the product feature is "essential to the use or purpose of the article."<sup>51</sup> Commentators have suggested that this "essential" standard measures the feature against available alternatives.<sup>52</sup> Under this interpretation, as long as there are alternative features that will perform the same function just as well, the feature at issue is not "essential" and may be protected as trade dress. On the other hand, one might argue that a feature is "essential" if it plays a material or important role in the product's function, regardless of whether alternative features are available that could perform the role just as well.<sup>53</sup> This definition (which would encompass a larger number of product features) would be more nearly consistent with the policy enunciated in *Sears*, which is that *all* unpatented product features should be available for competitors to copy. The Court's citation to *Sears* as support for the standard may suggest that it had the latter definition in mind.<sup>54</sup>

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46. *Id.* at 850 n.10.

47. *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225 (1964).

48. For a more detailed discussion of the *Sears* decision, see *infra* Part V.A.

49. *Sears, Roebuck & Co.*, 376 U.S. at 225.

50. *Id.* at 231.

51. *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 850 n.10 (1982).

52. See, e.g., Harold R. Weinberg, *Trademark Law, Functional Design Features, and the Trouble with Traffix*, 9 J. INTELL. PROP. L. 1, 18 (2001) (stating the *Inwood* functionality definition and noting that under the first part a trade dress feature may be nonessential and thus nonfunctional if viable alternatives exist).

53. For further discussion on this issue, see *infra* Part IV.C.

54. The *Traffix* decision provides further evidence that the Court intended the latter interpretation. See *infra* Part III (examining the Court's decision in *Traffix* and considering whether it is consistent with previous product trade dress protection cases).

The second half of the *Inwood* definition asks if the feature "affects the cost or quality of the article."<sup>55</sup> Most product features might be said to "affect" the product's cost or quality, for better or worse, regardless of the availability of alternatives.<sup>56</sup> Thus, the second half of the *Inwood* standard may be characterized as a strict construction of the language in *Kellogg*, which removes most important product features (perhaps all product features but the most incidental or arbitrary ones) from trade dress protection, which is in keeping with the policy enunciated in *Sears*.

In his concurring opinion in *Inwood*, Justice White provided another definition of the functionality standard: "A functional characteristic is 'an important ingredient in the commercial success of the product.'"<sup>57</sup> This standard seems to place the emphasis on the consumer's perception, rather than on an analysis of the interrelationship of the feature with the product as a whole. Moreover, this standard does not necessarily suggest that the feature at issue must be superior to alternatives.

### 3. Qualitex Co. v. Jacobson Products Co.

The final relevant Supreme Court decision to address the functionality issue<sup>58</sup> was *Qualitex Co. v. Jacobson Products Co.*<sup>59</sup> In *Qualitex*, the specific

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55. *Inwood Labs., Inc.*, 456 U.S. at 850 n.10.

56. See *In re Morton-Norwich Prods., Inc.*, 671 F.2d 1332, 1339 (C.C.P.A. 1982) ("[E]very design 'affects' or 'contributes to' the utility of the article in which it is embodied."); Weinberg, *supra* note 52, at 18 ("[E]very design feature influences a product's cost or quality.").

57. *Inwood*, 456 U.S. at 863 (White, J., concurring) (quoting *Ives Labs., Inc. v. Inwood Labs., Inc.*, 601 F.2d 631, 643 (2d Cir. 1979)).

58. Some authorities have suggested that in *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 775 (1992), the Supreme Court approved the Fifth Circuit's standard for functionality, which at the time provided that "a design is legally functional, and thus unprotectable, 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." *Two Pesos*, 505 U.S. at 775; see *Sunbeam Prods., Inc. v. West Bend Co.*, 123 F.3d 246, 255-56 (5th Cir. 1997) ("[T]he Supreme Court has placed its imprimatur on this standard."); William G. Barber, *Recent Developments in Trademark Law: Disrobing Trade Dress, Confounding Dilution, and Condemning Cybersquatting*, 10 TEX. INTELL. PROP. L. J. 245, 251 (2002) (discussing *Two Pesos*); Weinberg, *supra* note 52, at 20 (noting *Two Pesos*'s seeming approval of the Fifth Circuit's standard of functionality).

The question in *Two Pesos* was whether a Lanham Act Section 43(a) trade dress claimant must demonstrate that inherently distinctive trade dress has secondary meaning, as a prerequisite to recovery. *Two Pesos*, 505 U.S. at 764-65. The Court held that the plaintiff did not have to show secondary meaning. *Id.* at 770-71. In discussing the question of whether it should be necessary to demonstrate secondary meaning, the Court noted:

Suggestions that under the Fifth Circuit's law, the initial user of any shape or

question before the Court was whether the green-gold color of a producer's dry cleaning press pads, by itself, could be registered on the Lanham Act Principal Register as a trademark.<sup>60</sup> The Court found no theoretical objection to protection or registrability of color alone and found no "principled objection to the use of color as a mark in the important 'functionality' doctrine of trademark law".<sup>61</sup>

The functionality doctrine prevents trademark law, which seeks to promote competition by protecting a firm's reputation, from instead inhibiting legitimate competition by allowing a producer to control a useful product feature. It is the province of patent law, not trademark law, to encourage invention by granting inventors a monopoly over new product designs or functions for a limited time . . . after which competitors are free to use the innovation. If a product's functional features could be used as trademarks, however, a monopoly over such features could be obtained without regard to whether they qualify as patents and could be extended forever (because trademarks may be renewed in perpetuity) . . . . This Court consequently has explained that, "[i]n 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.<sup>62</sup>

In the course of its discussion, the *Qualitex* Court analyzed an example—the shape of an "illumination-enhancing light bulb"—with no suggestion that

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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 unprotectable, 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.

*Id.* at 774–75 (citation omitted). Given that the *Two Pesos* Court did not expressly adopt the Fifth Circuit's definition and expressly stated that it had refused certiorari on the functionality issue, it seems unlikely that the Court intended to make a precedential statement on the proper standard for functionality. *Id.* at 767 n.6 (discussing the Court's reasons for granting certiorari).

59. *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159 (1995).

60. *Id.* at 159.

61. *Id.* at 164.

62. *Id.* at 164–65 (citations omitted). The Court concluded:

Although sometimes color plays an important role (unrelated to source identification) in making a product more desirable, sometimes it does not. And this later 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.* at 165.

the availability of alternative "illumination enhancing" shapes was relevant to a finding of functionality.<sup>63</sup> However, the Court's statement following the *Inwood* standard ("that is, if exclusive use of the feature would put competitors at a significant non-reputation-related disadvantage"),<sup>64</sup> does suggest that the availability of alternative features is relevant because trade dress protection of product features is unlikely to specifically disadvantage competitors when equal alternative features are available.<sup>65</sup> *Qualitex* provides additional support for an "alternatives-based" functionality standard when the Court rejects an argument that permitting businesses to claim trademark rights in colors, by themselves, will result in "color depletion," effectively leaving new businesses without colors to use in marketing their products. In rejecting the argument, the Court notes that "when a color serves as a mark, normally alternative colors will likely be available" for others to use.<sup>66</sup> When they are not, the "trademark doctrine of 'functionality' normally" will prevent "anticompetitive consequences."<sup>67</sup> The Court concluded:

The Restatement (Third) of Unfair Competition adds that, if a design's "aesthetic value" lies in its ability to "confe[r] a significant benefit that cannot practically be duplicated by the use of alternative designs," then the design is "functional." The "ultimate test of aesthetic functionality," it

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63. As the Court explained in *Qualitex*:

Functionality doctrine therefore would require, to take an imaginary example, that even if customers have come to identify the special illumination-enhancing shape of a new patented light bulb with a particular manufacturer, the manufacturer may not use that shape as a trademark, for doing so, after the patent had expired, would impede competition—not by protecting the reputation of the original bulb maker, but by frustrating competitors' legitimate efforts to produce an equivalent illumination-enhancing bulb.

*Id.*

64. *Id.* The Court has subsequently called this statement a competitive necessity standard. See *infra* note 181 and accompanying text (discussing the interpretation of competitive necessity prior to *TrafFix*).

65. See *Pebble Beach Co. v. Tour 18 I Ltd.*, 155 F.3d 526, 537–39 (5th Cir. 1998) (discussing whether contested golf holes created a hindrance to competition); *Vornado Air Circulation Sys., Inc. v. Duracraft Corp.*, 58 F.3d 1498, 1507 (10th Cir. 1995) (stating that functionality "has been defined . . . in terms of competition" and if alternatives exist and the contested design is not superior to the alternatives, then the design may receive protection).

66. *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 168 (1995).

67. *Id.* at 168–69. The Court provides examples of cases in which courts found colors functional, including: particular colors for pills, which allow patients to distinguish their medications; black for outboard boat motors, which decreases the apparent size of the motor and ensures "compatibility with many different boat colors;" and blue for fertilizer, to indicate the "presence of nitrogen." *Id.* at 169–70.

explains, "is whether the recognition of trademark rights would significantly hinder competition."<sup>68</sup>

#### 4. *A Summary: The Key Themes in the Supreme Court*

As the previous discussion demonstrates, three possible standards for functionality exist in the Supreme Court's discussions of the functionality doctrine. First, as *Inwood* illustrated, and perhaps *Kellogg* as well, the Court has suggested that functionality turns on the relationship of the feature or features at issue to the product, or on the role that the feature plays within the product. Does the feature contribute to the use or purpose of the product? Is the contribution significant? Does the feature affect the product's cost or quality? Or, is the feature merely incidental or arbitrary? This standard is highly consistent with that of the Restatement of Torts Section 742: "A feature of goods is functional . . . if it affects their purpose, action or performance, or the facility or economy of processing, handling, or using them; it is nonfunctional if it does not have any of such effects."<sup>69</sup>

In addition, the Restatement explains that a feature will be functional if it "contributes" to a good's utility or durability, or "to the effectiveness or ease with which" it serves its function or is "handled by users."<sup>70</sup> It may also be functional if it contributes to the efficiency or economy of manufacturing, handling, or marketing the good.<sup>71</sup> Comment *a* adds that "[w]hen 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."<sup>72</sup> The availability of alternatives does

68. *Id.* (citations omitted). The Court adds:

The upshot is that, where a color serves a significant nontrademark function—whether to distinguish a heart pill from a digestive medicine or to satisfy the "noble instinct for giving the right touch of beauty to common and necessary things" . . . courts will examine whether its use as a mark would permit one competitor (or a group) to interfere with legitimate (nontrademark-related) competition through actual or potential exclusive use of an important product ingredient. That examination should not discourage firms from creating esthetically pleasing mark designs, for it is open to their competitors to do the same.

*Id.*

69. RESTATEMENT OF TORTS § 742 (1938). The ALI adopted the Restatement of Torts standard the same year the Court decided *Kellogg*.

70. *Id.*

71. *Id.* at cmt. a.

72. *Id.* The Restatement adds that a feature will be nonfunctional if, "when omitted,

not appear to be a consideration at any point in the Restatement of Torts' functionality determination.

Although the role of the feature standard is a strict approach to functionality that will significantly restrict trade dress protection for product features,<sup>73</sup> it is consistent with the *Sears* case, which stresses the importance of leaving unpatented product features in the public domain, within competitors' reach. As long as a product feature plays a material or important function in the product—that is, as long as the feature is not merely incidental or arbitrary—the only available protection against copying will be a patent.

The second approach to functionality found in the Supreme Court's decisions measures the actual, practical effect of protection on competition in each case, which includes evaluating the availability of alternative features. This approach might be inferred from *Kellogg*,<sup>74</sup> might arguably be drawn from the Court's use of the word "essential" in the *Inwood* standard,<sup>75</sup> and can be drawn from some of the Court's language in *Qualitex*. The underlying concern is that trade dress protection not interfere with free competition. Arguably, serious interference is unlikely as long as competitors have access to alternative features that are equally effective. Thus, to be functional, the product features must be superior to the available alternatives, or give some unique advantage. This second approach is much more liberal than the role of the feature standard, and advocates of stronger trade dress protection for product features favor this approach. The American Law Institute gave this interpretation a boost with the Restatement (Third) of Unfair Competition. The Restatement provides that a design is functional if it:

[A]ffords benefits in the manufacturing, marketing, or use of the goods or services with which the design is used, apart from any benefits attributable

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nothing of substantial value in the goods is lost." *Id.* The flip side of this determination is whether prohibiting others from imitating the features will "substantially hinder them in competition." *Id.*

73. The strictness of the Restatement approach drew criticism from Judge Rich, then of the United States Court of Customs and Patent Appeals, in *In re Morton-Norwich Prods., Inc.*, 671 F.2d 1332, 1340 (C.C.P.A. 1982):

"[A]ffects" and "contributes to" are both so broad as to be meaningless, for every design "affects" or "contributes to" 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.

*Id.* Judge Rich rejected the Restatement approach in fashioning the now-famous *Morton-Norwich* test for functionality, which will be discussed *infra* at notes 95–109 and accompanying text.

74. See *supra* Part II.A.1 (discussing *Kellogg*).

75. See *supra* Part II.A.2 (discussing *Inwood*).



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.<sup>76</sup>

Comment *b* emphasizes that: "A packaging or product feature is not functional merely because the feature serves a utilitarian purpose. The recognition of trademark rights is precluded only when the particular design affords benefits that are not practically available through alternative designs."<sup>77</sup> For purposes of brevity, this Article calls this approach the practical effect standard.

Justice White suggested the third approach to functionality in his concurrence in *Inwood* (and again referenced it in *Qualitex*).<sup>78</sup> This approach asks whether the feature is an important ingredient in the commercial success of the product. This Article calls this approach the important ingredient standard.

### *B. The Circuit Courts of Appeals*

To date, the courts of appeals have been unable to agree on a uniform standard for functionality. Indeed, each circuit has tended to adopt its own

76. RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 17 (1995).

77. *Id.* at cmt. b. Comment *b* reiterates:

In general, a functional design is one that is costly to do without. Thus, the benefits afforded by a particular design do not themselves determine whether that design is functional; a design is functional only if those benefits cannot practically be duplicated through the use of other designs. The availability of alternative designs that satisfy the utilitarian requirements or that otherwise afford similar advantages is therefore decisive in determining functionality.

*Id.*

Comment *a* explains the reasoning behind this standard:

The freedom to copy goods and services that have proven successful in the marketplace is fundamental to the operation of a competitive economy. When the public interest in permitting copying is outweighed by the need to insure adequate incentive for investments in innovation, the freedom to copy may be temporarily interrupted by a federal patent or copyright. In other instances the public interest in copying may conflict with the interest in preventing confusion as to the source or sponsorship of goods or services. The rule excluding functional designs from the subject matter of trademark law is an attempt to identify situations in which the public and private interest in avoiding confusion is outweighed by the anticompetitive consequences of trademark protection. Thus, in 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.

*Id.* at cmt. a.

78. *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 164 (1995).

uniquely worded standard.<sup>79</sup> However, the three approaches to functionality derived from the Supreme Court provide three general categories into which most of the courts of appeals' decisions can be sorted.

The first category, designated the role of the feature standard, focuses on the extent to which the product feature is related to the use or function of the product. Only those product features that are arbitrary or incidental, or serve only to identify the product's source may be deemed nonfunctional and subject to trade dress protection under this standard.<sup>80</sup> Courts applying this standard have essentially assumed that if the product feature contributes significantly to the function of the product, competition will be impaired if the feature becomes the subject of exclusive trade dress rights.

The second category, designated the practical effect standard, allows courts to deem product features that play a material or important role in the product, other than identification of source, nonfunctional and protected. The courts applying this standard assume that consumers' interest in avoiding confusion and producers' interest in their chosen identifiers are at least co-equal to competitors' interest in copying unpatented product features. Thus, a product feature will only be deemed functional if it appears that protection will "significantly" impair competition.<sup>81</sup> Courts applying this standard undertake to determine whether, under the facts of each case, such "significant" impairment will arise as the result of prohibiting competitors from copying the product feature. One of the primary considerations they entertain in making this determination is whether there are sufficient, equally good alternative product features available to competitors.

The third category is designated the important ingredient standard. This category holds that a product feature is functional if it is an important ingredient in the commercial success of the product.<sup>82</sup> Apparently, this

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79. See Graeme B. Dinwoodie, *The Death of Ontology: A Teleological Approach to Trademark Law*, 84 IOWA L. REV. 611, 686 (1999) (observing that the various circuit courts have utilized different forms of the functionality standard); Weinberg, *supra* note 52, at 21 (noting the multitude of functionality standards that the federal courts employed); David S. Welkowitz, *Trade Dress and Patent—The Dilemma of Confusion*, 30 RUTGERS L.J. 289, 331–34 (1999) (examining the unpredictability of the circuit courts' application of the differing functionality standards for trade dress protection cases).

80. See *infra* Part II.B.1 (discussing trade dress protection cases that focus on the utility of the feature or its essential use to the product as the primary basis for functionality).

81. See *infra* Part II.B.2 (examining the practical effect standard of functionality).

82. See *infra* Part II.B.3 (discussing the Ninth Circuit's adoption and application of the important ingredient standard of functionality and comparing the other circuits' viewpoints of this standard).

standard relies on consumer perceptions and motivation in purchasing the product at issue.

### 1. *The Role of the Feature Standard*

This general approach, which arises from a strict interpretation of *Inwood*, and is consistent with the Restatement of Torts Section 742, arguably can be found today in the Third Circuit, which has often proved conservative on the subject of trade dress protection for product features.<sup>83</sup> Because it is a strict standard, the role of the feature approach furthers the view stated in the *Sears* line of cases that unpatented product features should be routinely available for competitors to copy.

For example, in *Keene Corp. v. Paraflex Industries, Inc.*,<sup>84</sup> the Third Circuit considered whether the unpatented exterior design of the "Wall Cube," an outdoor, wall-mounted lighting fixture, could be protected as trade dress.<sup>85</sup> The Third Circuit noted that "the concept of functionality has not been limited, however, to features that are strictly utilitarian," and quoted from the definition of functionality provided by Restatement of Torts Section 742.<sup>86</sup> It then concluded that:

[T]he inquiry should focus on the extent to which the design feature is related to the utilitarian function of the product or feature. When the design itself is not significantly related to the utilitarian function of the product, but is merely arbitrary, then it is entitled to protection as a design trademark if it has acquired the distinctiveness necessary to achieve a secondary meaning . . . . Judge Gibbons summarized for this court the distinction between functionality and non-functionality as follows: "Proof of nonfunctionality generally requires a showing that the element of the product serves no purpose other than identification."<sup>87</sup>

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83. See, e.g., *Versa Prods. Co. v. Bifold Co.*, 50 F.3d 189, 207–08, 216 (3d Cir. 1995) (adopting an arguably more difficult standard for demonstrating infringement in product feature trade dress cases than in other Lanham Act infringement cases); *Duraco Prods., Inc. v. Joy Plastic Enters., Ltd.*, 40 F.3d 1431, 1442–47 (3d Cir. 1994) (adopting an unusually high standard for demonstrating that product feature trade dress is inherently distinctive).

84. *Keene Corp. v. Paraflex Indus., Inc.*, 653 F.2d 822 (3d Cir. 1981).

85. *Id.* at 823.

86. *Id.* at 824.

87. *Id.* at 825–26 (quoting *SK&F Co. v. Premo Pharm. Labs., Inc.*, 625 F.2d 1055, 1063 (3d Cir. 1980)); see *Ideal Toy Corp. v. Plawner Toy Mfg. Corp.*, 685 F.2d 78, 81 (3d Cir. 1982) (stating that the standard quoted from *SK&F* is "congruent with" the Supreme Court's definition of functionality in *Inwood*).

Turning to the case before it, the Third Circuit found that the lighting fixture's design was related to the product's utilitarian function, and thus was functional. The court characterized the product's utilitarian function broadly, not only to facilitate illumination, but also to provide "architectural compatibility with the structure or building on which it is mounted."<sup>88</sup> The plaintiff in *Keene* argued that there were alternative designs for the lighting fixture and thus that the fixture design should be deemed nonfunctional.<sup>89</sup> The court appeared to reject this argument.<sup>90</sup>

The Third Circuit's standard for functionality, as described in *Keene*, is similar in spirit to a strict interpretation of the *Inwood* standard, which asks whether the product feature is "essential to the use or purpose of the article" or "affects the cost or quality of the article."<sup>91</sup> In each case, the courts deemed product features that play a material or important role in the function of the product functional and thus unprotectable under trade dress laws. Only incidental or arbitrary features are likely to be protectable.<sup>92</sup> Indeed, the Third

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88. *Keene Corp.*, 653 F.2d at 826. The court stated:

The luminaire itself is essentially a utilitarian product, used to light exterior area. However, because it is a wall-mounted luminaire, as distinguished from a free-standing street lamp, part of its function includes its architectural compatibility with the structure or building on which it is mounted. Thus its design configuration, rather than serving merely as an arbitrary expression of aesthetics, is intricately related to its function.

*Id.* Obviously, the strictness of this functionality standard will depend on how courts define the utilitarian function of the products before them. Here, the court deemed that the design of the light fixture was related to the function of the product only because the court defined the product's function not merely to provide light but also to blend in with building architecture. The Third Circuit has provided no guidance in defining the function of products for this purpose.

89. *Id.* at 823–24.

90. The court noted:

Although *Keene* would have us adopt a standard inquiring whether the specific design features of the product "were competitively essential," we believe that is 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 nonfunctional.

*Id.* at 827. The court noted, however, that because "the policy predicate for the entire functionality doctrine stems from the public interest in enhancing competition," a court may also consider "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)).

91. *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 850 n.10 (1982). For discussion of such a "strict interpretation," see *supra* notes 53–56 and accompanying text.

92. The Third Circuit panels appear to differ somewhat on the role (if any) that consideration of the availability of alternative product features plays in the overall analysis. See *infra* note 94 and accompanying text (comparing two Third Circuit cases that allow the

Circuit itself has described its standard as "congruent" with the *Inwood* standard.<sup>93</sup> It is important to note, however, that some more recent Third Circuit panels have suggested that the availability of alternative features may be relevant to the functionality requirement, suggesting that the Third Circuit may have been moving toward the practical effect standard adopted by the majority of circuits.<sup>94</sup>

## 2. The Practical Effect Standard

The practical effect standard is the most widely followed general approach in the circuits: The Second, Fifth, Seventh, Ninth, Tenth, and Federal Circuits

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availability of alternative product features to factor in the functionality decision).

93. *Ideal Toy Corp. v. Plawner Toy Mfg. Corp.*, 685 F.2d 78, 81 (3d Cir. 1982). For another example of the Third Circuit approach, see *Am. Greetings Corp. v. Dan-Dee Imports, Inc.*, 807 F.2d 1136, 1143-45 (3d Cir. 1986). In *American Greetings*, American Greetings marketed "Care Bears"—pastel plush teddy bears with pictorial designs on their white stomachs, known as "tummy graphics." For example, the "Funshine Bear" had a smiling sun on his tummy, which conveyed the message, "Fun and Laughter;" the "Grumpy Bear" had a rain cloud on his tummy, which conveyed the message: "It's OK to be out of sorts;" the "Bedtime Bear" had a crescent moon and star, meant to convey the message "Sweet Dreams;" and so on. The issue was whether the tummy graphics were functional, so that the defendant could market its own teddy bears with tummy graphics. The Third Circuit found that the District Court had not erred in finding the tummy graphics functional.

The Third Circuit noted that the proper standard is "'whether a particular feature of a product or service is substantially related to its value as a product or service, i.e., if the feature is part of the 'function' served, or whether the primary value of a particular feature is the identification of the provider.'" *Id.* at 1142 (quoting *United States Golf Ass'n v. St. Andrews Sys., Data-Max*, 749 F.2d 1028, 1033 (3d Cir. 1984)). When "the feature is substantially related to the product's value as a product, it cannot be protected 'because [its] usefulness in identifying the source of the product or service is outweighed by the social interest in competition and improvements, which are advanced by giving competitors free access to' that feature." *Id.*

Applying this principle to the case before it, the Court agreed that the tummy graphics contributed to the "effectiveness and performance of Care Bears as plush toy teddy bears." *Id.* The "tummy graphics" served "the purpose of communicating the particular personality of each of the Care Bear characters," and conveyed "an emotional message through such personality." *Id.* Moreover, the particular symbols that the plaintiffs had chosen for the tummy graphics were also functional because they were "common figures and are typically associated with the messages attributed to them by plaintiffs." *Id.*

For another good example of the Third Circuit's functionality standard, see *Standard Terry Mills, Inc. v. Shen Mfg. Co.*, 803 F.2d 778, 781 (3d Cir. 1986).

94. See, e.g., *Merch. & Evans, Inc. v. Roosevelt Bldg. Prods. Co.*, 963 F.2d 628, 634 (3d Cir. 1992) ("[T]his court, like the *Morton-Norwich* court, has held product configurations to be functional when only a limited number of viable alternatives exist."); *Ideal Toy Corp. v. Plawner Toy Mfg. Corp.*, 685 F.2d 78, 81 n.4 (3d Cir. 1982) (recognizing the availability of numerous alternatives and distinguishing *Keene* on the ground that it involved "aesthetic functionality").

have adopted it, though each varies somewhat in articulating and applying it. Essentially, these Courts reject the notion that all product features that play a significant role in the product (apart from source identification) must be deemed functional and left in the public domain. Rather, they undertake to evaluate the actual likely impact of protection on competition in each case and find a product feature "functional" only if the potential impact of protection on competition is "undue" or "significant" under the circumstances. They all consider the availability of alternative product features in the course of this evaluation, though they may consider other factors as well. Underlying this approach is the assumption that the interests in preventing consumer confusion about the source of goods and in protecting producers' investment in their chosen indications of origin are essentially equal to the interest in protecting the right of competitors to copy unpatented product features. Thus, competitors may be prohibited from copying unpatented product features that serve to indicate the origin of the product to consumers, unless the potential interference with competition (through exclusion of copyists) appears to be significant.

One of the most influential decisions in this group is that of Judge Rich for the Court of Customs and Patent Appeals (the forerunner of the Court of Appeals for the Federal Circuit) in *In re Morton-Norwich Products, Inc.*<sup>95</sup> In *Morton-Norwich*, the appellant was seeking to register the shape, or configuration, of the container it used to sell various household products, alleging that the shape had acquired secondary meaning as a trademark.<sup>96</sup> The appellant already owned a design patent on the shape and a utility patent for the container's spray top mechanism.<sup>97</sup> The question was whether the container configuration was functional.

In evaluating that question, Judge Rich reviewed the underlying policy and history of the functionality doctrine and argued that the label "functional" has dual significance: It has a broad lay meaning (indicating that a thing performs a function) and a narrower legal meaning (which leads to a

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

96. *Id.* at 1334.

97. *Id.* at 1334. In his opinion, Judge Rich stressed the fact "that this is not a 'configuration of goods' case but a 'configuration of the container for the goods' case." *Id.* at 1336. However, he did not explain why this distinction was important. Subsequent cases evaluating the functionality of product configurations have relied on *Morton-Norwich* without noting or discussing the distinction. See, e.g., *Valu Eng'g Inc. v. Rexnord Corp.*, 278 F.3d 1268, 1274 (Fed. Cir. 2002) ("To determine whether a particular product design is *de jure* functional, we have applied the "*Morton-Norwich* factors."); see also *Stormy Clime Ltd. v. Progroup, Inc.*, 809 F.2d 971, 977 (2d Cir. 1987) (stating *Morton-Norwich*'s focus on hindering competition and assessing the functionality of "similar features"); *W.T. Rogers Co. v. Keene*, 778 F.2d 334, 339 (7th Cir. 1985) (relying on *Morton-Norwich* to determine functionality).

prohibition of trademark or unfair competition protection).<sup>98</sup> Thus, it is important to distinguish "de facto functionality" and "de jure functionality."<sup>99</sup> Only the latter should lead to a denial of trademark or unfair competition protection.<sup>100</sup> Judge Rich then set out to determine when functional product features are "de jure functional" and thus unprotectable.

Judge Rich rejected the notion that any design feature having utility should be deemed de jure functional: "Under that reasoning, the design of a particular article would be protectable as a trademark only where the design was useless, that is, wholly unrelated to the function of the article."<sup>101</sup> Moreover, in his view, the case precedent did not require that all unpatented useful product features be available to competitors:

[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.<sup>102</sup>

Thus, distinctive product features should only be available to competitors when the "right to copy" outweighs the "right to protect one's method of trade identification."<sup>103</sup> De jure functionality should turn on a showing that the design at issue is "superior in function (de facto) or economy of manufacture," and this superiority should itself be determined in light of the practical need of competitors to copy.<sup>104</sup>

Judge Rich provided several factors that courts should consider in making that determination. First, an expired utility patent that discloses the utilitarian advantage of the design should be relevant evidence that the design is de jure functional.<sup>105</sup> Second, significance attaches when the designer touts the design's "utilitarian advantages through advertising."<sup>106</sup> Third, it may be significant that a particular design "results from a comparatively simple or

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98. *Morton-Norwich*, 671 F.2d at 1337.

99. *Id.*

100. *Id.*

101. *Id.* at 1338. Judge Rich particularly rejected the standard set forth in Restatement of Torts Section 742, noting that "[i]t appears to us that 'affects' and 'contributes to' are both so broad as to be meaningless, for every design 'affects' or 'contributes to' the utility of the article in which it is embodied." *Id.* at 1340.

102. *Id.* at 1339.

103. *See id.* at 1340 (asking which "weights do we set upon each side of the scale").

104. *Id.* at 1339.

105. *Id.* at 1340-41.

106. *Id.* at 1341.

cheap method of manufacturing."<sup>107</sup> Finally, "since the effect upon competition is really the crux of the matter, it is . . . significant that there are other alternatives available."<sup>108</sup> Judge Rich went on to analyze the household product container before the court. Relying primarily on evidence of numerous equally effective alternative container designs, the court found the applicant's design nonfunctional.<sup>109</sup>

The Fifth Circuit has approached the question of functionality in a similar fashion to Judge Rich and the Court of Customs and Patent Appeals. The Fifth Circuit expressly found that trade dress may have some utility—that is, may serve a useful purpose within the product other than source-identification—and still be deemed legally "nonfunctional."<sup>110</sup> The Fifth Circuit expressly rejected arguments that product features are functional unless substitutes are possible "without affecting use, purpose, cost, quality or commercial desirability."<sup>111</sup> The court found that such a rule was too broad because it "could conceivably render any design functional because *any* change would undoubtedly somehow affect cost, use, or commercial desirability."<sup>112</sup> The Fifth Circuit noted that the Supreme Court, in *Qualitex*, limited the definition of functionality set forth in *Inwood* with the language: "[T]hat is, if exclusive use of the feature [or combination of features] would put competitors at a significant non-reputation-related disadvantage."<sup>113</sup> According to the Fifth Circuit, this language made it clear "that any effect must be great enough to significantly disadvantage competitors in ways other than consumer preference for a particular source."<sup>114</sup>

The Fifth Circuit found that the requisite disadvantage to competitors would exist if a product feature or design were "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."<sup>115</sup> The court

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107. *Id.*

108. *Id.* (internal quotes omitted).

109. *Id.* at 1343.

110. See *Sicilia Di R. Biebow & Co. v. Cox*, 732 F.2d 417, 429 (5th Cir. 1984) ("A design that merely assists in a product or configurations' utility is not functional and may therefore be protected."). Of course, like other circuits, the Fifth Circuit held that "[e]ven if a product design incorporates certain functional features . . . 'a particular arbitrary combination of functional features, the combination of which is not itself functional, properly enjoys protection.'" *Sunbeam Prods., Inc. v. West Bend Co.*, 123 F.3d 246, 256 (5th Cir. 1997) (quoting *Taco Cabana Int'l, Inc. v. Two Pesos, Inc.*, 932 F.2d 1113, 1119 (5th Cir. 1991)).

111. *Pebble Beach Co. v. Tour 18 I, Ltd.*, 155 F.3d 526, 539 (5th Cir. 1998).

112. *Id.*

113. *Id.* (quoting *Qualitex Co. v. Jacobsen Prods. Co.*, 514 U.S. 159, 165 (1995)).

114. *Id.*

115. *Id.* at 537 (quoting *Sicilia Di R. Biebow & Co. v. Cox*, 732 F.2d 417, 429 (5th Cir.



also considered whether the feature or combination of features was "superior or optimal in terms of engineering, economy of manufacture, or accommodation of utilitarian function or performance."<sup>116</sup> The Fifth Circuit acknowledged that "[t]his utilitarian theory of functionality, with its focus on competition, lowers the threshold for trade dress protection. 'A design that merely assists in a product or configuration's utility is not functional and may therefore be protected.'<sup>117</sup>

The Seventh Circuit has likewise stressed that a product feature can play important roles other than identification of source within the product and still be nonfunctional for purposes of trade dress protection.<sup>118</sup> Moreover, trade dress protection may interfere with competition to some extent, as long as the interference "is unlikely to have any significant anti-competitive effect."<sup>119</sup> As Judge Posner explained: "[A] functional feature is one which competitors would have to spend money not to copy but to design around."<sup>120</sup> According to the Seventh Circuit, "[t]o achieve the status of 'functionality,' a design or feature must be superior or optimal in terms of engineering, economy of manufacture, or accommodation of utilitarian function or performance."<sup>121</sup>

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1984)).

116. *Sicilia Di R. Biebow & Co. v. Cox*, 732 F.2d 417, 429 (5th Cir. 1984).

117. *Sunbeam Prods., Inc. v. West Bend Co.*, 123 F.3d 246, 256 n.18 (5th Cir. 1984) (quoting *Sicilia Di R. Biebow*, 732 F.2d at 429). The Fifth Circuit has recently abandoned the above standard because it fails to comply with the Supreme Court's decision in *TrafFix*. See *infra* notes 238-42 and accompanying text (discussing the Fifth Circuit's application of *TrafFix*).

118. See *W.T. Rogers Co. v. Keene*, 778 F.2d 334, 341 (7th Cir. 1985) (recognizing that protectable product features may play multiple roles in the product).

119. *Id.*

120. *Id.* at 339.

121. *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)). The Seventh Circuit has focused expressly on the availability of alternative features in making its functionality analysis. See *W.T. Rogers*, 778 F.2d at 343 (discussing the availability of hexagonal and rectangular designs of plastic stacking office trays).

With the possible exception of "aesthetic functionality" cases, the Ninth Circuit appears to be in general agreement with the others in this group. See *supra* Part II.B.3 (discussing the important ingredient "aesthetic functionality" standard). The Ninth Circuit has specified the following factors for consideration in determining whether a product feature is functional: "(1) [W]hether the design yields a utilitarian advantage, (2) whether alternative designs are available, (3) whether advertising touts the utilitarian advantages of the design, and (4) whether the particular design results from a comparatively simple or inexpensive method of manufacture . . . . No one factor is deemed dispositive; all should be weighed collectively." *Disc Golf Ass'n v. Champion Discs, Inc.*, 158 F.3d 1002, 1006 (9th Cir. 1998).

Citing *Qualitex* as authority, the Second Circuit has conditioned functionality on a finding that the right to copy unpatented product features outweighs the right to protect one's method of trade identification in a given case.<sup>122</sup> *Fabrication Enterprises, Inc. v. Hygenic Corp.*<sup>123</sup> exemplifies the Second Circuit's approach.<sup>124</sup> In *Fabrication Enterprises*, the district court concluded that a manufacturer's use of colors to indicate the levels of resistance of its resistance bands was functional because it was "important to the usefulness of the item."<sup>125</sup> The Second Circuit held that this standard was incorrect: It did not "take into account the fact that a color or color code, even one that contributes to the function of the product, may be protected under the Lanham Act unless the costs to competition of precluding competitors from using the color are too high."<sup>126</sup> The Second Circuit has construed the phrase

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122. *Fabrication Enters., Inc. v. Hygenic Corp.*, 64 F.3d 53, 61 n.9 (2d Cir. 1995).

123. *Fabrication Enters., Inc. v. Hygenic Corp.*, 64 F.3d 53 (2d Cir. 1995).

124. *See id.* at 60–61 (discussing the *Qualitex* standard and reversing the summary judgment ruling).

125. *Id.* at 59.

126. *Id.* at 58. The court explained:

In *Qualitex*, the Supreme Court held that "where a color serves a significant nontrademark function . . . courts will examine whether its use as a mark would permit one competitor (or a group) to interfere with legitimate (nontrademark-related) competition through actual or potential exclusive use of an important product ingredient . . . ." Thus, a finding that a color serves a useful non source-identifying function, which was the basis of the decision below, is in fact only the starting point for analysis of whether protecting the color as an aspect of trade dress would restrain competition unduly.

*Id.*

The court elaborated that underprotection of useful but distinctive product features would injure competition by causing consumer confusion about the source of goods, while overprotection of such features may injure competition by prohibiting access by competitors:

In order properly to account for these risks, a court must examine a number of variables, including (1) the degree of functionality of the similar features of the product, (2) the degree of similarity between the nonfunctional (ornamental) features of the competing products, and (3) the feasibility of alternative designs that would not impair the utility of the product. "These factors should be considered along a continuum. On one end, unique arrangements of purely functional features constitute a functional design. On the other end, distinctive and arbitrary arrangements of predominantly ornamental features that do not hinder potential competitors from entering the same market with differently dressed versions of the product are nonfunctional and hence eligible for trade dress protection . . . ." The Supreme Court's emphasis in *Qualitex* on assessing how trade dress protection might affect competition when applying the functionality doctrine makes this multifaceted, industry-sensitive test even more vital, because only by examining all of these factors can a court accurately assess how the extension of Lanham Act protection to useful features may effect competition.

"essential to the use or purpose of the article," as used in the *Inwood* standard, to mean "dictated by the functions to be performed."<sup>127</sup> "[A] feature that merely accommodates a useful function is not enough."<sup>128</sup>

The Tenth Circuit has been perhaps the most liberal of all the Circuits in this group. It "relie[s] heavily on the existence of a sufficient number of alternatives, or substitutes, for the design features in question."<sup>129</sup> As the Tenth Circuit has explained:

Functionality . . . has been defined both by our circuit, and more recently by the Supreme Court, in terms of competitive need. If competitors need to be able to use a particular configuration in order to make an equally competitive product, it is functional, but if they do not, it may be nonfunctional. The availability of equally satisfactory alternatives for a particular feature, and not its inherent usefulness, is often the fulcrum on which Lanham Act functionality analysis turns.<sup>130</sup>

### 3. The Important Ingredient Standard

The important ingredient standard is often associated with the Ninth Circuit's decision in *Pagliero v. Wallace China Co.*<sup>131</sup> In *Pagliero*, Wallace sought to prevent the defendant from "passing off" vitrified hotel china bearing the same designs as Wallace china, alleging that the Wallace designs had

*Id.* at 59 (quoting *Stormy Clime Ltd. v. Progroup, Inc.*, 809 F.2d 971, 977 (2d Cir. 1987)).

127. *Warner Bros. Inc. v. Gay Toys, Inc.*, 724 F.2d 327, 331 (2d Cir. 1983) (emphasis added).

128. *Warner Bros.*, 724 F.2d at 331. The Second Circuit has also explained that a design feature "affecting the cost or quality of an article" within the meaning of the *Inwood* standard is "one which permits the article to be manufactured at a lower cost." *Id.*

129. *Vornado Air Circulation Sys., Inc. v. Duracraft Corp.*, 58 F.3d 1498, 1501 n.3 (10th Cir. 1995).

130. *Id.* at 1507 (citation omitted). The Court added:

As some courts have explained the competitive need test, it conceivably could allow one producer to permanently appropriate any distinctive patented invention for exclusive trademark or trade dress use as soon as its patent expired and sufficient alternatives became available to make the invention no longer one of a few superior designs.

*Id.* Thus, "[c]onfigurations can simultaneously be patentably useful, novel, and non-obvious and also nonfunctional, in trade dress parlance." *Id.* at 1506.

131. See *Pagliero v. Wallace China Co.*, 198 F.2d 339, 343 (9th Cir. 1952) ("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.").

become distinctive through acquisition of secondary meaning.<sup>132</sup> The Ninth Circuit rejected the claim on the ground that the china designs were functional:

"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. On the other hand, where the feature or, more aptly, design, is mere arbitrary embellishment, a form of dress for the goods primarily adopted for purposes of identification and individuality and, hence, unrelated to basic consumer demands in connection with the product, imitation may be forbidden where the requisite showing of secondary meaning is made. Under such circumstances, since effective competition may be undertaken without imitation, the law grants protection.<sup>133</sup>

In the case before it, the court reasoned that one of the essential selling features of hotel china is its design.<sup>134</sup> Because the design satisfied purchasers' demand for aesthetics, characterizing it as a mere arbitrary embellishment adopted primarily for the purpose of identification and individuality was not appropriate. Rather, the granting of relief to Wallace would render it immune from the most direct and effective competition. The availability of alternative china designs was irrelevant.<sup>135</sup>

While this "important ingredient in the commercial success of the product" standard bears similarities to the role of the feature standard discussed above,<sup>136</sup> it could differ in scope. For example, it might include product features that are not related to the function of the product (however that function may be defined) but nonetheless are related to consumer demand for the product.<sup>137</sup> On

132. *Id.* at 340.

133. *Id.* at 343.

134. *Id.* at 343-44 ("The attractiveness and eye-appeal of the design sells the china.").

135. *Id.* at 344 (discussing multiple alternative designs). The court stated:

It seems clear that these designs are not merely indicia of source, so that one who copies them can have no real purpose other than to trade on his competitor's reputation. On the contrary, to imitate is to compete in this type of situation. Of course, Tepco can also compete by developing designs even more aesthetically satisfying, but the possibility that an alternative product might be developed has never been considered a barrier to permitting imitation competition in other types of cases. The law encourages competition not only in creativeness but in economy of manufacture and distribution as well.

*Id.*

136. See *supra* notes 69-73, 83-94 and accompanying text (outlining the role of the feature standard).

137. This might be the case for features that make the product more attractive to the eye, even though the Court has not defined the function of the product to include aesthetic appeal.

the other hand, it might also permit protection of product features that perform a useful function within the product but nonetheless do not "constitute an important ingredient in the commercial success" of the product. Clearly, the important ingredient standard is stricter than the practical effect standard because, as the Ninth Circuit noted, the possibility of alternative features is irrelevant.<sup>138</sup>

A number of other circuits have expressly rejected the important ingredient standard.<sup>139</sup> In *Keene*, the Third Circuit (which had adopted a notably conservative approach to the functionality doctrine)<sup>140</sup> characterized the important ingredient standard as giving too much competitor access to purely aesthetic product features and permitting too much imitation.<sup>141</sup> The Court expressed concern that such a strict standard of functionality would undercut producers' incentive to provide aesthetically pleasing product designs.<sup>142</sup> A

138. *Pagliero v. Wallace China Co.*, 198 F.2d 339, 343–44 (9th Cir. 1952). The standard set forth in *Pagliero* has often been referred to as "aesthetic functionality." However, the standard clearly encompasses more than merely aesthetic product features.

139. See, e.g., *Esercizio v. Roberts*, 944 F.2d 1235, 1247 (6th Cir. 1991) ("Thus, the precedent in this circuit suggest that aesthetic functionality will not preclude a finding of nonfunctionality where the design also indicates source."); *Brunswick Corp. v. Spinit Reel Co.*, 832 F.2d 513, 518–19 (10th Cir. 1987) (adopting a test which focuses on competition); *LeSportsac, Inc. v. Kmart Corp.*, 754 F.2d 71, 77 (2d Cir. 1985) (rejecting the doctrine in part because "[t]rade dress associated with a product that has accumulated goodwill . . . will almost always be an 'important ingredient' in the 'saleability' of the product."); *W.T. Rogers Co. v. Keene*, 778 F.2d 334, 343 (7th Cir. 1985) (discussing availability of alternative design features); *Sicilia Di R. Biebow & Co. v. Cox*, 732 F.2d 417, 428 (5th Cir. 1984) (retreating from the *Pagliero* functionality standard); *Keene Corp. v. Paraflex Indus., Inc.*, 653 F.2d 822, 825 (3d Cir. 1981) (stating that the aesthetic functionality standard is not necessary to protect competition).

140. See *supra* Part II.B.1 (discussing the Third Circuit's approach to the functionality doctrine).

141. See *Keene Corp. v. Paraflex Indus., Inc.*, 653 F.2d 822, 825 (3d Cir. 1981) ("[I]t [the 'important ingredient' standard] provides a disincentive for development of imaginative and attractive design.").

142. See *id.* at 825 (discussing difficulties with the important ingredient standard). The Court noted:

The difficulty with accepting such a broad view of aesthetic functionality, which 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. As our ambience becomes more mechanized and banal, it would be unfortunate were we to discourage use of a spark of originality which could transform an ordinary product into one of grace. The doctrine of aesthetic functionality need not be construed in such a manner for it to fulfill its important public policy function of protecting free competition.

*Id.*

number of other courts of appeals have expressly signed on to this criticism, including the Second, Fifth, Sixth, and Tenth Circuits.<sup>143</sup>

Some circuits have also complained that the important ingredient standard destroys a merchant's valuable trademark interest unnecessarily, without any showing that competitors are unable to develop equally viable alternative product features.<sup>144</sup> Another criticism is that "[t]rade dress associated with a product that has accumulated goodwill . . . will almost always be 'an important ingredient' in the 'saleability' of the product."<sup>145</sup> Thus, the important ingredient rule is likely to give competitors the benefit of the hard-earned good will attached to the product feature.<sup>146</sup>

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The Third Circuit acknowledged that there was some support for the important ingredient approach in comment a to the Restatement of Torts Section 742, which "defines aesthetic functionality in terms of consumer acceptance." *Id.*

As noted earlier, the Third Circuit found it preferable to require that the product feature be significantly related to the utilitarian function of the product. The *Keene* Court found the attractive appearance of the product in that case to be a part of the product's function, so that the aesthetic features were functional. See *supra* notes 85–90 and accompanying text (noting that functionality is not limited solely to utilitarian features).

143. See *Pebble Beach Co. v. Tour 18 I, Ltd.*, 155 F.3d 526, 539 (5th Cir. 1998) (criticizing the important ingredient standard); *Esercizio v. Roberts*, 944 F.2d 1235, 1246 (6th Cir. 1991) ("Relating functionality to the commercial desirability of the feature regardless of its utilitarian function discourages the development of appealing designs because such designs would be entitled to less protection."); *Wallace Int'l Silversmiths, Inc. v. Godinger Silver Art Co.*, 916 F.2d 76, 80 (2d Cir. 1990) ("By allowing the copying of an exact design without any evidence of market foreclosure, the *Pagliero* test discourages both originators and later competitors developing pleasing designs."); *Brunswick Corp. v. Spirit Reel Co.*, 832 F.2d 513, 518–19 (10th Cir. 1987) (stating that the Court will not discourage originality).

144. See, e.g., *Pebble Beach Co.*, 155 F.3d at 539 (stating that competitors must be severely disadvantaged "in ways other than consumer preference for a particular source"); *Wallace Int'l Silversmiths*, 916 F.2d at 81 ("Where an ornamental feature is claimed as a trademark and trademark protection would significantly hinder competition by limiting the range of adequate alternative designs, the aesthetic functionality doctrine denies such protection."). Indeed, in Illustration 6, Restatement (Third) of Unfair Competition Section 17 specifies that a court must find foreclosure of alternatives before it can find the floral design of china functional. RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 17 cmt. c, illus. 6 (1995). This is a clear repudiation of *Pagliero*.

145. *LeSportsac, Inc. v. Kmart Corp.*, 754 F.2d 71, 77 (1985); see also *Esercizio*, 944 F.2d at 1247 (quoting *LeSportsac*, 754 F.2d at 77).

146. See *Pebble Beach Co.*, 155 F.3d at 538–39 (discussing the role of good will in the important ingredient standard). The Fifth Circuit refused to accept arguments that the *Qualitex* Court and Justice White (in his concurrence in *Inwood*) endorsed the important ingredient standard:

Justice White's statement is merely an acknowledgment that a functional feature is by definition important to the commercial success of a product because without the functional feature a viable, competitive product could not be produced and because competition would be injured if such a feature were protectable by trademark law. The converse, however, is not true. To define functionality based upon commercial

The Ninth Circuit itself has clearly backed away from the "important ingredient in the commercial success of the product" standard, which it had adopted in the *Pagliero* decision.<sup>147</sup> The Eighth Circuit, however, has embraced the "important ingredient in the commercial success of the product" standard and has continued to apply it.<sup>148</sup> Nonetheless, some difference exists among the Eighth Circuit panels about how strictly to apply the standard,

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success would allow the second comer to trade on the first comer's goodwill, purely because it would be easier to market his product and not because he could not produce a viable, competitive product. Such a rule does not promote innovation, nor does it promote competition, leaving no reason to narrow trademark protection. The logical extension of this argument would practically obliterate trademark protection for product design because a defendant could always argue that its innovative product is a widget that provides a replica of the most popular or most prestigious widget on the market, thus requiring that the defendant be allowed without further analysis to copy the plaintiff's widget.

*Id.*

147. See *Fabrica, Inc. v. El Dorado Corp.*, 697 F.2d 890, 895-96 (9th Cir. 1983) (rejecting the proposition that "any feature of a product which contributes to the consumer appeal and saleability of the product is, as a matter of law, a functional element of that product"); *Vuitton et Fils S.A. v. J. Young Enters., Inc.*, 644 F.2d 769, 773 (9th Cir. 1981) (same). According to the Ninth Circuit, "[n]either *Pagliero* nor the cases since decided in accordance with it compel such a conclusion." *Vuitton*, 644 F.2d at 773.

The Court noted that the *Pagliero* standard asked not only whether the feature "is an important ingredient in the commercial success of the product" but also whether the design "is a mere arbitrary embellishment, a form of dress for the goods primarily adopted for purposes of identification and individuality." *Id.* The Court went on to note that in *Pagliero* the four china patterns were originally "intended primarily to beautify the china and not to identify the manufacturer." *Id.* The patterns only came to identify their source after extensive advertising and exposure to the public. By contrast, the product feature in the case at hand (dark brown, vinyl-impregnated canvas, bearing an arrangement of the initials "LV" superimposed one upon the other and surrounded by three floral symbols, which covered the plaintiff's luggage, handbags and related items) incorporated the plaintiff's registered trademark and its founder's initials and seemed clearly intended from the beginning to indicate the source of the product. *Id.* at 774.

The Ninth Circuit also noted the difficulty of ascertaining what about a product feature appeals to consumers. *Id.* For example, the canvas covering of plaintiff's luggage in the *Vuitton* case, bearing an arrangement of the initials "LV" superimposed one upon the other and surrounded by three floral symbols, might appeal to consumer's desire for aesthetically pleasing luggage, but it might also appeal to their desire for the prestige of carrying a bag that plaintiff made. *Id.* The functionality doctrine is meant to ensure that competitors can copy functional features, but not the business good will of their competitors.

148. See, e.g., *Insty\*Bit, Inc. v. Poly-Tech Indus., Inc.*, 95 F.3d 663, 673 (8th Cir. 1996) (adopting the important ingredient test for functionality); *Stuart Hall Co., v. Ampad Corp.*, 51 F.3d 780, 790 (8th Cir. 1995) (discussing the distinction between trade dress functionality and nonfunctionality); *Aromatic, Inc. v. Gold Seal, Inc.*, 28 F.3d 863, 873 (8th Cir. 1994) (accepting the important ingredient standard in evaluating the functionality of the design feature at issue); *Prufrock Ltd., Inc. v. Lasater*, 781 F.2d 129, 133 (8th Cir. 1986) (same); *Truck Equip. Serv. Co. v. Fruehauf Corp.*, 536 F.2d 1210, 1217 (8th Cir. 1976) (same).

particularly about whether a feature should always be deemed functional if it performs a function other than source identification.<sup>149</sup>

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149. *Compare* *Aromatique, Inc. v. Gold Seal, Inc.*, 28 F.3d 863, 873 (8th Cir. 1994) (stating that a feature must provide a function other than identification) *with* *Prufrock Ltd. v. Lasater*, 781 F.2d 129, 133 (8th Cir. 1986) (employing the important ingredient standard). In *Prufrock*, the Eighth Circuit recited the standard in *Pagliero* and explained:

In short, Prufrock's trade dress is nonfunctional if it is an arbitrary embellishment primarily adopted for purposes of identification and individuality. But if the trade dress is an important ingredient in the commercial success of the product, it is clearly functional . . . .

We recognize that "[t]he line between functionality and nonfunctionality is not . . . brightly drawn" and that some designs capable of protection under the Lanham Act may also perform a utilitarian function . . . . However, "[t]he question in each case is whether protection against imitation will hinder the competitor in competition."

*Prufrock*, 781 F.2d at 133 (quoting *Truck Equip. Serv. Co. v. Fruehauf*, 536 F.2d 1210, 1218 (8th Cir. 1976)). The *Prufrock* Court went on to say:

If an element of the trade dress is unrelated to the consumer demand for the product and serves merely to identify the source of the product, then a prohibition against imitation will not hinder honest competition. For example, prohibiting a restaurant from imitating another's distinctive and identifying logo will not hinder competition . . . . However, prohibiting a restaurant from using an exposed kitchen will hinder competition because watching the food preparation can be part of the consumer appeal for the food service product.

*Id.*

Alternatively, in *Aromatique*, the Eighth Circuit stated the "important ingredient in the commercial success of the product" standard but added that a "feature or design is functional under our analysis . . . if it performs some function other than identifying the source of goods." *Aromatique*, 28 F.3d at 873. The trade dress in that case was the packaging for the plaintiff's potpourri, which it sold in pillow-shaped double cellophane bags that were closed at the top by gathering the excess cellophane and tying it with cord in a square-knot bow. *Id.* The prospective purchaser could both see and smell the potpourri, which provided both aesthetic and olfactory appeal. *Id.* The court found that the packaging was central to the product's commercial success because consumers want to see and smell the potpourri before they purchase it. *Id.* at 874. Therefore, use of clear cellophane wrapped in a manner that allows the fragrance to escape was "essential." *Id.* at 873. Moreover, double bagging the cellophane was functional, not arbitrary, because it counteracted the corrosive properties of the potpourri, increased the shelf-life of the potpourri, and protected the label, which was placed on the outer wall of the inner bag. *Id.* at 874. The Court also rejected arguments that the size and shape of the gathered cellophane "flower" formed when the bags were tied shut was an arbitrary embellishment that could be protected: The Court reasoned that the "flowered top" was "clearly the result of tying the cellophane closed," and the tying was itself a functional feature of the packaging which allowed the aroma of the potpourri to escape and help sell the product. *Id.* After finding the various individual features of the packaging functional, the Court held that the packaging, viewed as a whole, was clearly functional. It was not:

[A]n arbitrary embellishment adopted for purposes of identification and individuality. Instead, the combination of all of the features of the dress, except the size and shape of the label (which may be separately protected trademarks that are not at issue here), are important ingredients in the commercial success of *Aromatique's* products.



### III. The TrafFix Decision

The product feature at issue in *TrafFix* was the "dual-spring design" the plaintiff (MDI) incorporated into its outdoor road sign stands to keep the signs upright in adverse wind conditions.<sup>150</sup> The plaintiff had obtained two utility patents for a mechanism incorporating the design. The dual spring design was visible near the base of the plaintiff's signs. The plaintiff claimed that buyers and users of its sign stands had come to rely on it as an indication of source. When the plaintiff's patents expired, the defendant (TrafFix) deliberately copied the plaintiff's sign stands, complete with the dual-spring design near the base and began to sell its sign stands in competition with the plaintiff's.<sup>151</sup> The

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*Id.*

In his dissent, Senior Judge Gibson pointed out that the plaintiff had provided a number of witnesses (both expert and lay) to give evidence on the question of alternatives. *Id.* at 883 (Gibson, J., dissenting). The district court had found "that there are numerous other ways to package potpourri or decorative room fragrances, factoring in expense, visibility and aroma, and that upholding the protection of the combination of the elements composing Aromatique's trade dress would not hinder competition in the potpourri decorative fragrance industry." *Id.* (Gibson, J., dissenting). However, the majority did not mention these findings. The dissent also raised and discussed the Ninth Circuit cases that retreated from the *Pagliero* standard and decisions from other circuits that criticize the "important ingredient in the commercial success of the product" standard. *Id.* at 885 (Gibson, J., dissenting). However, the majority did not take note of any of these opinions in its discussion.

150. See *Mktg. Displays, Inc. v. TrafFix Devices, Inc.*, 971 F. Supp. 262, 265 (E.D. Mich. 1997) (identifying the product feature at issue), *rev'd*, 532 U.S. 23 (2001). In *TrafFix*, the plaintiff asserted trade dress rights in a combination of features:

- (a) a relatively narrow base member;
- (b) a pair of vertically arranged closely spaced coil springs attached to the base member;
- (c) a plurality of leg members attached to the base member and extending therefrom at angles thereof;
- (d) an upright member attached to the coil springs; and
- (e) a sign attached to the upright member.

*Id.* However, the Supreme Court, like the district court below, treated the claim as essentially one for protection for the dual-spring design alone. See *TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 34 (2001) ("MDI in essence seeks protection for the dual-spring design alone. The asserted trade dress consists simply of the dual-spring design, four legs, a base, an upright, and a sign."). But see *Mktg. Displays, Inc. v. TrafFix Devices, Inc.*, 200 F.3d 929, 940 (6th Cir. 1999), *rev'd*, 532 U.S. 23 (2001) ("The lower court committed legal error by evaluating an individual component of the trade dress rather than its entirety."); Weinberg, *supra* note 52, at 18 ("*TrafFix* . . . casts a cloud over the principle that when a decision maker decides whether a product's overall configuration is functional, that configuration should be viewed in its entirety, and not as discrete individual design features.").

151. *TrafFix*, 532 U.S. at 26.

plaintiff brought suit for trade dress infringement under Lanham Act Section 43(a).<sup>152</sup>

The district court granted summary judgment to the defendant on the trade dress claim, finding that the plaintiff had failed to establish secondary meaning and that it "had not 'proffered sufficient evidence which would enable a reasonable trier of fact to find that MDI's vertical dual-spring design is nonfunctional.'"<sup>153</sup> The Sixth Circuit reversed the trade dress ruling.<sup>154</sup> With regard to functionality, the Sixth Circuit recited the language of the *Inwood* standard.<sup>155</sup> It then noted that the district court had based its finding of functionality on three main factors:

First, it found that the utility patent disclosed the dual-spring design as functional, so that [plaintiff] is estopped from arguing that it is nonfunctional in the trade dress context. Second, the district court found that the dual-spring design had been promoted as functional, rather than as aesthetic or a merely identifying feature. Finally, the lower court found that recognizing [plaintiff's] trade dress claim would put competitors at a disadvantage by affecting the cost and quality of the alternative designs remaining for their use.<sup>156</sup>

With regard to the first point, the Sixth Circuit acknowledged the existing split in the circuit courts over whether trade dress protection can be extended to product features disclosed in utility patents,<sup>157</sup> and acknowledged the concern that trade dress protection might undermine "the public policy underlying patent law of releasing protected designs after a period of time."<sup>158</sup> It found, however, that:

So long as it is possible to protect the appearance without protecting the design, a *per se* rule is not necessary. Here that might be possible, as MDI suggests, by not extending trade dress protection "to vertically arranged coil springs with other leg members (U-shaped, parallel, etc.) and/or with other uprights (twin poles, A-shaped, etc.) [that] may create an entirely

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152. See *id.* at 25–26 (discussing the cause of action). The defendant also used a similar mark for its product, prompting the plaintiff to allege trademark infringement. The defendant raised antitrust counterclaims. The plaintiff prevailed on the trademark infringement and antitrust issues in the lower courts. The Supreme Court did not address these issues. *Id.* at 26.

153. *Id.* at 26–27 (quoting *TrafFix Devices*, 971 F. Supp. at 276).

154. *Marketing Displays*, 200 F.3d at 929.

155. See *id.* at 939 (stating that "[a] product feature is legally functional 'if it is essential to the use or purpose of the article or if it affects the cost or quality of the article'" (quoting *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 850 n.10 (1982))).

156. *Id.*

157. *Id.*

158. *Id.*

different look altogether." It takes little imagination to conceive of a hidden dual-spring mechanism or a tri or quad-spring mechanism that might also avoid infringing [plaintiff's] trade dress. The best way to decide the feasibility of such alternatives is to do a functional analysis of the trade dress unencumbered by any presumptions other than the ordinary burden of proof assumed by the plaintiff.<sup>159</sup>

The Sixth Circuit also took issue with the district court's finding that trade dress protection would put MDI's competitors at a nonreputational disadvantage:

Because the dual-spring design is one of a limited number of superior designs, the lower court found that the design element is a functional one. Presumably every limitation on what another competitor can do hinders competition somewhat. The appropriate question is whether the particular product configuration is a competitive necessity. If it affects the cost or the quality or the objective (nonreputational) desirability of competitors' products negatively enough, then the trade dress element may be deemed legally functional. Having any effect on cost or quality is not enough. Exclusive use of a feature must "put competitors at a *significant* non-reputation-related disadvantage" before trade dress protection is denied on functionality grounds.

MDI points to its numerous competitors and their equivalent products as proof that MDI's trade dress is not a competitive necessity. The district court stated that those competitors' designs are themselves patented and therefore unavailable to Traffix. That is beside the point. Traffix does not get to copy the trade dress of its competitor whose patent has expired just because other design options are still under patent. Traffix could come up with its own design, or license one of the outstanding patents, or use the dual-spring design in a way that does not infringe MDI's trade dress.<sup>160</sup>

In its own opinion, the Supreme Court immediately set the tone for reversing the Sixth Circuit's expansive view of trade dress protection for product features and design:

[I]n *Wal-Mart* . . . we were careful to caution against misuse or over-extension of trade dress. We noted that "product design almost invariably serves purposes other than source identification."

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159. *Id.* at 939–40. The Sixth Circuit found the fact that MDI had promoted the dual-spring design's performance rather than its appearance to be irrelevant. It found that MDI had not specifically promoted the appearance of the dual springs because its trade dress was not confined to the dual springs. Rather, the entire look of its sign stand constituted the trade dress, and MDI promoted the appearance of this trade dress through pictures in catalogs and in trade shows. *Id.* at 940.

160. *Id.* (citations omitted).

Trade dress protection must subsist with the recognition that in many instances there is no prohibition against copying goods and products. In general, unless an intellectual property right such as a patent or copyright protects an item, it will be subject to copying. As the Court has explained, copying is not always discouraged or disfavored by the laws which preserve our competitive economy . . . . Allowing competitors to copy will have salutary effects in many instances.<sup>161</sup>

The Supreme Court characterized the "principal question" in the case as "the effect of an expired patent on a claim of trade dress infringement."<sup>162</sup> While declining to adopt a *per se* rule prohibiting trade dress protection for product features claimed in patents,<sup>163</sup> the Court concluded that a prior patent has "vital significance" in resolving trade dress claims:

A utility patent is strong evidence that the features therein claimed are functional. If trade dress protection is sought for those features the strong evidence of functionality based on the previous patent adds great weight to the statutory presumption that features are deemed functional until proved otherwise by the party seeking trade dress protection. Where the expired patent claimed the features in question, one who seeks to establish trade dress protection must carry the heavy burden of showing that the feature is not functional, for instance by showing that it is merely an ornamental, incidental, or arbitrary aspect of the device.<sup>164</sup>

The Court went on to find that this rule clearly barred trade dress protection for plaintiff MDI's dual spring design in this case. The expired patents claimed the dual spring design. Because the design kept the sign upright in heavy winds, it was the central advance the plaintiffs claimed, not merely an ornamental, incidental or arbitrary aspect of the device.<sup>165</sup> The Court noted statements in the patent specifications and prosecution history explaining the utilitarian advantages of a two-spring design over a single-spring design and the cost advantages of two-spring designs over three-spring designs.<sup>166</sup>

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161. *TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 29 (2001) (quoting *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205, 213 (2000)).

162. *Id.*

163. *Id.* at 35 (acknowledging arguments by TrafFix and some of its amici "that the Patent Clause of the Constitution, Art. I, § 8, cl. 8, of its own force, prohibits the holder of an expired utility patent from claiming trade dress protection"). The Court determined that it need not resolve that constitutional question, however, noting that if, despite its strict rule regarding functionality, "a case arises in which trade dress becomes the practical equivalent of an expired utility patent, that will be time enough to consider the matter." *Id.*

164. *Id.* at 29–30.

165. *Id.* at 30.

166. *Id.* at 31–32.

Turning from the question of expired utility patents, the Supreme Court noted that the Sixth Circuit had misinterpreted trade dress principles in other respects and held that even if there had been no previous utility patent, MDI could not have met its burden of establishing nonfunctionality.<sup>167</sup> The Court stated:

Discussing trademarks, we have said "[i]n 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." 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 . . . ." The Court of Appeals in the instant case seemed to interpret this language to mean that a necessary test for functionality is "whether the particular product configuration is a competitive necessity." This was incorrect as a comprehensive definition. As explained in *Qualitex*, *supra*, and *Inwood*, *supra*, a feature is also functional when it is essential to the use or purpose of the device or when it affects the cost or quality of the device. The *Qualitex* decision did not purport to displace this traditional rule. Instead, it quoted the rule as *Inwood* had set it forth. It is proper to inquire into a "significant non-reputation-related disadvantage" in cases of aesthetic functionality, the question involved in *Qualitex*. 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. In *Qualitex*, by contrast, aesthetic functionality was the central question, there having 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.<sup>168</sup>

The Supreme Court noted that in the present case, beyond serving the purpose of informing consumers about the source of its sign stands (assuming that it did so), the MDI dual-spring mechanism served the useful purpose of resisting the force of the wind. That being the case, it was functional and could not be protected as trade dress. The Court explained that it was unnecessary to speculate about other configuration possibilities, as the court of appeals had:

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167. *Id.* at 32.

168. *Id.* at 32–33 (citations omitted); see also *supra* note 58 and accompanying text (discussing the Court's decision in *Two Pesos, Inc. v. Taco Cabana, Inc.* 505 U.S. 763 (1992)). While acknowledging that it had permitted trade dress protection to inherently distinctive "product features" in *Two Pesos*, the Court noted that it had "at the outset made the explicit analytic assumption that the trade dress features in question . . . were not functional." *TrafFix*, 532 U.S. at 33. It is interesting to note that in *Wal-Mart*, the Court rejected the notion that the trade dress at issue in *Two Pesos* constituted product features at all. See *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205, 215 (2000) (finding that the trade dress issue in *Two Pesos* did not constitute product design).

Here, the functionality of the spring design means that competitors need not explore whether other spring juxtapositions might be used. The dual-spring design is not an arbitrary flourish in the configuration of MDI's product; it is the reason the device works. Other designs need not be attempted.<sup>169</sup>

The Supreme Court concluded that the Lanham Act "does not exist to reward manufacturers for their innovation in creating a particular device; that is the purpose of the patent law and its period of exclusivity."<sup>170</sup> Moreover, the Lanham Act "does not protect trade dress in a functional design simply because an investment has been made to encourage the public to associate a particular functional feature with a single manufacture or seller."<sup>171</sup> The Court reiterated that "[w]hether a utility patent has expired or there has been no utility patent at all, a product design which has a particular appearance may be functional because it is 'essential to the use or purpose of the article' or 'affects the cost or quality of the article.'"<sup>172</sup>

#### IV. The Meaning of the Supreme Court's Decision in *TrafFix*

In *Wal-Mart*, the Supreme Court significantly curtailed use of the Lanham Act to prevent product knockoffs.<sup>173</sup> The Court's opinion in *TrafFix* substantially furthers that undertaking.<sup>174</sup> The *TrafFix* opinion establishes a

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169. *TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 33–34 (2001). The Court added:

Because the dual-spring design is functional, it is unnecessary for competitors to explore designs to hide the springs, say, by using a box or framework to cover them, as suggested by the Court of Appeals. *Ibid.* The dual-spring design assures the user the device will work. If buyers are assured the product serves its purpose by seeing the operative mechanism that in itself serves an important market need. It would be at cross-purposes to those objectives, and something of a paradox, were we to require the manufacturer to conceal the very item the user seeks.

*Id.* at 34.

170. *Id.*

171. *Id.* at 34–35.

172. *Id.* at 35 (quoting *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 850 n.10 (1982)).

173. See *supra* notes 6–12 and accompanying text (discussing the restriction of the Lanham Act as applied to unpatented aspects of a product).

174. See 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, 272 (2003) (noting that, given its interpretation of the functionality doctrine, *TrafFix* curtailed product configuration trade dress rights); Barber, *supra* note 58, at 252 ("[B]oth the *Wal-Mart* and *TrafFix* decisions represent a marked departure from prior well-established trade dress analysis, significantly raising the bar on plaintiffs seeking trade dress protection."); William T. Freyer, III, *Trademark Product*

role of the feature standard of functionality,<sup>175</sup> similar to that found in the Third Circuit and the Restatement of Torts Section 742, as the primary standard for functionality. It rejects a practical effect standard<sup>176</sup> (various forms of which had been adopted by the majority of the circuits and by the Restatement (Third) of Unfair Competition) as the primary standard for determining functionality.<sup>177</sup> *TrafFix* relegates the practical effect standard to serve as a back-up to prevent trade dress protection of certain purely aesthetic, arbitrary, or incidental product features. The *TrafFix* Court ignored the "important ingredient in the commercial success" standard<sup>178</sup> suggested in *Qualitex* and in Justice White's concurring opinion in *Inwood*, which the Eighth Circuit adopted. The following subsections discuss these points in greater depth, along with some of their implications.

#### A. *TrafFix* Rejected a Practical Effect Standard as the Primary Standard for Measuring Functionality

In *TrafFix*, the Supreme Court directed courts to apply the *Inwood* standard of functionality: whether the product feature or design is "essential to the use or purpose of the article" or "affects the cost or quality of the article."<sup>179</sup> The Court further specified that if the product features at issue are nonfunctional under the

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*Appearance Features, United States and Foreign Protection Evolution: A Need for Clarification and Harmonization*, 34 J. MARSHALL L. REV. 947, 971 (2001) (recognizing that fewer product appearances will be protectable under trademark law); Robert P. Renke, *TrafFix Devices, Inc. v. Marketing Displays, Inc.: The Shrinking Scope of Product Configuration Trade Dress*, 91 TRADEMARK REP. 624, 626 (2001) ("The decision can be viewed as significantly curtailing product configuration trade dress rights. Quite simply, if the trade dress feature has utility or affects the cost or quality of the article, it is functional, and unprotectable as trade dress."); Weinberg, *supra* note 52, at 60 (finding that *TrafFix* indicates the Court's desire to narrow trademark protection for useful design features); 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, 518, 526, 543 (2001) [hereinafter 2001 Panel Discussion] (Prof. Hugh Hansen: "The Court indicated a hostility to product design trade dress protection not seen before.") (Inna Fayenson, Esq.: "The one message that is clear from the *Wal-Mart* and *TrafFix* decisions is that the Court is cutting back on trade dress protection.") (Perry J. Saidman, Esq.: "The party is over for Section 43(a) trade dress protection for product design.").

175. See *supra* Part II.B.1 (discussing the role of the feature standard).

176. See *supra* Part II.B.2 (discussing the practical effects standard).

177. See Kerry S. Taylor, Note, *TrafFix Devices, Inc. v. Market Displays, Inc.*, 17 BERKELEY TECH. L.J. 205, 219 (2002) (dividing functionality rules into "physical functionality" and "economic functionality," and reading *TrafFix* as adopting the former).

178. See *supra* Part II.B.3 (discussing the important ingredient standard).

179. *TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 33–34 (2001).

*Inwood* standard, courts must then apply the *Qualitex* standard: whether the exclusive use of the product feature or design "would put competitors at a significant nonreputation-related disadvantage."<sup>180</sup> The Court described the *Qualitex* standard as evaluating "competitive necessity" and equated it with the Sixth and Tenth Circuits' practical effect standards.<sup>181</sup> This makes it clear that the *TrafFix* Court did not intend for courts to focus on the specific impact of protection on competition, or on the availability of alternatives, in assessing functionality in the first instance under the *Inwood* standard. That would apply the same standard twice. Rather, the *TrafFix* Court intended that the *Inwood* standard would differ from the *Qualitex* standard.

But there are additional reasons why *TrafFix* cannot be read to adopt a practical effect standard as its primary standard. In the course of its opinion, the *TrafFix* Court rejected much of the reasoning that led circuit courts to adopt a practical effect standard. As discussed in Part II.B, those courts assumed that the interests in protecting trade dress proprietors' business goodwill and avoiding consumer confusion were more or less co-equal to the interest in competitor access to unpatented product features, so that a denial of trade dress protection for distinctive product features could only be justified when competitors lacked available alternatives, and the inability to copy thus would "significantly" or "unduly" impair competition.<sup>182</sup> In *Wal-Mart* and *TrafFix*, the Supreme Court

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180. *Id.*

181. See *id.* at 32–33 (explaining the *Qualitex* standard for determining functionality). The court stated:

Discussing trademarks, we have said: "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." 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." The Court of Appeals in the instant case seemed to interpret this language to mean that a necessary test for functionality is "whether the particular product configuration is a competitive necessity." This was incorrect as a comprehensive definition. As explained in *Qualitex*, *supra*, and *Inwood*, *supra*, a feature is also functional when it is essential to the use or purpose of the device or when it affects the cost or quality of the device. The *Qualitex* decision did not purport to displace this traditional rule. Instead, it quoted the rule as *Inwood* had set it forth. It is proper to inquire into a "significant non-reputation-related disadvantage" in cases of aesthetic functionality, the question involved in *Qualitex*. 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.

*Id.* (internal citations omitted).

182. See, e.g., *Fabrication Enters., Inc. v. Hygienic Corp.*, 64 F.3d 53, 58 (2d Cir. 1995) ("[A] color code, even one that contributes to the function of a product, may be protected under the Lanham Act unless the costs to competition of precluding competitors from using the color are too high."); *In re Morton-Norwich Prods., Inc.*, 671 F.2d 1332, 1339–40 (C.C.P.A. 1982)



seemed to question the notion that the interests in protecting business goodwill and avoiding consumer confusion are in fact equal to the interest in competitor access to unpatented product features. In *Wal-Mart*, the Court expressed skepticism that consumers actually look to product features to indicate source,<sup>183</sup> thus suggesting that copying product features will not pose the same risk of consumer confusion that copying product packaging or labels will. At the same time, in both *Wal-Mart* and *TrafFix*, the Court stressed the particular consumer interest in permitting competitors to copy unpatented product features (as opposed to labels and packaging trade dress).<sup>184</sup> All in all, the Court appears to put a lower value on trade dress protection for product features and a higher value on competitor access, thus suggesting a broader standard of functionality than that obtained under a practical effect standard (which attempts to balance these interests).

A number of lower courts adopting a practical effect standard also justified their choice of the functionality standard with the observation that stricter standards may undercut producer incentives to create and promote innovative product features.<sup>185</sup> However, the *TrafFix* Court stressed that trade dress law "does not exist to reward manufacturers for their innovation,"<sup>186</sup> thus suggesting that the functionality doctrine should not be construed to promote or protect producer incentives.

Lower courts adopting a practical effect standard also argued that a stricter functionality test may unfairly or unnecessarily deprive trade dress owners of valuable trademark investments and interests.<sup>187</sup> But *TrafFix* emphasized that the Lanham Act does not protect designs "simply because an investment has been made to encourage the public to associate a particular functional feature with a single manufacturer or seller."<sup>188</sup>

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(balancing the "right to copy" and the "right to protect one's method of trade identification").

183. See *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205, 213 (2000) ("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.").

184. See *id.* ("Consumers should not be deprived of the benefits of competition with regard to the utilitarian and esthetic purposes that product design ordinarily serves."); *TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 30 (2001) ("Allowing competitors to copy will have salutary effects in many instances.").

185. See *supra* notes 142–43 (citing cases that observe that stricter standards may undercut producer incentives to create and promote innovative product features).

186. *TrafFix*, 532 U.S. at 34.

187. See *supra* notes 144–45 (citing lower court cases that cite "protecting investment" concern as a justification for a practical effect standard).

188. *TrafFix*, 532 U.S. at 34–35; see also *Nora Beverages, Inc. v. Perrier Group of Am., Inc.*, 269 F.3d 114, 120 n.4 (2d Cir. 2001) (citing *TrafFix* and rejecting the argument that

In addition to rejecting these policy justifications for adopting the practical effect approach, the *TrafFix* Court held that the existence of alternative designs, a key factor in the various circuits' practical effect standards, was irrelevant to application of the *Inwood* standard: "There is no need, furthermore, to engage, as did the Court of Appeals, in speculation about other design possibilities, such as using three or four springs which might serve the same purpose."<sup>189</sup>

Considering the availability of alternative features when applying *Inwood* would also be inconsistent with the *TrafFix* Court's emphasis on the evidentiary value of utility patents. The *TrafFix* Court emphasized that disclosure of product features in utility patent claims was of "vital significance" in resolving a trade dress claim and would create a "strong evidentiary inference of functionality."<sup>190</sup> Permitting the Section 43(a) trade dress claimant to satisfy his "heavy burden" of rebutting that inference through evidence of alternative features would essentially neutralize the effect of the utility patent and undercut the Court's purpose in emphasizing utility patents.<sup>191</sup> *TrafFix* suggests that the inference may be rebutted only by showing that the features play no material role in the invention's operation. The Court specified that the inference might be rebutted by a showing that the feature "is merely an ornamental, incidental, or arbitrary aspect of the device."<sup>192</sup> The plaintiff in *TrafFix* had provided evidence of alternatives in the course of litigation. The Supreme Court ignored this evidence in its discussion, merely stating that "MDI did not, and cannot, carry the burden of overcoming the strong evidentiary inference of functionality based on the disclosure of the dual spring design in the claims of the expired patents."<sup>193</sup>

### B. The *Inwood* Standard is a Role of the Feature Standard

The language of the *Inwood* standard, which is reminiscent of Restatement of Torts Section 742 and is consistent with a role of the feature standard,<sup>194</sup> focuses on the product feature itself and its relationship to the product as a whole.

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resources spent researching bottle designs affect functionality).

189. *TrafFix*, 532 U.S. at 33.

190. *Id.* at 29–30.

191. See *supra* notes 162–64 and accompanying text (discussing the relevance of prior patents).

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

193. *Id.*

194. RESTATEMENT OF TORTS § 742, at 628–29 (1938). The Restatement provides that a product feature is functional "if it affects [the product's] purpose, action or performance, or the facility or economy of processing, handling, or using [it]; it is non-functional if it does not have any of such effects." *Id.*

Moreover, the *TrafFix* Court's discussion and analysis emphasized the role of the claimed feature in the product. For example, the Court explained that the product feature at issue in *Qualitex* was not functional under the *Inwood* standard because there was "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."<sup>195</sup> The Court suggested that a manufacturer might avoid a finding of functionality by proving that the product features at issue "do not serve a purpose within the terms of the utility patent."<sup>196</sup> Moreover, the *TrafFix* Court's specific analysis of the plaintiff's dual spring design entailed consideration of the relationship of the dual spring design to the product as a whole, but entailed no analysis of the practical effect of protection on competition, or the availability of alternative features. The Court found the dual-spring design functional because it served "the important purpose of keeping the sign upright even in heavy wind conditions" and because it affected the cost of the device.<sup>197</sup> As evidence, it relied on the patent claims, the patent specifications, and other statements in the patent prosecution history concerning the purpose and effectiveness of the plaintiff's design.<sup>198</sup> Both of the lower courts in the case had evaluated evidence concerning the availability of alternative designs in the course of their analysis and had reached conflicting conclusions about whether equally good alternatives existed.<sup>199</sup> The Supreme Court did not discuss or evaluate that evidence in reaching its finding of functionality.<sup>200</sup>

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195. *TrafFix*, 532 U.S. at 33.

196. *Id.* at 34. Of course, this "material" or "important" definition will still leave significant room for varying outcomes, depending on how courts characterize the purpose of the product and the product feature at issue. With regard to the latter issue, assume that a trade dress claimant seeks to prevent a competitor from copying the unusually-configured cutting blade of the claimant's can opener. If a court designates the blade as the "feature," it is essential, because it plays an important role in the product—it opens the cans. It is not relevant that other blade configurations might work just as well to open cans. On the other hand, if a court designates the "configuration of the blade" as the "feature," a somewhat better case might be made that the feature is incidental or arbitrary. For an example of a court taking the first approach to characterizing the product feature, see generally *Eppendorf-Netheler-Hinz GMBH v. Ritter GMBH*, 289 F.3d 351 (5th Cir. 2002).

197. *TrafFix*, 532 U.S. at 31–32.

198. *Id.* at 30–32.

199. See *supra* notes 153–60 (discussing *TrafFix*'s prior history).

200. See Barber, *supra* note 58, at 252 (discussing *TrafFix*'s rejection of the "competitive need" functionality standard). Barber states:

[*TrafFix*] concluded that the plaintiff's product design in this case was functional as a matter of law, regardless of any effect on competition or the availability of alternative designs, because it "provides a unique and useful mechanism to resist the force of the wind."

Under the Supreme Court's analysis in *TrafFix*, therefore, it appears a distinctive

*C. The Meaning of "Essential" and Other Terms in the Inwood Standard*

The *Inwood* standard asks whether the product feature is "essential" to the product's use or purpose. This language contrasts with the language of Restatement of Torts Section 742, which finds functionality when the feature "affects [the good's] purpose, action or performance."<sup>201</sup> As discussed earlier,<sup>202</sup> the term "essential" might be defined in a manner that supports consideration of the availability of alternatives in evaluating functionality. A number of commentators and lower courts apparently have done this to support application of a practical effect standard under the *Inwood* language.<sup>203</sup> However, as discussed above, the *Traffix* Court did not intend to incorporate a competitive necessity standard into the *Inwood* standard. The term "essential" has another, equally well-known meaning, which the Supreme Court seems to have had in mind for purposes of the *Inwood* standard.

Dictionaries define "essential" as: (1) "Affecting the essence of anything; material; important;" and as (2) "Absolutely necessary, indispensably requisite."<sup>204</sup> The latter definition might support undertaking an evaluation of

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product design can be denied trade dress protection even though the feature provides no significant utilitarian advantage, and even though there are equally effective alternative designs available to competitors.

*Id.*; see also Barber, *supra* note 174, at 270–71 (quoting *Traffix* and stating that "once a court finds that a design is essential to the use or purpose of the [product] . . . it affects the cost or quality of the device, it need not consider alternative design possibilities"); Freyer, *supra* note 174, at 957, 963 ("*Traffix* eliminated, to some extent, the test that permitted product feature protection for alternative embodiments of a product."); 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, 989–91 (2003) (arguing that by removing the examination of alternative grounds, the Court "revitalized the *Inwood* definition of functionality" and "undermin[ed] existing policies and procedures for determining functionality").

201. RESTATEMENT OF TORTS § 742 at 628 (1938) (emphasis added). According to the Restatement, a feature of goods is functional "if it affects their purpose, action or performance, or the facility or economy of processing, handling or using them."

202. See *supra* notes 52–54 and accompanying text (discussing the *Inwood* definition of functionality).

203. See, e.g., *Stormy Clime, Ltd. v. Progroup, Inc.*, 809 F.2d 971, 977 (2d Cir. 1987) (holding that the district court was required to assess the feasibility of alternative arrangements of functional features in determining whether there was a trade dress infringement); Weinberg, *supra* note 52, at 18–19 ("[A] choice design feature may not be essential and, consequently, nonfunctional due to the existence of functionally-equivalent alternative design features.").

204. THE COMPACT OXFORD ENGLISH DICTIONARY 401–02 (2d ed. 1991). Webster's provides two corresponding definitions of "essential": "something basic" or "something necessary, indispensable, or unavoidable." WEBSTER'S THIRD NEW INTERNATIONAL DICTIONARY 1777 (1993).

competitive necessity or the practical effect of protection, on the reasoning that a product feature is only "essential" or "absolutely necessary" if there are no equally effective alternative features available to competitors.<sup>205</sup> However, the first definition is far more consistent with the *Traffix* Court's discussion: An essential feature is one that plays a "material" or "important" role within the product, or affects its essence. Under this definition, to determine whether a feature is "essential" to the use or purpose of the product, one need only consider what the product is, what its purpose is, and the role that the feature plays in accomplishing the purpose. If the feature plays a "material" or "important" role, it goes to the "essence" of the product and is "essential." The feature must be evaluated in the context of the plaintiff's product, not in relation to other products or product features. It is not necessary that the feature perform its function better than other possible features. It only must contribute to the accomplishment of the product's useful purpose and not be arbitrary or incidental.

The *Traffix* Court's analysis reflects this understanding. For example, the Court found that "the springs [in the parties' sign stands] are necessary to the operation of the device,"<sup>206</sup> and repeatedly referred to nonfunctional product features as "arbitrary," or "incidental," which is the opposite of "material," "important," or "affecting the essence" of the product.<sup>207</sup>

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205. Some commentators have argued for this construction. See Weinberg, *supra* note 52, at 18–19 (interpreting the *Inwood* standard's first test to provide "a choice design feature may not be essential and, consequently, nonfunctional due to the existence of functionally-equivalent alternative design features"). Moreover, it appears that the circuit courts applying practical effect standards of functionality have assumed it. See, e.g., *Adidas-Salomon A.G. v. Target Corp.*, 2002 WL 31971831, at \*6 (D. Or. 2002) (including the availability of alternative designs as one of four factors for determining whether a feature of a product is functional).

206. *Traffix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 30 (2001). Both of the lower courts had discussed the availability of alternative designs in the course of their decisions. The district court held that the designs of six competitors were either unequal to MDI's dual spring design in terms of effectiveness, or unavailable to competitors because they were patented. *Mktg. Displays, Inc. v. Traffix Devices, Inc.*, 971 F. Supp. 262, 275 (E.D. Mich. 1997), *rev'd*, 200 F.3d 929 (6th Cir. 1999), *rev'd*, 532 U.S. 23 (2001). The Sixth Circuit rejected that finding. *Mktg. Displays, Inc. v. Traffix Devices, Inc.*, 200 F.3d 929, 940 (6th Cir. 1999), *rev'd*, 532 U.S. 23 (2001). However, the Supreme Court's opinion did not undertake an examination of the evidence concerning the effectiveness or availability of the existing alternative designs, and specifically held that there was "no need . . . to engage . . . in speculation about other design possibilities." *Traffix*, 532 U.S. at 33.

207. The Court explained that a trade dress claimant could satisfy its burden of proving nonfunctionality by showing that a claimed product feature is "merely an ornamental, incidental, or arbitrary aspect of the device." *Traffix*, 532 U.S. at 30. It explained that a manufacturer might be able to protect "arbitrary, incidental, or ornamental aspects of features of a product found in the patent claims." *Id.* at 34; see also 1 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 7:89, at 7-247 (4th ed. 2003) (explaining that the

One might also argue that evidence of alternative features is relevant in evaluating whether a product feature "affects the cost or quality" of the product for purposes of the *Inwood* standard. For example, a dual-spring mechanism on a traffic sign may be deemed to affect the cost of the sign because the cost of incorporating it differs from the cost of incorporating a triple-spring or a single-spring mechanism.<sup>208</sup> In this sense, one could argue that the possibility of alternative spring constructions is relevant. However, it is often acknowledged that most product features will affect the cost or quality of the product in one way or another.<sup>209</sup> Any evidence of alternatives such as that described above will serve a much more limited purpose than evidence of alternatives in the context of the practical effect standard of functionality. The evidence will go only to the relation of the product feature at issue to the product in which it is incorporated, not to the effect of protecting the feature on competitors.

*D. The Role of the Feature Standard is Consistent with the TrafFix Court's Policy Concerns*

Construction of the *Inwood* standard to provide a role of the feature standard is consistent with the apparent policy concerns of the Court. The Court commenced its discussion with reference to the *Bonito Boats* decision, which reaffirmed *Sears* and the policy stressed in the *Sears/Compco/Bonito Boats* line of cases.<sup>210</sup> *Sears*, *Compco*, and *Bonito Boats* stressed that "the

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Court probably meant to refer to nonfunctional features described in the patent specification, rather than in the patent claims). In explaining why defendant *TrafFix* did not need to attempt other designs, the Court explained that MDI's dual-spring device was "not an arbitrary flourish in the configuration of [it's] product; it is the reason the device works." *TrafFix*, 532 U.S. at 34. The Court noted that MDI had "pointed to nothing arbitrary about the components of its device or the way they are assembled." *Id.*

The Third Circuit has used similar terminology in its own opinions. See, e.g., *Keene Corp. v. Paraflex Indus., Inc.*, 653 F.2d 823, 825-26 (3d Cir. 1981) ("When the design itself is not significantly related to the utilitarian function of the product, but is merely arbitrary, then it is entitled to protection as a design trademark."); *SK & F Co. v. Premo Pharm. Labs., Inc.*, 625 F.2d 1055, 1064 (3d Cir. 1980) ("The adoption of that trade dress was arbitrary, having nothing to do with the purpose on performance of the drug, or with its processing.").

208. See *TrafFix*, 532 U.S. at 32 ("The dual-spring design affects the cost of the device as well; it was acknowledged that the device could use three springs but this would unnecessarily increase the cost of the device." (quoting from patent prosecution history)).

209. See *Renke*, *supra* note 174, at 625 ("Every product feature . . . affects the cost or quality of the article . . . even minor product changes can affect the cost or quality of the article.").

210. The *TrafFix* Court explained:

In general, unless an intellectual property right such as a patent or copyright

efficient operation of the patent system depends upon substantially free trade in publicly known, unpatented design and utilitarian conceptions."<sup>211</sup> Thus, unpatented product features should be left in the public domain for competitors to copy at will. The *Sears/Compco/Bonito Boats* line of cases does not call for case-by-case evaluation of competitors' practical need for a particular unpatented product feature, or on a dearth of equally good alternative features. It assumes that competition depends on the ready availability of all unpatented product features, whether they be deemed "superior" to the alternatives or not. The ability of other producers to intermingle and extrapolate from a wide range of product features leads to more rapid technological advancement.<sup>212</sup> The role

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protects an item, it will be subject to copying. As the Court has explained, copying is not always discouraged or disfavored by the laws which preserve our competitive economy. Allowing competitors to copy will have salutary effects in many instances.

*TrafFix*, 532 U.S. at 29 (citation omitted).

Though *Sears*, *Compco*, and *Bonito Boats* all considered the application of state law to protect unpatented product features, the Supreme Court has indicated that its construction of the Patent Act in that line of cases may have implications for construction of the Lanham Act, as well as for state unfair competition laws. There is no apparent reason why the Court's findings about the patent system's dependence on a backdrop of free competition should vary, depending on whether protection of product features emanates from a state or federal source. See *infra* notes 254-70 and accompanying text (discussing the *Sears/Compco/Bonito Boats* line of cases).

211. See *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 156 (1989) (stating that substantially free trade is at the heart of *Sears* and *Compco*).

212. See *infra* Part V.A (discussing the court's reasoning in the *Sears/Compco/Bonito Boats* line of cases that patent laws provide an incentive to invent and maintain a competitive marketplace). As the Court of Appeals for the Tenth Circuit has argued, even if a product feature is not necessary to competition, providing Lanham Act protection may undercut the effectiveness of the patent laws:

We find no support in the Patent Act itself or its application for the proposition that the patent goals are limited to enhancing competition, at least in the direct sense. To the contrary, patents operate by temporarily reducing competition. They create monopolies to reward inventors who invent "things which are worth to the public the embarrassment of an exclusive patent." Although competition ultimately may be enhanced by the increased product supply that results from operation of the patent law, the system's more obvious objective is to give the public the benefits of technological progress.

In this respect, it is significant that the framers of the patent system did not require an inventor to demonstrate an invention's superiority to existing products in order to qualify for a patent. That they did not do so tells us that the patent system seeks not only superior inventions but also a multiplicity of inventions. A variety of choices is more likely to satisfy the desires of a greater number of consumers than is a single set of products deemed "optimal" in some average sense by patent examiners and/or judges. And the ability to intermingle and extrapolate from many inventors' solutions to the same problem is more likely to lead to further technological advances than is a single, linear approach seeking to advance one "superior" line of research and development. We conclude that patent law seeks the

of the feature standard disqualifies a larger number of product features from Lanham Act protection than a practical effect standard, and thus promotes the policies set forth in the *Sears/Compco/Bonito Boats* line of cases.

It should also be noted that the role of the feature standard is less complex and more predictable than the practical effect standard, which entails a fact-intensive evaluation of the impact of protection on marketplace competition. Under a role of the feature standard, courts must determine what the product is, what its purpose is,<sup>213</sup> and the nature and magnitude of the role that the product feature plays in the product.<sup>214</sup> While these determinations may not be free from uncertainty,<sup>215</sup> they are likely to present significantly less complexity and unpredictability than the practical effect standard. Thus, the role of the feature standard will lead to less litigation and impose fewer transaction costs and fewer barriers to entry for competitors, thus promoting competition overall.<sup>216</sup>

Accordingly, per *TrafFix* (and in line with the *Sears* line of cases), all unpatented product features should be deemed functional and unprotectable under the Lanham Act if they are "material" or "important" ("essential") to the use or purpose of the article, or if they affect the cost or quality of the article. Courts are only likely to deem them nonfunctional under this standard if they are arbitrary or incidental in light of the product as a whole. Thus, it is inappropriate to distinguish *de facto* and *de jure* functional features and provide trade dress protection to the former, as does the Federal Circuit.<sup>217</sup> If the

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invention and the passing into the public domain of even what trade dress law would consider nonfunctional inventions [under a competitive necessity or practical effect approach].

Vornado Air Circulation Sys., Inc. v. Duracraft Corp., 58 F.3d 1498, 1507–08 (10th Cir. 1995) (internal citations omitted).

213. But see *supra* Part II.B.1 (discussing the role of the feature standard).

214. *Id.* (discussing the role of the feature standard).

215. See *supra* note 196 and accompanying text (noting the leeway courts have in defining the purpose of the product and the feature at issue).

216. This means of promoting competition is particularly beneficial if one assumes, as does the Supreme Court, that the social gains from protecting product feature trade dress are low (consumers generally don't rely on it to indicate source) and alternative means exist (through protection of packaging and other marks) of avoiding consumer confusion. See generally Barber, *supra* note 174, at 279–91.

217. See Renke, *supra* note 174, at 625 (stating that *TrafFix* was somewhat surprising "given that since *Qualitex* few courts or commentators have equated functionality in the trademark sense with mere usefulness"); Sya, *supra* note 200, at 990–91 ("*TrafFix* has the potential to eviscerate the distinction of *de facto* and *de jure* functionality, undermining existing policies and procedures for determining functionality."); 2001 Panel Discussion, *supra* note 174, at 518 (supporting *TrafFix*'s rejection of the Federal Circuit's idea of *de jure* and *de facto* functionality); *supra* notes 98–109 and accompanying text (discussing *de jure* and *de facto* functionality). But see Tie Tech, Inc. v. Kinedyne Corp., 296 F.3d 778, 785 (9th Cir. 2002)



feature plays a material or important role in the product's function, apart from source identification, it is functional and unprotectable under the *Inwood* standard. There is no requirement that the feature be superior to the alternatives. There should be no fact-intensive undertaking to measure competitors' specific degree of need for a particular feature or to determine how great an impact Lanham Act protection would have on competition.<sup>218</sup>

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("De jure, or legal, functionality must be distinguished from de facto functionality, which still may support trademark protection."); *Valu Eng'g, Inc. v. Rexnord Corp.*, 278 F.3d 1268, 1274-75 (Fed. Cir. 2002) ("Our decisions distinguish *de facto* functional features, which may be entitled to trademark protection, from *de jure* functional features, which are not.").

218. Of course, even if product features are nonfunctional in the primary (*Inwood*) sense, courts may still deem them functional under the *Qualitex* functionality standard. This may be true, for example, in the case of purely aesthetic product features, when the use or purpose of the product is not defined to include aesthetic appeal. (In that case the aesthetic features may be deemed "arbitrary" or "incidental.") The *Qualitex* standard, however, provides more leeway than the *Inwood* standard, as construed. Courts may protect product features or designs on a showing that protection will not "put competitors at a significant non-reputation-related disadvantage" (that the particular product configuration is not a competitive necessity). *Traffix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 32 (2001) (quoting *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 165 (1995)). Presumably, if there are sufficient, equally good alternative features available to competitors, there will be no competitive necessity.

The *Qualitex* standard is likely to be applied primarily in the case of purely aesthetic features, as in the example given above. The existence and nature of "aesthetic functionality" has been highly controversial and uncertain in the circuit courts of appeals. See, e.g., *Clicks Billiards, Inc. v. Sixshooters, Inc.*, 251 F.3d 1252, 1260 (9th Cir. 2001) (discussing aesthetic functionality). Some circuits have rejected the notion that courts should deem purely aesthetic product features functional. See, e.g., *Sicilia Di R. Biebow & Co. v. Cox*, 732 F.2d 417, 429 (5th Cir. 1984) (limiting functionality to "utilitarian" aspects of product or packaging: "[A] design or feature must be superior or optimal in terms of engineering, economy of manufacture, or accommodation of utilitarian function or performance"). Other circuits have related the aesthetic role product features play to the overall function or purpose of the product. See, e.g., *Keene Corp. v. Paraflex Indus., Inc.*, 653 F.2d 822, 825 (3d Cir. 1981) (requiring that a feature have a significant relation to the utilitarian function of the product); see also RESTATEMENT OF TORTS § 742, at 629 (1938) ("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."). For criticisms of the concept of aesthetic functionality, see 1 MCCARTHY, *supra* note 207, § 7:81.

*Traffix* clearly recognizes that courts can deem purely aesthetic features functional. See *Traffix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 23 (expressly recognizing aesthetic functionality). Presumably, aesthetic features may be functional under the *Inwood* standard, if they are essential (material or important) to the use or purpose of the article or if they affect the cost or quality of the article. This would be the case if part of the product's use or purpose is to be aesthetically pleasing. Even if it is not, the aesthetic features would nonetheless be functional under the *Qualitex* standard if their exclusive use "would put competitors at a significant non-reputation-related disadvantage." *Id.* at 24 (quoting *Qualitex*, 514 U.S. at 165).

Usually competitors have a wide range of options for purely decorative features. Thus the *Qualitex* standard, when applicable, will permit aesthetic product features to be protected as trade dress in many instances. This result contrasts with the Court's reasoning in *Sears*,

This standard represents a significant cut-back on Lanham Act protection for product features.<sup>219</sup> The Supreme Court suggested its general reasons for

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*Compco*, and *Bonito Boats*, which provide the policy that unpatented product features must remain in the public domain for competitors to copy. *Sears* and *Compco* both involved ornamental product features that had been judged unworthy of a design patent. *Sears* and *Compco* did not distinguish between "useful" and "ornamental" product features, finding both to reside in the public domain if unpatented. *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 231 (1964); *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234, 237-38 (1964). For further discussion of this issue, see *infra* notes 287-91 and accompanying text.

219. The extent to which *Traffix* cuts back on trade dress protection may be affected by how courts define "incidental" and "arbitrary" product features. If the term is given a liberal construction, this might permit courts to protect some useful features. See, e.g., *Best Lock Corp. v. Schlage Lock Co.*, 413 F.2d 1195, 1199 (C.C.P.A. 1969) (describing the shape of a wine bottle as incidental because its function (holding wine) could be served equally well by other shapes); *Keystone Consolidated Indus., Inc. v. Mid-States Distrib. Co.*, 235 F. Supp. 2d 901, 906 n.2 (C.D. Ill. 2002) (finding color on a wine top was incidental and thus nonfunctional).

Presumably, courts can still protect individual product features that are functional as part of a larger, composite nonfunctional product design or feature. See, e.g., *Sunbeam Prods., Inc. v. West Bend Co.*, 123 F.3d 246, 256 (5th Cir. 1997) (distinguishing "the isolated components of the product from the trade dress, or 'total image,' of the product). However, after *Traffix*, there is likely to be uncertainty about the extent of this exception. As noted *supra*, at note 150, the Court in *Traffix* basically ignored the plaintiff's claim that its dual spring design was merely part of a total product design that consisted of several additional elements. However, the Court did not expressly refute the long-standing rule that one considers and evaluates the functionality of a claimed product design or other trade dress as a whole.

The Sixth Circuit addressed the issue of whether product features should be evaluated individually or as a whole in *Antioch Co. v. W. Trimming Corp.*, 2003 W.L. 22382569 (6th Cir. Oct. 20, 2003). In *Antioch*, the plaintiff claimed several features of its scrapbook album as trade dress: (1) A dual strap-hinge design (which allowed the pages to lie flat when the album was open, facilitated the turning of pages, and enabled easy insertion of additional pages); (2) a spine cover (which concealed the dual strap-hinge); (3) laminated padded album covers; and (4) ribbed page edges (which reinforced the pages, kept them separated, and held the staples together). The district court, applying the *Inwood* test, found each of these individual components functional and thus unprotected. *Id.* at \*2. The plaintiff argued that the court should have focused on the trade dress as a whole. *Id.* The Sixth Circuit found the plaintiff "technically correct that an overall design combination may be deserving of trade dress protection even if the individual elements are functional," *id.* at \*6, but held that the principle was inapplicable in the present case. The Sixth Circuit explained that "in order to receive trade dress protection for the overall combination of functional features, those features must be configured in an arbitrary, fanciful or distinctive way." *Id.* at \*7. When "individual functional components are combined in a nonarbitrary manner to perform an overall function, the producer cannot claim that the overall trade dress is nonfunctional." *Id.*; see also *Eppendorf-Netherl-Hinz GmbH v. Ritter GmbH*, 289 F.3d 351, 358 (5th Cir. 2002) (finding that manufacturer failed to carry burden of showing nonfunctionality for trade dress protection); *Leatherman Tool Group, Inc. v. Cooper Indus.*, 199 F.3d 1009, 1013 (9th Cir. 1999) (finding that overall appearance of tool was not protectable trade dress).

The Sixth Circuit also noted that, in the case before it, the dual strap-hinge was the "core component" of the plaintiff's trade dress and construed *Traffix* as teaching "that where an

cutting back protection in *Wal-Mart* and *Traffix*: skepticism that consumers generally rely on product features as indicators of source;<sup>220</sup> concern that trade dress protection for product features (in contrast to other indications of origin) poses a particular threat to competition;<sup>221</sup> and the recognition that producers have alternative means of protecting innovative product designs through copyright and design patents.<sup>222</sup> The Court may also have wanted to tighten the functionality doctrine in order to avoid troubling constitutional questions that the defendant and some amici in *Traffix* raised. These parties asked the Court to confront the effect of the limiting language in the Constitution's Patents and Copyrights Clause<sup>223</sup> and determine the extent to which it curtails Congress's ability to protect the subject matter of patents under its Commerce Clause powers.<sup>224</sup> A ruling on this issue would have implications reaching far beyond

engineering design feature is the core component of the overall trade dress, a court may focus on the functionality of that key feature." *Antioch*, 2003 W.L. 22382569 at \*8. "[W]here one key functional feature is the reason that the product works, whether it is a dual spring or a dual strap-hinge, then the entire product configuration may be considered functional and not deserving of trade dress protection." *Id.*

220. See *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205, 213 (2000) ("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."); see generally A. Samuel Oddi, *Product Simulation: From Tort to Intellectual Property*, 88 TRADEMARK REP. 101, 112-114 (1998).

221. See *Wal-Mart*, 529 U.S. at 213 ("The fact that product design almost invariably serves purposes other than source identification not only renders inherent distinctiveness problematic; it also renders application of an inherent distinctiveness principle more harmful to other consumer interests.").

222. *Traffix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 34-35 ("The Lanham Act does not exist to reward manufacturers for their innovation in creating a particular device; that is the purpose of the patent law and its period of exclusivity."); see *id.* at 214 ("The availability of these other protections greatly reduces any harm to the producer that might ensue from our conclusion that a product design cannot be protected under section 43(a) without a showing of secondary meaning.").

223. See U.S. CONST. art. 1, § 8, cl. 8. ("The Congress shall have power . . . (8) To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.").

224. See, e.g., Brief for Petitioner at 33-37, *Traffix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23 (2001) (No. 99-1571) (arguing that Congress may not, under the Patent clause, indirectly create patent monopolies "by cloaking the subject of expired patents with perpetual trademark protection"); Brief of Malla Pollack as Amicus in Support of Petitioner, *Traffix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23 (2001) (No. 99-1571) (arguing that the "Intellectual Property Clause requires the bargain theory of Patent because it vests in the public an inalienable property right not to be excluded from the public domain"); see also *I.P. Lund Trading ApS v. Kohler Co.*, 163 F.3d 27, 50 (1st Cir. 1998) (questioning the constitutionality of applying trademark dilution causes of action to protect product designs, reasoning that the Patents and Copyrights Clause only authorizes Congress to provide patents for a "limited duration" and that applying the Dilution Act to product features could have the effect of granting patent-like protection for an unlimited period of time and could constitute use of the

the question of trade dress protection for product features.<sup>225</sup> The Court may have preferred to avoid the question, at least for the time, by making the Commerce Clause-based trade dress protection more difficult to obtain in those cases posing the greatest constitutional concern.<sup>226</sup>

### E. *TraFFix in the Hands of Courts and Commentators*

Notwithstanding the arguments above, in his influential treatise, Professor McCarthy construes the Supreme Court's decision in *TraFFix* not to exclude evidence of alternatives from the initial functionality determination:

[T]he observations of the Supreme Court in *TraFFix* do not mean that the availability of alternative designs cannot be a legitimate source of evidence to determine in the first instance if a particular feature is in fact "functional." Rather, the Court merely said that once a design is found to

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Commerce Clause power to "trump" the limitations on congressional power set forth in the Patents and Copyrights Clause); Hugh Latimer & Karyn K. Ablin, *Stealth Patents: The Unconstitutionality of Protecting Product Designs Under the Federal Trademark Dilution Act*, 90 TRADEMARK REP. 489, 507 (2000).

225. For example, to what extent does the language in the Patents and Copyrights Clause, which prevents Congress from granting copyrights for databases lacking original expression, prevent Congress from relying on its Commerce Clause powers to enact *sui generis* protection for databases lacking original expression? See *Feist Publ'ns, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 362 (1991) (holding that the Patents and Copyrights Clause limits copyright protection to original works of authorship and finding that the names, towns, and telephone numbers of a telephone utility's subscribers were uncopyrightable for lack of originality); U.S. COPYRIGHT OFFICE, COPYRIGHT OFFICE REPORT ON LEGAL PROTECTION FOR DATABASE PROTECTION 108 (1997) ("The Copyright Clause imposes certain restriction on Congress's ability to enact copyright legislation."); Yochai Benkler, *Constitutional Bounds of Database Protection: The Role of Judicial Review in the Creation and Definition of Private Rights in Information*, 15 BERKELEY TECH. L.J. 535, 545 (2000) (noting that the Court has repeatedly stated that the Patents and Copyrights Clauses "prevent Congress from creating exclusive rights in information that is already in the public domain"); William Patry, *The Enumerated Powers Doctrine and Intellectual Property: An Imminent Constitutional Collision*, 67 GEO. WASH. L. REV. 359, 367 (1999) (discussing the conflict between the Copyright and Commerce Clauses); Malla Pollack, *The Right to Know?: Delimiting Database Protection at the Juncture of the Commerce Clause, the Intellectual Property Clause, and the First Amendment*, 17 CARDOZO ARTS & ENT. L.J. 47, 61 (1999) (concluding that "a database protection act grounded on the Commerce Clause can pass Constitutional scrutiny only if the act is carefully limited to situations of market failure").

226. As the Court noted: "We need not resolve this [Constitutional] question. If, despite the rule that functional features may not be the subject of trade dress protection, a case arises in which trade dress becomes the practical equivalent of an expired utility patent, that will be time enough to consider the matter." *TraFFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 35 (2001).

be functional under *Inwood*, it cannot be given trade dress status merely because there are alternative designs available.<sup>227</sup>

Presumably Professor McCarthy relied on the following language in the *TrafFix* opinion:

There is no need, furthermore, to engage, as did the Court of Appeals, in speculation about other design possibilities, such as using three or four springs which might serve the same purpose . . . . Here, the functionality of the spring design means that competitors need not explore whether other spring juxtapositions might be used. The dual-spring design is not an arbitrary flourish in the configuration of MDI's product; it is the reason the device works. Other designs need not be attempted.

Because the dual-spring design is functional, it is unnecessary for competitors to explore designs to hide the springs, say, by using a box or framework to cover them, as suggested by the Court of Appeals . . . . The dual-spring design assures the user the device will work. If buyers are assured the product serves its purpose by seeing the operative mechanism that in itself serves an important market need. It would be at cross-purposes to those objectives, and something of a paradox, were we to require the manufacturer to conceal the very item the user seeks.<sup>228</sup>

It seems unlikely that the Court meant merely to say that once a design is found functional, it cannot be given trade dress status merely because there are alternative designs available. The Sixth Circuit did not hold that when product features are functional trade dress defendants must nonetheless select alternative features for their own products. It found the dual-spring design nonfunctional, in part because of the availability of alternative designs.<sup>229</sup> Nor has any other court of appeals held that courts can protect functional designs as

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227. 1 MCCARTHY, *supra* note 207, § 7:75, at 7-181 to 7-182; see also Siegrun D. Kane, *Wal-Mart and TrafFix Road Signs on the Trade Dress Highway: Trade Dress and Product Development*, 670 PLI/PAT 493, 505-508 (2001) (agreeing with Professor McCarthy's interpretation); Weinberg, *supra* note 52, at 62 (analyzing *TrafFix*). Weinberg wrote:

[W]hat *TrafFix* may teach us is that when a senior producer has the burden of proving that a choice design feature is nonfunctional, a junior producer's strong evidence of functionality cannot be overcome by a senior's weak evidence of alternative design features. So read, *TrafFix* merely recognizes that multiple forms of evidence bear on functionality, and does not rule out considering evidence of alternative design features.

Weinberg, *supra* note 52, at 62.

228. *TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 33-34 (2001) (citations omitted).

229. *Mktg. Displays, Inc. v. TrafFix Devices, Inc.*, 200 F.3d 929, 939-40 (6th Cir. 1999), *rev'd*, 532 U.S. 23 (2001).

trade dress, under any circumstances. Why should the Supreme Court devote two paragraphs to clearing up a misconception that did not exist?

Moreover, even if the quoted language is read to say that there is no need to consider the existence of alternatives *after* a finding of functionality, as Professor McCarthy suggests, that would still be consistent with construction of the *Inwood* standard to focus exclusively on the role of the product feature, to the exclusion of practical effect, competitive need, or the existence of alternative features. As the Court made clear two paragraphs earlier in its decision, competitive need, which would include a lack of acceptable alternative features, is only relevant after a finding of nonfunctionality under the *Inwood* test. In *TrafFix*, the plaintiff's dual-spring mechanism was functional under the *Inwood* standard. Thus, it was unnecessary to consider the question of alternatives, through application of the "competitive need" or *Qualitex* standard.

Professor McCarthy is a highly respected and influential scholar of trademarks, and the Federal Circuit was quick to follow his lead. In *Valu Engineering, Inc. v. Rexnord Corp.*,<sup>230</sup> the Federal Circuit found that *TrafFix* did not alter the "*Morton-Norwich* analysis"<sup>231</sup> that it had long applied to determine functionality. As described earlier,<sup>232</sup> this analysis evaluates the likely impact of trade dress protection on competition through application of several factors, including the availability of functionally equivalent features or designs.<sup>233</sup> According to the *Valu Engineering* Court:

[T]he *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

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230. *Valu Eng'g, Inc. v. Rexnord Corp.*, 278 F.3d 1268 (Fed. Cir. 2002).

231. See *supra* notes 95–109 and accompanying text (discussing *Morton-Norwich*).

232. *Id.*

233. *Valu Eng'g*, 278 F.3d at 1274 (citing *In re Morton-Norwich Prods., Inc.*, 671 F.2d at 1340–41). The four factors are:

(1) the existence of a utility patent disclosing the utilitarian advantages of the design; (2) advertising materials in which the originator of the design touts the design's utilitarian advantages; (3) the availability to competitors of functionally equivalent designs; and (4) facts indicating that the design results in a comparatively simple or cheap method of manufacturing the product.

*Id.*

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 is functional in the first place.<sup>234</sup>

The Federal Circuit insisted that the "effect upon competition" remains the "crux" of the functionality inquiry<sup>235</sup> and held to its position that not all "functional" features are foreclosed from trade dress protection: While de jure functional features must be available to competitors, de facto functional features (which the court has defined as features that play a useful function but are not "functional" in the legal sense) are the proper subject of trade dress protection.<sup>236</sup> The Trademark Trial and Appeal Board follows the Federal Circuit's lead and continues to apply the old *Morton-Norwich* standard.<sup>237</sup>

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234. *Id.* at 1276 (footnotes and citations omitted). The Court went on to quote the same passage from Professor McCarthy's treatise. 1 MCCARTHY, *supra* note 207, § 7:75, at 7-181 to 7-182.

235. *Value Eng'g*, 278 F.3d at 1277.

236. *Id.* at 1274. For further discussion of this issue, see *supra* notes 95-109 and accompanying text (discussing *Morton-Norwich*). The Ninth Circuit also has continued to apply its four-factor, pre-*TraFFix* standard, which includes consideration of alternatives and contemplates trade dress protection for "de facto functional" product features. See, e.g., *Tie Tech, Inc. v. Kinedyne Corp.*, 296 F.3d 778, 785 (9th Cir. 2002) (stating that de facto functionality may support trademark protection); *Clicks Billiards, Inc. v. Sixshooters, Inc.*, 251 F.3d 1252 (9th Cir. 2001) (retaining pre-*TraFFix* practical effect standard); see also Barber, *supra* note 58, at 254 (characterizing *Clicks* as "remarkably inconsistent" with *TraFFix* because the Ninth Circuit found that the ultimate issue for purposes of functionality was whether there were sufficient alternatives available to competitors and rejected the notion of "aesthetic functionality"). However, in *Talking Rain Beverage Co. v. S. Beach Beverage Co.*, 349 F.3d 601 (9th Cir. 2003), the Ninth Circuit acknowledged *TraFFix* in finding a registered bottle configuration functional. The Ninth Circuit found that the other three factors of its four-factor test indicated that the bottle configuration was functional. Under these circumstances (and in light of *TraFFix*), "the mere existence of alternatives" could not render the configuration nonfunctional. *Id.* at 604. The court nonetheless continued to recognize a distinction between de facto and de jure functionality. *Id.* at 605 n.2.

District Courts in the Ninth Circuit have continued to apply the Circuit's traditional practical effect standard. See, e.g., *Big Island Candies, Inc. v. Cookie Corner*, 244 F. Supp. 2d 1086, 1092 (D. Haw. 2003) (considering, among other things, the availability of alternative designs); *Adidas-Salomon AG v. Target Corp.*, 2002 WL 31971831, at \*6 (D. Or. July 31, 2002) (applying a four-part test that includes consideration of alternatives); *Computer Access Tech. Corp. v. Catalyst Enters., Inc.*, 2001 WL 34118030, at \*9 (N.D. Cal. Dec. 29, 2000) (considering factors of the practical effect standard in its functionality analysis). Other District Court opinions that have continued to apply pre-*TraFFix* practical effect standards include *EZ Bowz, L.L.C. v. Prof'l Prod. Research Co.*, 2003 WL 22068573 (S.D.N.Y. Sept. 5, 2003) and *Logan Graphic Prods., Inc. v. Textus USA, Inc.*, 2003 WL 21011746 (N.D. Ill. May 5, 2003).

The Fifth Circuit, however, has not read *TrafFix* this way. Rather, in *Eppendorf-Netheler-Hinz GMBH v. Ritter GMBH*,<sup>238</sup> the Fifth Circuit recognized that *TrafFix* created two separate tests for functionality—the "traditional" *Inwood* test and the *Qualitex* competitive necessity test—and that the *TrafFix* Court intended the traditional test to be "primary."<sup>239</sup> The court found that, under the traditional test, "if a product feature is 'the reason the device works,' then the feature is functional. The availability of alternative designs is irrelevant."<sup>240</sup> Moreover, "there is no need to consider the 'competitive necessity' test when a product feature is functional under the traditional definition."<sup>241</sup> The Fifth Circuit went on to find that its prior test for functionality, which focused "on the ability of competitors to compete effectively in the marketplace," was superseded by the *TrafFix* "traditional" definition of functionality.<sup>242</sup>

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(following *Valu Engineering*).

Still other district courts have demonstrated uncertainty about the proper standard after *TrafFix*. For example, in *Baughman Tile Co., Inc. v. Plastic Tubing, Inc.*, 211 F. Supp. 2d 720, 722–23 (E.D.N.C. 2002), the court cited the Federal Circuit's opinion in *Value Engineering* but refused to consider evidence of alternative features and suggested that there might be a conflict between *Value Engineering* and *TrafFix*. In *In re Dippin' Dots Patent Litigation*, 249 F. Supp. 2d 1346, 1371–74 (N.D. Ga. 2003), the court applied the *Inwood* and *Qualitex* standards as required by *TrafFix*, but then cited to *Value Engineering* for the proposition that the *Morton-Norwich* test is still valid, and applied it as well, finding functionality under all three standards.

237. *Newborn Bros. & Co. v. Dripless, Inc.*, Opposition No. 113, 471 (Aug. 16, 2002).

238. *Eppendorf-Netherler-Hinz GMBH v. Ritter GMBH*, 289 F.3d 351 (5th Cir. 2002).

239. *Id.* at 355–56.

240. *Id.* at 355.

241. *Id.* at 356. The Fifth Circuit went on to note that prior to *TrafFix*, it had adopted a "utilitarian" test of functionality which undertook to evaluate the impact of trade dress protection on competition. For a brief discussion of the Fifth Circuit's utilitarian test, see *supra* notes 115–17 and accompanying text. The Court continued:

This court's "utilitarian" test, with its focus on the ability of competitors to compete effectively in the marketplace, is virtually identical to the "competitive necessity" test discussed in *TrafFix*. Accordingly, *TrafFix* supersedes the definition of functionality previously adopted by this court. The "utilitarian" test, although still valid as a secondary test, is not a comprehensive definition of functionality. In light of *TrafFix*, the primary test for determining whether a product feature is functional is whether the feature is essential to the use or purpose of the product or whether it affects the cost or quality of the product.

*Eppendorf-Netherler-Hinz GMBH*, 289 F.3d at 356 (citations omitted). In a footnote, the Court observed that the "utilitarian" definition of functionality had lowered the threshold for trade dress protection and that a "product feature that satisfies the traditional definition of functionality is not shielded from functional status merely because the feature is not a competitive necessity." *Id.* at 356 n.4 (citations omitted).

242. *Id.* at 356. The trade dress at issue was the appearance of the plaintiff's line of disposable pipette tips and dispenser syringes capable of accurate and rapid "multiple



In line with the Fifth Circuit, the Second Circuit has opined, in dicta, that *TrafFix* has "curtail[ed] trade dress protection by expanding the functionality doctrine" and has rejected the contention that a product feature can be "useful"

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dispensing" of liquids, for use in laboratories and medical facilities. The pipette tips attached to the dispenser syringes. The specific elements of alleged trade dress included:

- (1) the flange on top of the tip; (2) the fins connecting the flange to the body of the tip; (3) the plunger head; (4) the plunger; (5) the length of the tips; (6) the eight sizes of the tips; (7) the coloring scheme on the tips; and (8) the angle of the stump on the tips.

*Id.* at 354. The Fifth Circuit found the trade dress functional under the *TrafFix* "traditional" (*Inwood*) standard. It is useful to review its reasoning in applying the standard:

In this case it is undisputed that the Combipip's fins provide necessary support for the flange. Without the fins, the flange is subject to deformation. The only testimony offered by Eppendorf to prove non-functionality of the fins related to the existence of alternative design possibilities. Eppendorf's functionality expert testified that the appearance and number of fins could be changed without affecting the function of the fins. Eppendorf did not prove, however, that the fins are an arbitrary flourish which serve no purpose in the Combipips. Rather, Eppendorf's experts concede that fins of some shape, size or number are necessary to provide support for the flange and to prevent deformation of the product. Thus, the fins are design elements necessary to the operation of the product. Because the fins are essential to the operation of the Combipips, they are functional as a matter of law, and it is unnecessary to consider design alternatives available in the marketplace.

Likewise, a careful review of the record demonstrates that Eppendorf failed to prove that the remaining Combipip design elements are unnecessary, non-essential design elements. It is undisputed that: (1) The flange is necessary to connect the Combipip to the dispenser syringe; (2) the rings on the plunger head are necessary to lock the plunger into a cylinder in the dispenser syringe; (3) the plunger is necessary to push liquids out of the tip, and the ribs on the plunger stabilize its action; (4) the tips at the lower end of the Combipips are designed to easily fit into test tubes and other receptacles; (5) the size of the Combipip determines the dispensed volume, and size is essential to accurate and efficient dispensing; (6) the color scheme used on the Combipip—clear plastic with black lettering—enables the user easily to see and measure the amount of liquid in the Combipip, and black is standard in the medical industry; and (7) the stumps of the larger Combipips must be angled to separate air bubbles from the liquid and ensure that the full volume of liquid is dispensed. Thus, all eight design elements identified by Eppendorf are essential to the operation of the Combipips.

Eppendorf's theory of nonfunctionality focused on the existence of alternative designs. Eppendorf's design expert summarized Eppendorf's approach to functionality: "My conclusion was that to achieve the same functional purpose, [the design elements identified by Eppendorf] can be changed significantly, considerably without affecting the overall intended purpose." Although alternative designs are relevant to the [old Fifth Circuit] test of functionality, alternative designs are not germane to the traditional test for functionality. Each of the eight design elements identified by Eppendorf is essential to the use or purpose of the Combipips, and is not arbitrary or ornamental features.

*Id.* at 357–58 (citations omitted).

but not "functional."<sup>243</sup> The Third Circuit has cited *Eppendorf-Netherlér-Hinz GMBH* with apparent approval and has construed *TrafFix* to extend trade dress protection "only to incidental, arbitrary or ornamental product features which identify the product's source."<sup>244</sup> Likewise, the Sixth Circuit has found that "[t]he traditional *Inwood* test for functionality is the main rule, and if a product is clearly functional under *Inwood*, a court need not apply the competitive necessity test and its related inquiry concerning the availability of alternative designs."<sup>245</sup> A sprinkling of district courts appear to have followed the *TrafFix* lead, adopting a role of the feature standard as the primary means of evaluating product feature trade dress functionality.<sup>246</sup>

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243. *Nora Beverages, Inc. v. Perrier Group of Am., Inc.*, 269 F.3d 114, 120 n.4 (2d Cir. 2001).

244. *Shire US, Inc. v. Barr Labs., Inc.*, 329 F.3d 348, 353–54 (3d Cir. 2003).

245. *Antioch Co. v. West Trimming Corp.*, 347 F.3d 150, 155–56 (6th Cir. 2003). In *Antioch*, the court noted the Federal Circuit's opinion in *Valu Engineering* and Professor McCarthy's opinion in his treatise, that the availability of alternative designs is still relevant to determining functionality under the *Inwood* test. The Sixth Circuit concluded:

We need not resolve the question of whether evidence of alternative designs has a place outside of the competitive necessity test because at the very least, a court is not *required* to examine alternative designs when applying the traditional test for functionality. That much is clear from *TrafFix Devices*, where the Supreme Court applied *Inwood* in a straightforward fashion, without looking at alternative designs, and found that the dual-spring design of the traffic sign in question was essential to the stand's purpose because it kept the sign upright during inclement weather.

*Id.* The Sixth Circuit went on to uphold the district court's determination that the product features at issue were functional under the *Inwood* test. *Id.* The district court had examined the role the product features at issue played within the product, and had rejected proffered evidence of alternative product designs. *Id.* at 156–57.

246. See, e.g., *ASICS Corp. v. Target Corp.*, 282 F. Supp. 2d 1020, 1026 (D. Minn. 2003) (citing *TrafFix* for the proposition that a product feature is functional "if it is essential to the use or purpose of the article" and finding that the Asics' two utility patents established functionality of the stripe design and precluded trademark protection); *Mark Brick Display Corp. v. Joseph Struhl Co.*, 2003 WL 21696318, at \*2 (D. R.I. July 9, 2003) (applying *TrafFix*'s functionality tests); *Shock-Tek, L.L.C. v. Trek Bicycle Corp.*, 2001 WL 1680191, at \*2 (E.D. Mich. Dec. 18, 2001) (supporting *TrafFix*'s reasoning for determining functionality).

### V. The *TrafFix* Decision in a Larger Legal Context

*TrafFix* is already the subject of criticism<sup>247</sup> and dispute.<sup>248</sup> The confusion this opinion generated, like the confusion that prevented the courts of appeals from attaining a uniform standard of functionality prior to *TrafFix*, may be attributable, at least in part, to a lack of clarity about the theoretical foundation for the functionality doctrine. While most would agree that the functionality doctrine is intended, directly or indirectly, to foster competition, there are competing views about the doctrine's specific source and justification. Commentators have cited several theoretical foundations, or touchstones, for the functionality doctrine. First, commentators have sometimes attributed the functionality doctrine to the rationale of the *Sears/Compco/Bonito Boats* line of cases, which holds that things falling within the subject matter of patents should remain in the public domain, available to competitors, unless patented.<sup>249</sup> Second, commentators have attributed the functionality doctrine to a policy decision to avoid undercutting utility patents.<sup>250</sup> Third, commentators have

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247. See, e.g., Weinberg, *supra* note 52, at 5–6 (criticizing *TrafFix*). Weinberg argues:

*TrafFix* may make [the task of distinguishing functional design features from nonfunctional ones] more difficult and the functionality doctrine more opaque. Potentially *TrafFix*'s worst mischief is that courts may read it to preclude employing the "fulcrum" upon which successful functionality analysis often turns: whether there are functionally-equivalent alternative design features to substitute for a design feature claimed to be protected against unauthorized copying by trademark principles . . . . *TrafFix* may cause other trouble as well. For example, it needlessly states two functionality standards, one for useful design features and one for aesthetic design features. *TrafFix* also casts a cloud over the principle that when a decision maker decides whether a product's overall configuration is functional, that configuration should be viewed in its entirety, and not as discrete individual design features.

*Id.*; see also Renke, *supra* note 174, at 627 ("[P]reservation of our competitive economy does not seem served by allowing others to mimic a valuable source identifier without good reason, merely because the feature is useful, or it affects the cost or quality of the article."); 2001 Panel Discussion, *supra* note 174, at 526 (statement by Inna Fayenson, Esq.) ("The Court mixes and matches doctrines and justifications and distinguishes its own precedents just to get to the ultimate decision on the facts. The result . . . is that . . . the Court . . . has created even more uncertainty in the area of trade dress.").

248. See *supra* notes 231, 238–40 and accompanying text (discussing two contrary views of *TrafFix*). Compare *Valu Eng'g v. Rexnord Corp.*, 278 F.3d 1268, 1275–76 (Fed. Cir. 2002) (interpreting *TrafFix*) with *Eppendorf-Netheler-Hinz GMBH v. Ritter GMBH*, 289 F.3d 351, 355–57 (5th Cir. 2002) (interpreting *TrafFix*).

249. See *infra* Part V.A (relating the functionality doctrine to the *Sears/Compco/Bonito Boats* line of cases).

250. See *infra* Part V.B (discussing the role of functionality with regard to both utility and design patent protection).

frequently described the doctrine as emanating from a general public policy favoring free competition.<sup>251</sup> Finally, commentators have sometimes connected functionality with the doctrine of the "public bargain," attributed to the Supreme Court's decisions in *Singer Manufacturing Co. v. June Manufacturing Co.*<sup>252</sup> and *Kellogg* that hold that in return for granting a patent, the public receives the right to copy the patented invention upon the expiration of the patent term.<sup>253</sup>

Perhaps what makes *TrafFix* difficult to grasp is that it seems to borrow from all of these theoretical foundations, but is not fully consistent with any one of them. This Part examines the compatibility of the *TrafFix* formulation with each of the theoretical touchstones described above. It concludes that the Supreme Court has taken steps to conform the functionality doctrine more nearly to the *Sears/Compco/Bonito Boats* rationale. While the *Sears/Compco/Bonito Boats* line of cases addressed the question of state unfair competition protection for product features, *TrafFix* indicates that the policy considerations enunciated in those cases should shape Lanham Act protection for product features, as well.

#### A. The *Sears/Compco/Bonito Boats* Line of Cases

In *Sears* and *Compco*, the Court considered whether federal patent law preempted the use of state unfair competition laws to prohibit the copying of unpatented product features.<sup>254</sup> Courts had found the products in both cases undeserving of either a utility or a design patent.<sup>255</sup> In each case the Supreme Court found the state unfair competition claim preempted.<sup>256</sup> The Court reasoned that the patent laws represent a careful balance of rights to accommodate potentially conflicting public policies: (1) providing property rights as an incentive to invent, and (2) maintaining a competitive

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251. See *infra* Part V.C (describing the relationship between functionality and the general policy of encouraging competition).

252. *Singer Mfg. Co. v. June Mfg. Co.*, 163 U.S. 169 (1896).

253. See *infra* Part V.D (discussing functionality in the public bargain context).

254. See U.S. CONST. art. VI, cl. 2. (declaring federal law superior to state law); see also *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 228 (1964) (addressing preemption); *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234, 234 (1964) (same).

255. See *Sears*, 376 U.S. at 231 (noting that the article in question was not entitled to a patent); *Compco*, 376 U.S. at 237 (finding that there was no valid patent protection).

256. See *Sears*, 376 U.S. at 232–33 (finding that federal patent law preempted state law); *Compco*, 376 U.S. at 239 (same).

marketplace by permitting free use of others' ideas.<sup>257</sup> Congress reached this accommodation to provide "monopolies" of limited duration for the most important inventions, for which the need for incentive is greatest (those inventions that meet the standards of novelty, nonobviousness, and usefulness, or in the case of design patents, novelty, nonobviousness, and ornamentality).<sup>258</sup> In imposing those high standards, Congress intended that all inventions that fail to qualify for patent protection would remain in the public domain, free for competitors to use at will.<sup>259</sup> If the states were able to step in and offer their own protection for unpatented inventions, this would interfere unacceptably with Congress's careful balance.<sup>260</sup> As the Court explained in *Compco*:

To forbid copying would interfere with the federal policy, found in Art. I, § 8, cl. 8, of the Constitution and in the implementing federal statutes, of allowing free access to copy whatever the federal patent and copyright laws leave in the public domain. Here Day-Brite's fixture has been held not to be entitled to a design or mechanical patent. Under the federal patent laws it is, therefore, in the public domain and can be copied in every detail by whoever pleases.<sup>261</sup>

During the next two decades the Supreme Court seemed to move away from the strict views it embraced in *Sears* and *Compco*.<sup>262</sup> The Court, however, returned to the basic rationale of *Sears* and *Compco* in *Bonito Boats*. In *Bonito*

257. See *Sears*, 376 U.S. at 230–31 (discussing the careful balance that the patent system creates and preserves).

258. See *id.* at 230 (describing the strict observance of durational limits of patent protection).

259. See *id.* at 231 (discussing the public right to copy inventions that do not qualify for patents).

260. See *id.* at 231–32 (discussing impermissible state encroachment of federal objectives).

261. *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234, 237–38 (1964). The Court added:

That an 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.

*Id.* at 238.

262. See, e.g., *Aronson v. Quick Point Pencil Co.*, 440 U.S. 257, 266 (1979) (finding no conflict between federal patent law and state contract laws); *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 491 (1974) (finding no preemption of trade secret law); *Goldstein v. California*, 412 U.S. 546, 571 (1973) (upholding a state law prohibiting sound recording).

*Boats*, the Court again had to decide "what limits the operation of the federal patent system places on the States' ability to offer substantial protection to utilitarian and design ideas which the patent laws leave otherwise unprotected."<sup>263</sup> As in *Sears and Compco*, the *Bonito Boats* Court emphasized patent law's "careful balance between the need to promote innovation and the recognition that imitation and refinement through imitation are both necessary to invention itself and the very lifeblood of a competitive economy."<sup>264</sup> The Court emphasized the importance under the patent law not only of protecting qualifying inventions but also of retaining all other inventions in the public domain:

The attractiveness of [the patent] bargain, and its effectiveness in inducing creative effort and disclosure of the results of that effort, depend almost entirely on a backdrop of free competition in the exploitation of unpatented designs and innovations. The novelty and nonobviousness requirements of patentability embody a congressional understanding, implicit in the Patent Clause itself, that free exploitation of ideas will be the rule, to which the protection of a federal patent is the exception. Moreover, the ultimate goal of the patent system is to bring new designs and technologies into the public domain through disclosure. State law protection for techniques and designs whose disclosure has already been induced by market rewards may conflict with the very purpose of the patent laws by decreasing the range of ideas available as the building blocks of further innovation. The offer of federal protection from competitive exploitation of intellectual property would be rendered meaningless in a world where substantially similar state law protections were readily available. To a limited extent, the federal patent laws must determine not only what is protected, but also what is free for all to use.<sup>265</sup>

The *Bonito Boats* opinion reiterated that:

[A]n injunction against copying of an unpatented article, freely available to the public, impermissibly "[interferes] with the federal policy, found in Art. I, § 8, cl. 8, of the Constitution and in the implementing federal statutes, of allowing free access to copy whatever the federal patent and copyright laws leave in the public domain."<sup>266</sup>

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263. *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 143 (1989).

264. *Id.* at 146. The Court devoted considerable discussion to the ways in which the Patent Act accommodates and promotes these potentially competing interests. *See id.* at 147–51 (discussing the balance between incentive and access).

265. *Id.* at 151.

266. *Id.* at 153 (quoting *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234, 237 (1964)).

The *Bonito Boats* Court noted that the "pre-emptive sweep" of its decisions in *Sears* and *Compco* had been "the subject of heated scholarly and judicial debate"<sup>267</sup> and acknowledged that "[r]ead 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."<sup>268</sup> However, the Court cautioned that "such a broad pre-emptive principle" should not be extrapolated from these cases.<sup>269</sup> The Court concluded:

At the heart of *Sears* and *Compco* is the conclusion that the efficient operation of the federal patent system depends upon substantially free trade in publicly known, unpatented design and utilitarian conceptions . . . . Both the novelty and the nonobviousness requirements of federal patent law are grounded in the notion that concepts within the public grasp, or those so obvious that they readily could be, are the tools of creation available to all. They provide the baseline of free competition upon which the patent system's incentive to creative effort depends. A state law that substantially interferes with the enjoyment of an unpatented utilitarian or design conception which has been freely disclosed by its author to the public at large impermissibly contravenes the ultimate goal of public disclosure and use which is the centerpiece of federal patent policy. Moreover, through the creation of patent-like rights, the States could essentially redirect inventive efforts away from the careful criteria of patentability developed by Congress over the last 200 years. We understand this to be the reasoning at the core of our decisions in *Sears* and *Compco*, and we affirm that reasoning today.<sup>270</sup>

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267. *Id.* at 154.

268. *Id.*

269. *See id.* (explaining the Court's prior decisions). *Bonito Boat* noted that *Sears* acknowledged states' continued ability to protect businesses in the use of packaging trade dress. While this trade dress was potentially the subject matter of design patents, *Sears* indicated that the states could impose "limited regulations on the circumstances in which such designs are used" in order to prevent consumer confusion. *Id.*

The *Bonito Boat* Court explained that decisions post-*Sears* delineated the scope of federal preemption of state regulation of patentable subject matter. *See id.* at 155 (discussing case law subsequent to *Sears*). In *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470 (1974), the Court upheld state trade secret protection of secret industrial processes, finding that this protection did not conflict too greatly with the federal policies of encouraging patentable invention and prompt disclosure of innovations. *See id.* at 484 (finding no preemption of state law). The *Kewanee* finding rested on several factors, including the fact that trade secrets are not in the public domain, trade secret protection is considerably weaker than patent protection, and trade secret law protects noneconomic interests outside the sphere of congressional concern in enacting the patent laws. *See Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 155-56 (1989) (explaining the rationale behind *Kewanee*).

270. *Bonito Boats*, 489 U.S. at 156-57.

Obviously, the *Sears* line of cases addressed the relationship of state and federal law, and the ability of state law to protect subject matter that federal law relegates to the public domain. Because the Lanham Act is federal law, the Supremacy Clause will not preempt it, as it did the state unfair competition laws in *Sears* and *Compco*. One can certainly argue that *Sears*, *Compco*, and *Bonito Boats* do not affect the ability of Congress or the federal courts to extend trade dress protection to unpatentable product features pursuant to the Lanham Act.<sup>271</sup>

On the other hand, *Compco* and *Bonito Boats* both grounded the policy of relegating unpatentable product features to the public domain in the Constitution itself,<sup>272</sup> which suggests a limit on Congress's power to rely on other constitutional powers, such as the Commerce Clause, to remove product features from the public domain.<sup>273</sup> Moreover, the decisions' recognition that

271. See, e.g., *Thomas & Betts Corp. v. Panduit Corp.*, 138 F.3d 277, 286 (7th Cir. 1998) ("In *Bonito Boats* and *Sears*, the Supreme Court examined the relationship between federal patent law and state unfair competition law, not between federal patent law and federal trademark law. The holdings of these cases, then, has [sic] no effect on the scope of federal trademark or unfair competition law."); *Esercizio v. Roberts*, 944 F.2d 1235, 1241 (6th Cir. 1991) (stating that the *Sears/Compco/Bonito Boats* cases do not apply to the Lanham Act); *In re Honeywell, Inc.*, 497 F.2d 1344, 1349 (C.C.P.A. 1974) (distinguishing federal trademark laws from the *Sears/Compco/Bonito Boats* cases); see also *Eldred v. Ashcroft*, 537 U.S. 186, 189–90 (2003) (rejecting the suggestion that the *Sears/Compco/Bonito Boats* line of cases limits Congress's authority to extend the duration of federal copyrights).

272. *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 153 (1989) (relying on the Constitution for the federal policy of allowing free access to articles in the public domain); *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234, 237 (1964) (stating that the Constitution requires free access to articles in the public domain).

273. See Theodore H. Davis, Jr., *Copying in the Shadow of the Constitution: The Rational Limits of Trade Dress Protection*, 80 MINN. L. REV. 595, 611–18 (1996) (discussing preemption in the Supreme Court's line of product feature cases); *supra* notes 223–26 and accompanying text (discussing the constitutional issues arising from the Lanham Act's protection of product features); see also *Kohler Co. v. Moen, Inc.*, 12 F.3d 632, 646–47 (7th Cir. 1993) (Cudahy, J., dissenting) (footnotes omitted) (discussing preemption). Judge Cudahy wrote:

[The majority argues] that *Sears*, *Compco* and *Bonito Boats* are concerned with the interface between federal patent law and the state law of unfair competition. The cases therefore merely involve application of the Supremacy Clause and federal preemption of state law. Superficially, this argument may have some appeal but it ignores the fact that the Lanham Act (comprising the federal law of trademarks and unfair competition) essentially federalizes the common law of trademarks and unfair competition. And the Lanham Act provides a federal trademark register to which generally recognized principles of notice may be applied. Therefore, the conflict that the Court found between state law and federal patent law as a prerequisite to preemption in *Sears*, *Compco*, and *Bonito Boats* is exactly the same conflict as would develop between federal patent law and federal trademark law if a design patent could be made perpetual by trademarking the design. As a matter of commercial reality, therefore, the relation of patent law to state unfair competition



the success of the patent system depends on the unfettered exploitation of unpatented products itself suggests that Congress may never have intended a broad or systematic extension of federal trade dress protection to product features.<sup>274</sup> Federal trade dress protection presumably would undercut the patent system just as state trade dress protection would, given that the Lanham Act is based upon common-law unfair competition doctrine.<sup>275</sup>

In any event, regardless of whether the policy set forth in the *Sears* line of cases technically limits Congress or the federal courts in providing federal protection for product feature trade dress, the Supreme Court clearly finds it a relevant policy in construing the Lanham Act.<sup>276</sup> In providing its definition of

law is exactly the same as its relation to federal trademark law.

The conflict, then, is directly between a federal statutory scheme rooted in the Constitution and a federal codification of the common law. As the Court noted in *Bonito Boats*, the Lanham Act's federalization of the common law of unfair competition reflects a congressional affirmation of policies that must be made conformable with the constitutionally rooted patent laws:

Congress has thus given federal recognition to many of the concerns that underlie the state tort of unfair competition, and the application of *Sears* and *Compco* to nonfunctional aspects of a product which has been shown to identify sources must take account of competing federal policies in this regard.

*Kohler*, 12 F.3d at 646–47 (Cudahy, J., dissenting) (quoting *Bonito Boats*, 489 U.S. at 166).

274. Extension of trademark and unfair competition protection to product features was accomplished entirely through judicial decisions. See *In re Morton-Norwich Prods., Inc.*, 671 F.2d 1332, 1336 (C.C.P.A. 1982) (describing the genesis of trademark law). The Lanham Act provides protection for "symbols" and "devices," which courts construed broadly to include product feature trade dress. 15 U.S.C. §§ 1052, 1125(a); see also *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205, 209 (2000) (noting courts' broad interpretation of Lanham Act). In 1999, Congress amended Lanham Act Section 43(a) to specify the burden of proof in Lanham Act actions involving unregistered "trade dress." 15 U.S.C. § 1125(a)(3). This is the only express reference to trade dress in the Lanham Act. There is no specific reference to trade dress protection for product features.

275. See generally 1 MCCARTHY, *supra* note 207, §§ 7:96–7:99; see also *Kohler*, 12 F.3d at 646–47 (Cudahy, J., dissenting) ("[T]he Lanham Act . . . essentially federalizes the common law of trademarks and unfair competition.").

276. See *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 123 S.Ct. 2041, 2048–50 (2003) (interpreting the Lanham Act). In this case the Supreme Court relied on the *Sears/Compco/Bonito Boats* line of cases to reject a construction of Lanham Act Section 43(a) that would provide rights in the subject matter of an expired copyright. The Court explained that to construe the Lanham Act to provide a cause of action would:

cause[] the Lanham Act to conflict with the law of copyright, which addresses that subject specifically. The right to copy, and to copy without attribution, once a copyright has expired, like "the right to make [an article whose patent has expired]—including the right to make it in precisely the shape it carried when patented—passes to the public . . ." In general, unless an intellectual property right such as a patent or copyright protects an item, it will be subject to copying . . ." [I]n construing the Lanham Act, we have been "careful to caution

functionality in *Inwood*, the Court cited *Sears*.<sup>277</sup> *Sears*, however, provides no definition of functionality, nor does it address the issue of functionality. The Court must have cited *Sears* for the policy that unpatented product features should remain available to competitors and it must have intended to link the definition of functionality to that policy. Likewise, in *Traffix*, the Supreme Court commenced its discussion of the functionality doctrine with a reference to *Bonito Boats* and the policy that unless a product is patented or copyrighted, it generally "will be subject to copying."<sup>278</sup> Courts of appeals and commentators have also related the doctrine of functionality to the policy set forth in *Sears*, *Compco*, and *Bonito Boats*.<sup>279</sup>

How, then, do the Supreme Court's definitions of functionality in *Traffix* stand up against the policy set forth in *Sears/Compco/Bonito Boats*? Taken

against misuse or over-extension" of trademark and related protections into areas traditionally occupied by patent or copyright.

*Id.* at 2048 (citations omitted). Citing *Bonito Boats*, the Court went on to explain that "allowing a cause of action under § 43(a) . . . would create a species of mutant copyright law that limits the public's federal right to copy and use expired copyrights." *Id.* at 2048 (internal quotes omitted). The Court added that to find the proposed Lanham Act cause of action "would be akin to finding that § 43(a) created a species of perpetual patent and copyright, which Congress may not do." *Id.* at 2050.

277. See *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 850–51 n.10 (1982) (stating 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) (citing *Sears*, *Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 232 (1964)).

278. See *Traffix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 29 (2001) (discussing copying). Specifically, the Court stated:

Trade dress protection must subsist with the recognition that in many instances there is no prohibition against copying goods and products. In general, unless an intellectual property right such as a patent or copyright protects an item, it will be subject to copying. As the Court has explained, copying is not always discouraged or disfavored by the laws which preserve our competitive economy . . . . Allowing competitors to copy will have salutary effects in many instances. "Reverse engineering of chemical and mechanical articles in the public domain often leads to significant advances in technology."

*Id.* at 29 (citations omitted).

279. See, e.g., *Kohler Co. v. Moen, Inc.*, 12 F.3d 632, 644–51 (7th Cir. 1993) (Cudahy, J., dissenting) (relating the functionality doctrine to the *Sears/Compco/Bonito Boat* cases); *Shakespeare Co. v. Silstar Corp. of Am., Inc.*, 9 F.3d 1091, 1103–04 (4th Cir. 1993) (Niemeyer, J. dissenting) (discussing functionality doctrine); *Stormy Clime, Ltd. v. Progroup, Inc.*, 809 F.2d 971, 977–78 (2d Cir. 1987) (discussing *Sears* within a general explanation of the functionality doctrine); *Keene Corp. v. Paraflex Indus., Inc.*, 653 F.2d 822, 824 (3d Cir. 1981) (discussing functionality); Davis, *supra* note 273, at 619–27 (discussing the application of a nonfunctionality requirement after the *Sears/Compco/Bonito Boats* decisions); Dratler, *supra* note 2, at 923 (explaining the *Sears/Compco/Bonito Boats* decisions); Welkowitz, *supra* note 79, at 331–42 (discussing the functionality doctrine).

literally, the *Sears* line of cases would suggest that trademark and trade dress protection should not apply to unpatented product features that are within the subject matter of *either* utility *or* design patent protection. Even in *Bonito Boats*, in which the Court purported to back away from a strict construction of *Sears* and *Compco*, the Court reaffirmed the reasoning that "the efficient operation of the federal patent system depends upon substantially free trade in publicly known, unpatented design and utilitarian conceptions . . . . They provide the baseline of free completion upon which the patent system's incentive to creative effort depends."<sup>280</sup>

By rejecting competitive necessity as the primary test of functionality, and asking instead whether the product feature "is essential (material or important) to the use or purpose of the article" or "affects the cost or quality of the article," the *TrafFix* Court moved the functionality standard closer to the *Sears/Bonito Boats* policy.<sup>281</sup> First, as discussed earlier,<sup>282</sup> the Court's discussion indicated that the *Inwood* standard should encompass any product feature that is material or important to the use or purpose of the product, or affects its cost or quantity, and should exclude only those features that are essentially arbitrary or incidental.<sup>283</sup> Under this construction, significantly fewer product features that are within the subject matter of utility patents will be eligible for federal trade dress protection. In accord with the policies disclosed in *Bonito Boat*, competitors will have access to a wide range of "building blocks" that were previously unavailable under the competitive necessity or practical effect standard adopted in many circuits.

Second, the *Inwood* standard, as construed, is more philosophically compatible with the *Sears/Compco/Bonito Boats* line of cases than is the competitive necessity standard. *Sears/Compco/Bonito Boats* asserted a need for access to unpatented product features *across the board*, as a general rule, in order for the patent system to work as intended and to accomplish its enumerated purposes and an overall fostering of competition.<sup>284</sup> There is no place in this vision for the case-by-case assessment of an individual competitor's actual need for a particular unpatented feature in a particular market, at a particular time. Such a case-by-case assessment only considers part of the picture—it does not take into account the overall impact that case-

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280. *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 156 (1989).

281. See Barber, *supra* note 58, at 252 (discussing *TrafFix*'s rejection of the competitive necessity standard).

282. See *supra* Part IV.B-D (discussing *TrafFix*'s application of *Inwood*).

283. See *id.* (discussing the *Inwood* standard).

284. See *supra* notes 271-75 and accompanying text (discussing the policy behind the *Sears/Compco/Bonito Boats* cases).

by-case trade dress protection will have on accomplishment of the multiple goals of the patent system. As the *Bonito Boats* decision explained, the "very purpose of the patent laws" was to *increase* "the range of ideas available as the building blocks of further innovation."<sup>285</sup> The practical effect of functionality standards conflicts with this undertaking by removing design ideas from the public domain. Moreover, a standard embracing case-by-case evaluation imposes uncertainty and invites litigation, which will discourage the kind of free imitation that the Patent Act, as construed in *Bonito Boats*, was intended to foster.<sup>286</sup> As construed by the *Traffix* Court, the *Inwood* standard, in contrast, is closer to a bright-line rule that eliminates protection for all product features that play a material or important role within the product. Protection of such features, regardless of the availability of alternatives, would undermine the multiple goals of the patent law.

*Traffix*, however, does not fully conform the functionality doctrine to the *Sears/Compco/Bonito Boats* line of cases. The reasoning of *Sears/Compco/Bonito Boats* applies equally to the subject matter of utility patents and design patents. This would dictate that ornamental features, which are the subject matter of design patents, would also be generally exempted from trade dress protection.<sup>287</sup> *Traffix* adopted a rule that would prevent trade dress protection for most or all useful product features. It did not adopt a rule that would prevent protection of most or all ornamental product features. Courts may deem some ornamental product features functional and thus unprotectable under the *Inwood* standard.<sup>288</sup> Other ornamental products features clearly will

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285. *Bonito Boats*, 489 U.S. at 151.

286. See Brief for Petitioner at 11–12, *Traffix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23 (2001) (No. 99-1571) (arguing that the factual inquiry of the "competitive need" standard stifles competition and creates litigation).

287. Judge Cudahy made this point forcefully in his now famous dissent in *Kohler*:

[T]here is no basis for treating the subject matter of design and utility patents differently: if functional matter not protected by a utility patent is available for all to copy, then it follows that ornamental or aesthetic designs not protected by design patents are also free for everyone to copy. Design and utility patents are created by the same law . . . . There is nothing in the patent law itself that would allow a distinction to be made between design and utility patents for purposes of extending trademark protection to one but not to the other. To the contrary, the law applicable to utility patents applies to design patents as well: "The provisions of this title relating to patents for inventions shall apply to patents for designs, except as otherwise provided."

*Kohler Co. v. Moen, Inc.*, 12 F.3d 632, 648 (7th Cir. 1993) (Cudahy, J., dissenting) (citations omitted); see Welkowitz, *supra* note 79, at 334 (discussing the varying standards for functionality).

288. See *supra* note 218 (discussing how ornamental product features can be deemed functional).

not be deemed functional, and thus will be subject to the *Qualitex* or competitive necessity standard. Under this standard, courts will deem an ornamental product feature functional if its exclusive use "would put competitors at a significant nonreputation-related disadvantage."<sup>289</sup> This will entail a case-by-case examination of the impact of protection on competitors in the particular market at issue. Presumably, as long as sufficient alternative product decoration features are available to the defendants, no competitive necessity will be found.<sup>290</sup>

Thus, *Traffix* may be a logical "next step" after *Bonito Boats* in adopting a functionality standard that will maintain useful product features in the public domain to serve as building blocks for competition and further invention, and as a backdrop for the patent system. However, in adopting separate standards for useful product features and purely ornamental product features, *Traffix* drew a distinction that did not exist in *Sears/Compco/Bonito Boats* and failed to explain why it did so.<sup>291</sup>

### *B. The Policy to Avoid Undercutting Utility Patents*

Rather than directly relating the functionality doctrine to the *Sears/Compco/Bonito Boats* line of cases, a number of authorities have suggested that the primary purpose of the functionality doctrine is to avoid use of trade dress protection to undercut utility patents. As Professor McCarthy has put it:

[One] rationale for the functionality bar is that the policy of free and open competition prohibits trade dress from creating "back-door patents," substituting for the strict requirements of utility patent law. Therefore it follows that under this rationale, the test of what is "functional" should be very similar to that of patent law. That is, "functional" features or designs should be defined as those that are driven by practical, engineering-type considerations . . . . Under this rationale, these kind [sic] of utilitarian considerations should form the basis for the determination of what is "functional."

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289. See *id.* (discussing the *Qualitex* standard).

290. See *id.* (discussing competitive necessity in relation to ornamental product features).

291. The *Traffix* Court also avoided ruling on the suggestion set forth in *Compco* and *Bonito Boats* that the right to copy unpatented product features is constitutionally compelled. See *Traffix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 35 (2001) (declining to address the constitutional issues).

... If there is to be an exclusive right for functional features, such protection can only be gained by utility patent protection limited in time, not perpetual protection under trademark law.<sup>292</sup>

Authorities promoting this approach have argued that the functionality doctrine is not (or should not be) concerned with the possibility of trade dress protection undercutting or overlapping design patents<sup>293</sup> because trade dress

292. 1 MCCARTHY, *supra* note 207, § 7:64 (footnote omitted); *see also* Dratler, *supra* note 2, at 938–39 (discussing functionality). Dratler explained:

At its core, the functionality doctrine is based upon a simple premise: trademark law should not provide a shortcut to achieve perpetual utility patent protection. Thus the 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. If a feature of an article is dictated by such a useful purpose, it is functional and must be protected, if at all, by a utility patent.

Dratler, *supra* note 2, at 938–39; *see also* *Valu Eng'g, Inc. v. Rexnord Corp.*, 278 F.3d 1268, 1273 (Fed. Cir. 2002) (discussing the purpose of the functionality doctrine); *W.T. Rogers Co. v. Keene*, 778 F.2d 334, 337–38 (7th Cir. 1985) (noting the role of functionality in accommodating Section 43 and patent law); 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, 380–81 (1977) ("The functionality doctrine has several policies or goals. The primary goal, which effectively encompasses the others, is simply that trademark law should not provide a means to obtain perpetual utility patent protection for features that are not patentable.").

293. Design patents are by definition reserved for "ornamental," as opposed to "functional," product designs. 35 U.S.C. § 171. "Design patents do not and cannot include claims to the structural or functional aspects of the article." *Lee v. Dayton-Hudson Corp.*, 838 F.2d 1186, 1188 (Fed. Cir. 1988). Whether a design is "ornamental" for purposes of a design patent depends on whether the design was "dictated by the function of the article." *See Berry Sterling Corp. v. Pescor Plastics, Inc.*, 122 F.3d 1452, 1455 (Fed. Cir. 1997) (stating the test to determine if a design is ornamental for purposes of a design patent). This determination must rest on analysis of the claimed design's overall appearance. *Id.* Courts may consider the availability of alternative designs as evidence that a challenged design is not functional. *See id.* at 1455–56 (discussing the relevance of alternate designs). The Federal Circuit has explained that other appropriate considerations might include:

[W]hether the protected design represents the best design; whether alternative designs would adversely affect the utility of the specified article; whether there are any concomitant utility patents; whether the advertising touts particular features of the design as having specific utility; and whether there are any elements in the design or an overall appearance clearly not dictated by function.

*Id.* at 1455; *see generally* 1 MCCARTHY, *supra* note 207.

Courts have sometimes held that the fact that a product design is the subject of a design patent is relevant evidence of nonfunctionality in support of trade dress protection. *See, e.g., In re Morton-Norwich Prods., Inc.*, 671 F.2d 1232, 1342 n.3 (C.C.P.A. 1982) (finding a former design patent relevant evidence of nonfunctionality). A former patent, however, has not been considered to be conclusive in itself. *See In re Am. Nat'l Can Co.*, 41 U.S.P.Q.2d 1841, 1843 (T.T.A.B. 1997) (stating that a design patent is not conclusive evidence of nonfunctionality); 1 MCCARTHY, *supra* note 207, § 6:11, at nn.19 & 20 (listing relevant case law).

laws and design patents serve different, equally legitimate federal purposes.<sup>294</sup> Moreover, trade dress protection provides a weaker and narrower form of protection for aesthetic product features than design patents. In contrast to the "monopoly" rights provided by a design patent, the Lanham Act: (1) only provides relief when a defendant's similar aesthetic product features cause a likelihood of consumer confusion;<sup>295</sup> (2) permits flexible remedies that enable courts to tailor relief narrowly and avoid injunctions that stop production and distribution of a defendant's products;<sup>296</sup> and (3) requires that trade dress be distinctive in order to limit protection to those product features and designs that

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294. See, e.g., *In re Mogen David Wine Corp.*, 328 F.2d 925, 930 (C.C.P.A. 1964) (discussing the respective purposes of trade dress law and design patent law). 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. We know of no provision of patent law, statutory or otherwise, that guarantees to anyone an absolute right to copy the subject matter of any expired patent. Patent expiration is nothing more than the cessation of the patentee's right to exclude held under the patent law. Conversely, trademarks conceivably could end through nonuse during the life of a patent. We doubt it would be argued that the patent rights should also expire so as not to "extend" them.

*Id.* A later decision by the same court explained:

[The holding in *Mogen David*] recognized the clear distinction between the underlying bases of the federal trademark and design patent laws. Federal design patent laws were created to encourage the invention of ornamental designs. Federal trademark laws, which are independent in origin from the design patent laws, seek to prevent the public from encountering confusion, mistake, and deception in the purchase of goods and services and to protect the integrity of the trademark owner's product identity. With that distinction in mind, this court decided that the public interest—protection from confusion, mistake, and deception in the purchase of goods and services—must prevail over any alleged extension of design patent rights, when a trademark is nonfunctional [the court defined functional as "in essence utilitarian or dictated for reasons of engineering efficiency"] and does in fact serve as a means to distinguish the goods of the trademark owner from those of others.

*In re Honeywell, Inc.*, 497 F.2d 1344, 1348 (C.C.P.A. 1974); see also 1 MCCARTHY, *supra* note 207, § 7:91 (discussing the relationship between trademark law and design patent law).

295. See, e.g., *W.T. Rogers Co. v. Keene*, 778 F.2d 334, 337 (7th Cir. 1985) (distinguishing trademark and design patents); 1 MCCARTHY, *supra* note 207, § 7:91 (discussing consumer confusion); Dratler, *supra* note 2, at 928–30 (explaining the "likelihood of confusion" standard). *But see* Welkowitz, *supra* note 79, at 321–30 (arguing that the "likelihood of confusion" standard, as applied, "is a tenuous basis to distinguish trade dress infringement from a simple prohibition on copying").

296. See Dratler, *supra* note 2, at 930–33 (discussing the flexibility of the trademark infringement remedy).

enjoy secondary meaning.<sup>297</sup> In line with their view that the functionality doctrine should only mediate between trade dress protection and utility patents, a number of proponents of this rationale have rejected the concept of "aesthetic functionality" altogether.<sup>298</sup>

Thus, under this approach to functionality, courts should deem only those product features that are useful, practical, or driven by engineering considerations as functional and unprotectable. Ornamental product features and designs should not be excluded from protection under the functionality doctrine. Arguably, the closer the functionality doctrine comes to approximating the "usefulness" standard of utility patent law,<sup>299</sup> the more effective it will be in preventing trade dress protection from undercutting utility patents.<sup>300</sup>

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297. See *id.* at 933–35 (discussing distinctiveness); see generally *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205 (2000) (interpreting the Lanham Act). But see Thomas F. Cotter, *Is This Conflict Really Necessary?: Resolving an Ostensible Conflict Between Patent Law and Federal Trademark Law*, 3 MARQUETTE INTELL. PROP. REV. 25, 69–70 (1999) (questioning whether distinctions between design patent and trade dress protection are meaningful). Professor Cotter notes that it "may not be all that difficult to prove secondary meaning in a design that has been the subject of a commercially successful design patent." *Id.* at 69. Further, under the *Gorham* "eye of the ordinary observer" test of design patent infringement, "a person claiming infringement of a design patent must prove something rather similar to likelihood of confusion." *Id.* at 69–70; see also Welkowitz, *supra* note 79, at 351 (arguing that the tests used to determine both validity and infringement of design patents and trade dress are similar, which suggests that "patents are not adequately shielded from encroachment by trade dress protection of designs").

Notably, the same rationale that commentators apply to differentiate design patents and trade dress protection also applies to differentiate utility patents and trade dress protection. Thus it remains unclear why trade dress protection may undermine one form of patent but not the other. See *Kohler Co. v. Moen, Inc.*, 12 F.3d 632, 648 (7th Cir. 1993) (Cudahy, J., dissenting) (noting the separate treatment of design patents and trade dress protection). For a discussion of Judge Cudahy's dissent, see *supra* note 287 and accompanying text.

298. See, e.g., *Sicilia Di R. Biebow & Co. v. Cox*, 732 F.2d 417, 427–28 (5th Cir. 1984) (criticizing "aesthetic functionality" cases); *In re DC Comics, Inc.*, 689 F.2d 1042, 1048–50 (C.C.P.A. 1982) (discussing "aesthetic functionality"); 1 MCCARTHY, *supra* note 207, § 7:80 ("The notion of 'aesthetic functionality' is an unwarranted and illogical expansion of the functionality policy, carrying it far outside the utilitarian rationale that created the policy."); Dratler, *supra* note 2, at 942 (stating that the functionality doctrine should not expand into aesthetics).

299. See 35 U.S.C. § 101 ("Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new or useful improvement thereof, may obtain a patent therefore."). An invention is useful when it provides a specific benefit in currently available form. See *Brenner v. Manson*, 383 U.S. 519, 534–35 (1966) (stating the usefulness standard).

300. In fact, however, many of the proponents of this approach to the functionality doctrine have advocated a practical effect standard of functionality, which only withholds trade dress protection for product features for which there is competitive need, or insufficient equally good



The *TrafFix* decision does bring the standard for determining functionality closer to the usefulness standard for utility patents. As discussed earlier, courts adopting a practical effect standard of functionality reasoned that product features could perform a useful function other than identifying source (that is, be "de facto functional") but still be protected as trade dress. Courts deemed only de jure functional product features unprotectable. As Professor Oddi has explained:

The generally adopted definition of de jure functionality in trademark law is whether there is a competitive need to copy that is tested by whether or not there are available alternatives. A configuration is only de facto functional if that same utility may be achieved in a variety of ways. Indeed, to be excluded from registration on the ground of functionality the particular design must be "superior" to be de jure functional. In contrast, patent law treats utility in a broader sense, i.e., that the particular product serve a practical, commercial end. Not only does the invention work (i.e., is operable) but also it must have some useful commercial application. To be protected, a new and nonobvious invention need not be "superior"; it need not be the "best"; it need only be "useful."<sup>301</sup>

In focusing on the relationship of the feature to the use or purpose of the product, and on whether the feature affects the cost or quality of the product, and in eliminating consideration of the availability of alternatives or "competitive need," the *TrafFix* Court brought the functionality doctrine much closer to a simple "usefulness" standard such as is employed under utility patent law. This is logically consistent with adopting the theory that the functionality doctrine's purpose is to avoid undercutting utility patents.

However, the *TrafFix* Court had little to say about the dangers of trade dress protection undercutting utility patents.<sup>302</sup> While the Court discussed utility patents in connection with the functionality doctrine, utility patents were relevant to the discussion because they provided strong evidence that the product feature at issue played a useful role in the product.<sup>303</sup> More importantly, *TrafFix* did not confine its definition of functionality to useful product features. Even if a product feature is found not to be "useful" under the *Inwood* standard, courts still must apply the *Qualitex* standard and inquire

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alternatives.

301. Oddi, *supra* note 220, at 140–41 (footnotes omitted); see also Mohr, *supra* note 292, at 389–92 (discussing the differing standards of patent and trademark law).

302. The Court notes that "[t]he Lanham Act does not exist to reward manufacturers for their innovation in creating a particular device; that is the purpose of the patent law and its period of exclusivity." *TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 34 (2001).

303. See *id.* at 29–30 (finding that a utility patent is "strong evidence" that a patent feature is functional).

whether the exclusive use of the feature will "put competitors at a significant nonreputation-related disadvantage."<sup>304</sup> The Court made clear that this standard is meant to identify purely ornamental (as opposed to useful) product features for which there is competitive need and deny them trade dress protection under the functionality doctrine.<sup>305</sup> Indeed, *TrafFix* gives the aesthetic functionality doctrine a degree of legitimacy that it never enjoyed in the past. Thus, in total, *TrafFix* does not appear to make the "don't undercut utility patents" philosophy its focus.

### C. The General Policy Favoring Free Competition

Another line of authority states that the functionality doctrine serves the general purpose of "preserving free and effective competition by ensuring that competitors can copy features that they need to 'compete effectively.'"<sup>306</sup>

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304. See *id.* at 32 (applying the *Qualitex* standard).

305. See *id.* at 34 (discussing *Qualitex*). The *TrafFix* Court has nothing specific to say about the propriety or impropriety of trade dress protection overlapping design patent protection. There was no occasion to do so, because no design patents were involved in that case. Some scholars have suggested that a conflict exists between trade dress and design patent protection and have suggested that the doctrine of aesthetic functionality might be adapted to avoid or alleviate this conflict. See Perry J. Saidman, *Kan TrafFix Kops Katch the Karavan Kopy Kats? or Beyond Functionality: Design Patents Are the Key to Unlocking the Trade Dress/Patent Conundrum*, 82 J. PAT. & TRADEMARK OFF. SOC. 839, 853–57 (2000) (discussing "aesthetic functionality"); Welkowitz, *supra* note 79, at 334–43 (same). However, the "competitive need" standard the *TrafFix* Court adopted would not eliminate all such overlap, just as it did not eliminate all overlap between trade dress protection and utility patents.

306. 1 MCCARTHY, *supra* note 207, § 7:63; see also *Thomas & Betts Corp. v. Panduit Corp.*, 138 F.3d 277, 297–98 (7th Cir. 1998) (explaining the rationale behind the functionality doctrine); *Vornado Air Circulation Sys., Inc. v. Duracraft Corp.*, 58 F.3d 1498, 1501 (10th Cir. 1995) (defining functionality in terms of competitive need); *In re Morton-Norwich Prods., Inc.*, 671 F.2d 1332, 1339 (C.C.P.A. 1982) (discussing functionality in terms of effective competition). Professor McCarthy believes that two rationales underlie the functionality bar: "(1) accommodation to the important principle of free competition that there is only one legal source of exclusive rights in utilitarian features—utility patent law, and (2) preserving free and effective competition by ensuring that competitors can copy features that they need to 'compete effectively.'" 1 MCCARTHY, *supra* note 207, § 7:63. He notes that while some courts and authorities place all of the weight on one or the other of these rationales, both policies are important guides in determining whether a particular product feature or design is functional. *Id.*

The Federal Circuit has repeatedly stressed that the effect of trade dress protection upon competition "is really the crux of the matter." See *Valu Eng'g, Inc. v. Rexnord Corp.*, 278 F.3d 1268, 1277 (Fed. Cir. 2002) ("An important policy underlying the functionality doctrine is the preservation of competition."); *Midwest Indus., Inc. v. Karavan Trailers, Inc.*, 175 F.3d 1356, 1361–62 (Fed. Cir. 1999) (attributing the functionality doctrine to the need to preserve competition); *In re Morton-Norwich Prods., Inc.*, 671 F.2d 1332, 1339 (C.C.P.A. 1982) (noting the importance of preserving competition). The Federal Circuit's emphasis on the practical

Under this line of reasoning, the functionality doctrine is intended to balance the social interest in competitors' freedom to copy unpatented products against the interests in avoiding consumer confusion and protecting business goodwill.<sup>307</sup>

This rationale leads to the adoption of a practical effect or competitive necessity standard of functionality: Distinctive product feature trade dress should be protected against unauthorized uses that cause a likelihood of consumer confusion, unless protection will significantly interfere with competition. However, in *Traffix*, the Supreme Court found that a competitive necessity standard was "incorrect as a comprehensive definition."<sup>308</sup> Rather, when the design is functional under the *Inwood* formulation, there is no need to consider if there is a "competitive necessity for the feature."<sup>309</sup> The practical effect of trade dress protection on competition should only be the test for product designs and features that are deemed nonfunctional under the *Inwood* standard and thus play no material or important role in the product.

As discussed earlier, the Supreme Court appears to have rejected the notion that the interests in copying unpatented product features and the interests in avoiding consumer confusion are equally weighted in the case of product feature trade dress claims.<sup>310</sup> In *Traffix*, the Court essentially ruled that the interest in competitors' copying will prevail whenever the product feature plays a material or important role in the product, regardless of the availability of alternative features that work as well, or other evidence that competitors may not need to copy the feature in order to compete effectively.<sup>311</sup> The weighing or

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effect on competition has been highly influential in other Circuits.

307. The Restatement (Third) of Unfair Competition, which embraced the general "preserving free and effective competition" rationale, explains: "The rule excluding functional designs from the subject matter of trademark law is an attempt to identify situations in which the public and private interest in avoiding confusion is outweighed by the anticompetitive consequences of trademark protection." RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 17 cmt. a (1995); see also *Fabrication Enters., Inc. v. Hygienic Corp.*, 64 F.3d 53, 58–59 (2d Cir. 1995) (noting the need to balance competition and avoid confusion); *Morton-Norwich*, 671 F.2d at 1337 (noting the balance of interests); Dratler, *supra* note 2, at 940 ("Many courts have opined that the doctrine is intended to balance society's interest in free competition (reflected in producers' rights to copy designs not protected by patent or copyright) against the interests of consumers in freedom from confusion and the interests of producers in identifying their products and retaining the associated good will.").

308. *Traffix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 32–33 (2001).

309. *Id.* at 33.

310. See *Vornado Air Circulation Sys., Inc. v. Duracraft Corp.*, 58 F.3d 1498, 1504 (10th Cir. 1995) ("When asked to balance the concerns of patent law against those of unfair competition law with respect to the copying of product shapes, the Supreme Court has ruled repeatedly over the years that the right to copy must prevail.").

311. See *Traffix*, 532 U.S. at 33–34 (stating that alternative design possibilities are

balancing of interests, while not completely rejected, is reserved for those cases involving product features that are merely ornamental, arbitrary or incidental.

#### D. The Public Bargain Doctrine

The public bargain doctrine is also sometimes cited in connection with the functionality doctrine.<sup>312</sup> Commentators generally attribute this doctrine to the Supreme Court's decisions in *Singer* and *Kellogg*.<sup>313</sup> It holds that in return for granting a patent, the public receives the right to copy the patented invention upon the expiration of the patent term.<sup>314</sup> The Constitution's Patents and Copyrights Clause<sup>315</sup> may mandate this quid pro quo arrangement in itself because dedication of patented inventions to the public domain is an important way that the patent law "promote[s] the progress of Science and useful Arts."<sup>316</sup>

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irrelevant once functionality is determined).

312. See *infra* notes 320–21 (relating functionality to public bargain).

313. *Kellogg Co. v. Nat'l Biscuit Co.*, 305 U.S. 111 (1938); *Singer Mfg. Co. v. June Mfg. Co.*, 163 U.S. 169 (1896).

314. See *Singer*, 163 U.S. at 185 (discussing the tradeoff involved in granting a patent). The Court explained:

It is self-evident 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 the patent becomes public property. It is upon this condition that the patent is granted. It follows, as a matter of course, that on the termination of the patent there passes to the public the right to make the machine in the form in which it was constructed during the patent.

*Id.* at 135; see also *supra* note 36 and accompanying text (discussing the public bargain doctrine).

315. U.S. CONST., art. I, § 8, cl. 8.

316. *Id.*; see also Mohr, *supra* note 292, at 348 (footnotes omitted) (discussing the Constitutional bargain). Mohr explained:

The Patent Clause and statutes passed pursuant to it were intended to create a *bargain* between society and the inventor, a straightforward *quid pro quo* arrangement in which the government would grant to inventors a limited-duration monopoly allowing them to exploit their inventions without fear of competition. In return, the inventor was obliged to disclose to the public precisely how the invention worked, so that others could improve upon it and make further advances in the relevant technology. Thus, the inventor's disclosure was to be the consideration that would support the government's grant of patent rights; only if properly disclosed would the invention be available for use, thus allowing society to benefit from its bargain. Further, once the patent term expired, the invention would enter the public domain and become available for the public to use and copy freely.

Mohr, *supra* note 292, at 348.

Perhaps the strongest statement of the public bargain doctrine, for present purposes, can be found in the Supreme Court's decision in *Scott Paper Co. v. Marcalus Manufacturing Co.*<sup>317</sup>

By the force of the patent laws not only is the invention of a patent dedicated to the public upon its expiration, but the public thereby becomes entitled to share in the good will which the patentee has built up in the patented article or product through the enjoyment of his patent monopoly. Hence we have held that the patentee may not exclude the public from participating in that good will or secure, to any extent, a continuation of his monopoly by resorting to the trademark law and registering as a trademark any particular descriptive matter appearing in the specifications, drawings or claims of the expired patent, whether or not such matter describes essential elements of the invention or claims.<sup>318</sup>

In *Bonito Boats*, the Supreme Court revisited and reaffirmed the basic principle that "after the expiration of a federal patent, the subject matter of the patent passes to the free use of the public as a matter of federal law."<sup>319</sup>

Some authorities have attributed the rationale underlying the functionality doctrine directly to the public bargain doctrine.<sup>320</sup> Others have described the functionality doctrine as accommodating or reconciling trade dress protection to the public bargain doctrine.<sup>321</sup> Still others have distinguished this line of cases,

317. *Scott Paper Co. v. Marcalus Mfg. Co.*, 326 U.S. 249, 256 (1945). In *Scott Paper*, the defendant was charged with infringing a patent that it had assigned to the plaintiff. *Id.* The issue was whether the assignor was estopped (by virtue of his assignment) from arguing that an expired patent covered his allegedly infringing device. *Id.* at 250. The Court found that the assignor was not estopped, reasoning that application of the doctrine of estoppel under these circumstances would be inconsistent with the rule that the subject matter of expired patents is dedicated to the public. *See id.* at 259–60 (considering the doctrine of estoppel and patent law). Once the subject of an expired patent has entered the public domain, the rights in it cannot be subject to private barter, sale, or waiver. *See id.* at 256 (discussing the public bargain doctrine).

318. *Id.* (citing *Kellogg and Singer*).

319. *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 152 (1989) (citing *Kellogg and Singer*). The *Bonito Boats* Court added: "For almost 100 years it has been well established that in the case of an expired patent, the federal patent laws do create a federal right to 'copy and to use.'" *Id.* at 165; *see also Dastar Corp. v. Twentieth Century Fox Film Corp.*, 123 S.Ct. 2041, 2048 (2003) ("The rights of a patentee or copyright holder are part of a 'carefully crafted bargain,' . . . under which, once the patent or copyright monopoly has expired, the public may use the invention or work at will and without attribution." (quoting *Bonito Boats*, 489 U.S. at 150–51)).

320. *See, e.g., Merchant & Evans, Inc. v. Roosevelt Bldg. Prods. Co., Inc.*, 963 F.2d 628, 633–34 (3d Cir. 1992) (noting functionality's genesis from the public bargain doctrine); *Eco Mfg., LLC v. Honeywell Int'l, Inc.*, 295 F. Supp. 2d 854, 865 (S.D. Ind. 2003) (discussing relationship between trademark and patent law).

321. *See, e.g., Midwest Indus. v. Karavan Trailers*, 175 F.3d 1356, 1362–64 (Fed. Cir. 1999) (reconciling trade dress protection and the public bargain doctrine); *Kohler Co. v. Moen, Inc.*, 12 F.3d 632, 644–48 (7th Cir. 1993) (Cudahy, J., dissenting) (discussing the

finding it not directly applicable to Lanham Act trade dress protection for product features.<sup>322</sup> Once again, the *TrafFix* Court did little to clarify matters.

At the end of its opinion, the *TrafFix* Court noted arguments by the defendant and some of its amici that the Patents Clause "of its own force, prohibits the holder of an expired utility patent from claiming trade dress protection," but the *TrafFix* Court declined to take up the question.<sup>323</sup> The Court noted that "[i]f, despite the rule that functional features may not be the subject of trade dress protection, a case arises in which trade dress becomes the practical equivalent of an expired utility patent, that will be time enough to

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*Sears/Compco/Bonito Boats* line of cases); *In re Honeywell*, 497 F.2d 1344, 1347-48 (C.C.P.A. 1974) (discussing the role of functionality); 1 MCCARTHY, *supra* note 207, § 6:11 (explaining the role of functionality in design patent law); Theodore H. Davis, Jr., *Directing TrafFix: A Comment on the Construction and Application of Utility Patent Claims in TradeDress Litigation*, 54 FLA. L. REV. 229, 249-51 (2002) (discussing functionality in trade dress protection law).

Under this theory, the doctrine of functionality reconciles conflicts between trade dress protection and the rule that inventions covered by utility patents enter the public domain upon expiration. To the extent that trade dress protection and design patents conflict, the doctrine of functionality may not reconcile the differences. Some courts have held that the public bargain rationale set forth in *Singer*, *Kellogg* and *Scott Paper* is not applicable to expired design patents. See *In re Honeywell*, 497 F.2d 1244, 1348-49 (C.C.P.A. 1974) (distinguishing design patents). In *Honeywell*, the court noted that:

In those cases the Supreme Court was concerned not with nonfunctional features of expired design patents, but rather *functional* features of utility patents and whether or not the public domain acquired the subject matter of those utility patents upon their expiration. However, the solicitor submits that the principle of *Kellogg* is also applicable to design patents insofar as the Kellogg Company, in addition to its utility patents, at one time had a design patent on the pillow-shape of its shredded wheat biscuit.

... That analysis was not predicated upon the mere fact that the pillow-shape was claimed in a design patent, but rather that the pillow-shape was a functional feature which was the necessary result of following the teachings of the utility patent.

*Id.* But see *Vornado Air Circulation Sys. v. Duracraft Corp.*, 58 F.3d 1498, 1506-07 (10th Cir. 1995) (finding the functionality doctrine inadequate to reconcile trade dress and the Patent Act); *Kohler Co. v. Moen, Inc.*, 12 F.3d 632, 648 (7th Cir. 1993) (Cudahy, J. dissenting) ("There is no basis for treating the subject matter of design and utility patents differently.").

322. See, e.g., *Thomas & Betts Corp. v. Parduit Corp.*, 138 F.3d 277, 285-87 (7th Cir. 1998) (distinguishing *Singer* and *Kellogg* on their facts and *Scott Paper* as "merely dicta"); Cotter, *supra* note 297, at 44-45 (noting that neither the *Singer* nor the *Kellogg* Court confronted an apparent conflict between federal patent policy and another federal statute and that both the *Singer* and *Kellogg* Court "seemed to view the assertion of trademark rights in the name and shape of the article as an illegitimate attempt to extend the owner's patent" and they also "stressed the plaintiff's own use of the name as a generic term and, at least in *Kellogg*, the defendant's need to copy the shape of the product in order to compete").

323. See *TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 32-33 (2001) (declining to resolve issues involving the Patent Clause).

consider the matter."<sup>324</sup> The Court had just significantly raised the functionality standard, making it much less likely, as a practical matter, that trade dress protection would extend to the subject matter of expired utility patents. Thus, the Court may have been suggesting that a higher functionality standard is a means to avoid a conflict between trade dress protection and the public bargain doctrine. This suggestion would support the view that the functionality doctrine "mediates conflicts between patent law and trade dress law"<sup>325</sup> and reconciles trade dress protection with the *Singer/Kellogg/Scott Paper* line of cases.<sup>326</sup>

The *TrafFix* Court also seemed to stress the "vital significance" of an expired patent to a claim of trade dress infringement, emphasizing the "great weight" that evidence of the expired utility patent would add to the statutory presumption of functionality.<sup>327</sup> This, too, might suggest that the Court was addressing the policy set forth in *Singer, Kellogg, and Scott Paper*. However, the Court made no reference to that line of cases. Rather, the Court stated a different rationale for emphasizing disclosure of a feature in utility patent claims in the functionality inquiry:<sup>328</sup> This evidence demonstrates the

324. *Id.*

325. See 1 MCCARTHY, *supra* note 207, § 6:10 (interpreting *TrafFix*).

326. The *TrafFix* Court had no occasion to directly address the question of conflict between trade dress protection and expired design patents, but the Court's adoption of the secondary *Qualitex* competitive necessity functionality standard, to be applied in the case of ornamental product features, may suggest that it sees some potential for conflict. See *TrafFix*, 532 U.S. at 32–33 (discussing the *Qualitex* standard).

327. See *id.* (discussing the relevance of a utility patent). The Court stated:

A prior patent, we conclude, has vital significance in resolving the trade dress claim. A utility patent is strong evidence that the features therein claimed are functional. If trade dress protection is sought for those features the strong evidence of functionality based on the previous patent adds great weight to the statutory presumption that features are deemed functional until proved otherwise by the party seeking trade dress protection. Where the expired patent claimed the features in question, one who seeks to establish trade dress protection must carry the heavy burden of showing that the feature is not functional, for instance by showing that it is merely an ornamental, incidental, or arbitrary aspect of the device.

*Id.*

328. See *id.* (discussing the emphasis on disclosure of the feature in functional inquiry). The Court stated:

The rationale for the rule that the disclosure of a feature in the claims of a utility patent constitutes strong evidence of functionality is well illustrated in this case. The dual-spring design serves the important purpose of keeping the sign upright even in heavy wind conditions; and, as confirmed by the statements in the expired patents, it does so in a unique and useful manner . . . . The dual-spring design affects the cost of the device as well; it was acknowledged that the device "could use three springs but this would unnecessarily increase the cost of the device."

relationship of the feature to the use or purpose of the invention. Moreover, later in the opinion, the Court made it clear that all product features would be subject to the same nonfunctionality standard as a prerequisite to trade dress protection, regardless of whether a utility patent had previously protected them.<sup>329</sup>

### *E. Conclusion to Part V*

*TrafFix* did not fully align the Supreme Court with any of the policies that have been cited as justifying the functionality doctrine. However, the *TrafFix* Court can be characterized as taking the next step in defining the scope of the policy set forth in the *Sears/Compco/Bonito Boats* line of cases, by extending it to federal trade dress protection. *TrafFix* may be characterized as extending the public domain rationale of *Sears/Compco* to federal trade dress protection in a general way, but with the proviso that a lower bar will exist with regard to trade dress protection for purely ornamental product features.

### *VI. Conclusion*

The Supreme Court has clearly undertaken, in *Wal-Mart* and now in *TrafFix*, to curb use of the Lanham Act to prevent product knock-offs. Properly construed, the Court's primary (*Inwood*) standard for functionality looks strictly to the role that a product feature plays in a product. It determines whether the feature plays a material or important role in the use or purpose of the product, or whether it affects the cost or quality of the product. Essentially, only those product features that are merely incidental or arbitrary are likely to be subject to trade dress protection under this standard. If product features are nonfunctional under this standard, then courts must impose a second functionality standard, which entails measuring competitive need for the features. Under this second, *Qualitex* standard, courts must look to the availability of satisfactory alternative product features to determine whether trade dress protection will significantly interfere with competition under the

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*Id.* at 31–32.

329. See *id.* (requiring nonfunctionality). The Court found that:

Whether a utility patent has expired or there has been no utility patent at all, a product design which has a particular appearance may be functional because it is "essential to the use or purpose of the article" or "affects the cost or quality of the article."

*Id.* at 35 (quoting *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 850 n.10 (1982)).



facts of the particular case. Thus, even purely aesthetic product features may be disqualified as "functional," if competitors are unable to compete effectively without access to them.

While there have been several different theoretical underpinnings attributed to the functionality doctrine, the *TrafFix* formulation does not fully conform to any of them. However, the formulation appears generally consistent with the doctrine set forth in the *Sears/Compco/Bonito Boats* line of cases, though it deviates from that line of cases by setting a lower bar for protectibility in the case of purely ornamental features. This result, along with the Court's reliance on *Sears* and *Bonito Boats* as precedent for its functionality standard, suggests that the Court is taking the next step in defining the scope of the *Sears/Compco/Bonito Boats* doctrine by extending its reasoning to federal trade dress protection.