

TRAFFIX DEVICES, INC. V. MARKETING DISPLAYS, INC.

By Kerry S. Taylor

It is a well-established tenet of trademark law that functional product features are not entitled to trade dress protection.¹ This principle can lead to unfortunate consequences for producers and consumers who have come to rely on a functional feature to identify the source of a product. The exclusion of functional features from trade dress protection, however, is based on sound policy rationale because patent law serves to protect useful innovations and it encourages copying of useful items for public use.²

In refining the rule for functionality, the Supreme Court in *Traffix Devices, Inc. v. Marketing Displays, Inc.*³ held that a feature is functional when it is essential to the use or purpose of the article or if it affects the cost or quality of the article.⁴ Further, when the product feature was the subject of an expired utility patent, there is a strong evidentiary inference of functionality, and the patent owner bears the burden of showing that such a feature was not a useful part of the invention, but was instead arbitrary, incidental or ornamental.⁵

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1. *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 164 (1995); *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 775 (1992). *See also* 15 U.S.C. §§ 1052(e), 1064(3) and 1091(c).

2. *See, e.g.*, J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 7:63 (4th ed. 2001), Judith Beth Prowda, *The Trouble with Trade Dress Protection of Product Design*, 61 ALB. L. REV. 1309, 1323-30 (1998); Theodore H. Davis, *Copying in the Shadow of the Constitution: The Rational Limits of Trade Dress Protection*, 80 MINN. L. REV. 595, 596-609 (1996).

3. 121 S. Ct. 1255 (2001).

4. *Id.* at 1263. "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.'" (citing *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 850 n.10 (1982)).

5. *Id.* at 1260. "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.* at 1262. "In a case where a manufacturer seeks to protect arbitrary, incidental, or ornamental aspects of features of a product found in the patent claims, such as arbitrary curves in the legs or an ornamental pattern painted on the springs, a different result might obtain."

The *TrafFix* decision represents the Supreme Court's latest refinement of the scope of trade dress protection, limiting trade dress protection by eliminating economic considerations in functionality determinations. This holding narrowly interprets *Qualitex Company v. Jacobson Products Company, Inc.*,⁶ the previous Supreme Court decision on functionality. The *TrafFix* ruling decreases potential overlap of patent and trademark protection for the same subject matter. But by eliminating economic inquiries, the rule may exclude some nonfunctional product features from trade dress protection, particularly nonfunctional product features that were once the subject of patent protection.

I. BACKGROUND

A. Protection of Trade Dress

Trade dress developed under unfair competition as a protection for distinctive packaging and design of goods.⁷ It protects consumers from confusion by ensuring that they can distinguish between differently packaged products, and can associate packaging or product design with a particular producer. Trade dress also benefits consumers by protecting a manufacturer's good will in its uniquely designed or packaged products, thereby encouraging producers to continue to produce high quality goods.

Trade dress protection has been available under federal law since 1946 under Section 43(a) of the Lanham Act.⁸ Currently, the Lanham Act serves as the principle means of trademark and trade dress protection.⁹ Under this Act, registration is available on the Supplemental Register¹⁰ for "any trademark, symbol, label, package, configuration of goods . . . capa-

6. 514 U.S. 159 (1995).

7. MCCARTHY, *supra* note 2, at § 7.15.

8. 15 U.S.C. § 1125(a) (1994).

9. JEROME GILSON, 2 TRADEMARK PROTECTION & PRACTICE § 7.02[1], 7-12—7-17 (2001).

10. The United States Patent and Trademark Office (PTO) provides for registry of marks used in commerce under two categories: the Principal Register and the Supplemental Register. The Principal Register is available to marks used in commerce that are either inherently distinctive or are descriptive and have developed secondary meaning. Characteristics of goods that are not inherently distinctive and have not acquired secondary meaning are not registrable on the Principal Register, but can be registered on the Supplemental Register if they might in the future develop secondary meaning and thereby serve to distinguish the applicant's goods from those of others. *See generally* ROBERT P. MERGES ET AL., *INTELLECTUAL PROPERTY IN THE NEW TECHNOLOGICAL AGE* (2d ed. 2000).

ble of distinguishing the applicant's goods or services."¹¹ Further, trade dress can be registered on the Principal Register if the product dress identifies the applicant's goods and distinguishes the goods from those of others.¹²

Traditional trade dress law protects product packaging and labeling.¹³ But over the past 20 years, courts have extended trade dress protection to the overall image of the product, which includes features such as size, shape, smell, color and texture.¹⁴ The courts have also expanded the scope of trade dress to include product design features and product configurations as classes of trade dress.¹⁵ This expansion results in trade dress protection that encompasses traditional product packaging such as the Coca-Cola bottle, and extends as far as to include the design of a restaurant.¹⁶

B. The Role of Functionality in Trade Dress

For decades, common law did not permit trademark protection for product features that were functional, despite the lack of a statutory basis for this position.¹⁷ Courts excluded functional features from trademark protection for public policy reasons and to promote free competition by

11. 15 U.S.C. § 1091(c) (1994).

12. See, e.g., *Ex parte Haig & Haig Ltd.* 48 TMR 1031 (Comm'r 1958), and *In re Duro-Test Corp.* 53 TMR 105 (T.T.A.B. 1962).

13. Prowda, *supra* note 2, at 1315-18.

14. See, e.g., *Vaughan Mfg. Co. v. Brikam Int'l Inc.*, 814 F.2d 346 (7th Cir. 1987); *LeSportsac, Inc. v. K-Mart Corp.*, 754 F.2d 71 (2d Cir. 1985); *John H. Harland Co. v. Clarke Checks, Inc.*, 711 F.2d 966 (11th Cir. 1983); *Warner Bros., Inc. v. Gay Toys, Inc.*, 658 F.2d 76 (2d Cir. 1981).

15. Bradley K. Groff, *Bare-Fisted Competition or Palming Off? Protection of Product Design as Trade Dress Under the Lanham Act*, AM. INTELL. PROP. L. ASS'N Q.J. (Winter 1995). Note, however, that not all commentators have supported this expansion of the definition of trade dress. See, e.g., Glynn S. Lunney, Jr., *The Trade Dress Emperor's New Clothes: Why Trade Dress Does Not Belong on the Principal Register*, 51 HASTINGS L. J. 1131 (2000); Melissa R. Gleiberman, Note, *From Fast Cars to Fast Food: Overbroad Protection of Product Trade Dress Under Section 43(a) of the Lanham Act*, 45 STAN. L. REV. 2037 (1993).

16. See, e.g., *Marya Lenn Yee & Orrie Dinstein, Artistic Style Is Given Trade Dress Protection*, NAT'L. L.J., Jan. 24, 1994, at S10; *Two Pesos v. Taco Cabana.*, 505 U.S. 763 (1992). Note, however, that the Supreme Court, in *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205 (2000), halted the expansion of trade dress protection by ruling that product design cannot be inherently distinctive, and, therefore, must attain secondary meaning in order to be entitled to trademark protection. *Id.* at 212. This ruling underscores the distinction between product packaging, which can be inherently distinctive, and product design, which cannot be inherently distinctive.

17. MCCARTHY, *supra* note 2, at § 7.63.

preventing the monopolization of functional product features.¹⁸ In 1998, Congress codified the common law position by including functionality in §§ 7:84, 19:75, 20:21 and 20:56.1 of the Lanham Act as a ground for *ex parte* rejection, opposition, cancellation of registration, and defense for an incontestably registered mark.¹⁹

C. Separating Functional and Design Elements

Two rationales support excluding functional features from trade dress protection. First, in a competitive economy, patent law is the only source of exclusive rights for functional features. Second, competitors should be allowed to copy functional features to compete effectively.²⁰ The underlying public policy goal is to promote competition through trademark law by protecting a firm's reputation and preventing consumer confusion while encouraging innovation of new and useful products which will, after expiration of the patent term, enter the public domain and thereby be freely used, copied and improved.²¹

Unfortunately, in implementing these rationales to define functionality, courts have provided varied and inconsistent tests, particularly with regard to whether the existence of an expired utility patent is *per se* evidence of functionality.²² The exact formulation of the functionality definition will determine whether or not a particular patented feature should also be entitled to trade dress protection, and, thus, address a fundamental question of what happens when patent law and trademark law overlap.²³

D. Recent Supreme Court Treatment of Functional and Design Elements

In recent years, the Supreme Court has considered several issues defining the scope of trade dress protection. Two decisions addressed the role of functionality in trade dress. In *Bonito Boats, Inc. v. Thunder Craft*

18. See, e.g., *Two Pesos*, 505 U.S. at 769; *Qualitex Co. v. Jacobsen Prods. Co., Inc.*, 514 U.S. 159, 165 (1995). See also MCCARTHY, *supra* note 2, at § 7.63 and Judith Beth Prowda, *supra* note 2, at 1324 n.62.

19. Pub. L. No. 105-330, 112 Stat. 3064 (Oct. 30, 1998).

20. MCCARTHY, *supra* note 2, at § 7.63; *Qualitex* 514 U.S. 159 at 165.

21. MCCARTHY, *supra* note 2, at § 7.64; Theodore H. Davis, *supra* note 2, at 507-609; *Sylvania Elec. Prods., Inc. v. Dura Elec. Lamp Co.*, 247 F.2d 730 (3d Cir. 1957).

22. Prowda, *supra* note 2, at 1324; Michael S. Perez, *Reconciling the Patent Act and the Lanham Act: Should Product Configurations Be Entitled to Trade Dress Protection After the Expiration of a Utility or Design Patent?*, 4 TEX. INTELL. PROP. L.J. 383, 410-412 (1996).

23. WILLIAM E. LEVIN, TRADE DRESS PROTECTION § 25 (1996); MCCARTHY, *supra* note 2, at § 7.63; Prowda, *supra* note 2, at 318-325; Perez, *supra* note 22, at 397-399.

Boats, Inc.,²⁴ a boat manufacturer sought to enjoin a competitor from duplicating its unpatented boat hull design using a direct molding process. The manufacturer was attempting to apply a Florida statute prohibiting use of a direct molding process to duplicate unpatented boat hulls. The Supreme Court held that a state may regulate circumstances where designs are used to prevent consumer confusion,²⁵ however, a law that interferes with use of a utilitarian conception contravenes “the centerpiece of federal patent policy.”²⁶ The Court noted that Congress has considered legislation for protecting industrial designs, but has refrained from altering the present system to provide such protection.²⁷ Thus, the Court held, except by congressional act, a state law cannot supercede the patent act and protect a utilitarian product.²⁸

In *Qualitex Company v. Jacobson Products Company, Inc.*²⁹ plaintiff Qualitex registered its unique green-gold colored dry cleaning press pads as a trademark and sued the defendant, a competitor, for trademark infringement.³⁰ The Court held that a color could be the subject of a valid trademark. The Court stated that a design 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.”³¹ The Court then looked to past jurisprudence and to the Restatement (Third) of Unfair Competition, stating that the “ultimate test of aesthetic functionality is whether the recognition of trademark rights would significantly hinder competition.”³² According to this reasoning, a design

24. 489 U.S. 141 (1989).

25. *Id.* at 154.

26. *Id.* at 157.

27. *Id.* at 167.

28. *Id.* at 168.

29. 514 U.S. 159 (1995).

30. *Id.* at 161.

31. *Id.* at 165 (citing *Inwood Labs, Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 850 (1982)).

32. *Id.* at 170 (citing RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 17, cmt. c (1993)). In general, there are two categories of functionality under the common law: utilitarian functionality and aesthetic functionality. Although the definitions of these two categories of functionality vary, the basic definition of utilitarian functionality refers to product features that improve the purpose or performance of the goods. McCarthy, *supra* note 3, § 7:69. Aesthetic functionality generally applies when the appearance of product design or packaging has a significance that is not easily duplicated with substitute designs or packaging. MCCARTHY, *supra* note 2, at § 7:79. For the purposes of this paper, the term “functionality” is equivalent to utilitarian functionality, and references to aesthetic functionality will be specifically indicated. In *Qualitex*, the Court makes only one reference to aesthetic functionality, and the Court does not clarify the relation between the term “aesthetic functionality” and the term “functionality” which is used throughout the

is functional if the 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.'"³³

II. CASE SUMMARY

A. Facts

Marketing Displays, Inc. ("MDI") manufactured and sold stands for temporary road signs that used two springs to keep the signs upright in high winds.³⁴ MDI held two utility patents for a mechanism based on this "dual-spring design."³⁵ The dual-spring design of MDI's stands was visible near the base of the sign, and MDI claimed that this design was recognizable to buyers and users of the stands.³⁶ After the expiration of the utility patents, TrafFix Devices, Inc. ("TrafFix") copied MDI's dual-spring design and sold sign stands that looked like those of MDI.³⁷

B. Procedural History

MDI brought suit against TrafFix, alleging trademark infringement, trade dress infringement and unfair competition.³⁸ TrafFix responded with unfair competition and antitrust counterclaims.³⁹

The district court awarded MDI summary judgment, holding TrafFix liable for trademark infringement, but not for trade dress infringement or unfair competition, and finding MDI not liable for the antitrust claim.⁴⁰ In a two-part judgment, it held that "no reasonable trier of fact could determine that MDI had established secondary meaning in its alleged trade

remainder of the decision. *Qualitex*, 514 U.S. at 170. This ambiguity between terms played an important role in the issues discussed in the *TrafFix* decision.

33. *Qualitex*, 514 U.S. at 170 (citing RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 17, cmt. c (1993)).

34. Brief for Respondent at 2, *TrafFix Devices, Inc. v. Marketing Displays, Inc.*, 121 S. Ct. 1255 (2001) (No. 99-1571).

35. U.S. Patent Nos. 3,646,696 (issued March 7, 1972), 3,662,482 (issued May 16, 1972).

36. Brief for Respondent at 18, *TrafFix* (No. 99-1571).

37. Brief for Petitioner at 6, *TrafFix Devices, Inc. v. Marketing Displays, Inc.*, 121 S. Ct. 1255 (2001) (No. 99-1571).

38. *Marketing Displays, Inc. v. TrafFix Devices, Inc.*, 967 F. Supp. 953, 956 (E.D. Mich. 1997).

39. *Id.*

40. *Id.* at 965.

dress.”⁴¹ Second, it held the dual-spring design was a functional element of the sign stand, and trade dress protection could not be granted for a functional element regardless of whether secondary meaning had developed around that functional element.⁴² To overcome the district court’s holding of functionality, MDI bore the burden of demonstrating that the dual-spring design was nonfunctional, but MDI did not provide such evidence.⁴³

On appeal, the Sixth Circuit upheld the trademark and antitrust holdings and reversed the trade dress holding.⁴⁴ It held that MDI had presented a genuine issue of material fact regarding the secondary meaning of the dual-spring design. The Court of Appeals further held that in order to deny trade dress protection on functionality grounds, the defendant must show that “[e]xclusive use of a feature must ‘put competitors at a significant non-reputation-related disadvantage.’”⁴⁵ In so holding, the court stated that in order for a competitor to use the dual-spring design, the competitor must develop a noninfringing design such as a tri- or quad-spring design or a hidden dual-spring design.⁴⁶ The court did note, however, that appellate courts were split on whether the existence of a utility patent prevented the patentee from claiming trade dress protection.⁴⁷

C. Supreme Court Decision

The Supreme Court reversed the Court of Appeals, holding that trade dress protection will not be granted to product features that are functional, and that a patent holder must overcome a “strong evidentiary inference of functionality based on the disclosure of the dual-spring design in . . . the expired patents.”⁴⁸ Justice Kennedy, writing for the Court, reasoned that federal trade dress protection serves to prevent confusion of the origin of the product, and thus promotes competition.⁴⁹ Further, laws that aim to preserve a competitive economy do not necessarily discourage copying

41. *Marketing Displays, Inc. v Traffix Devices, Inc.*, 971 F. Supp. 262, 269 (E.D. Mich 1997). Note that this portion of the judgment was in response to MDI’s motion to reconsider the initial judgment.

42. *Id.*

43. *Id.*

44. *Marketing Displays, Inc. v Traffix Devices, Inc.*, 200 F.3d 929 (6th Cir. 1999).

45. *Id.* at 938-39 (quoting *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 165 (1995)).

46. *Id.* at 940.

47. *Id.* at 939.

48. *Traffix Devices, Inc. v. Marketing Displays, Inc.* 121 S. Ct. 1255, 1260 (2001).

49. *Id.* at 1259.

goods and products.⁵⁰ He cited 15 U.S.C. § 1125(a)(3),⁵¹ which indicates that a person seeking trade dress protection must prove that the feature to be protected is not functional.⁵² Thus, trade dress protection is not available to prevent a functional element of a product from being copied.⁵³

After establishing that trade dress protection is not available to functional features of a product, Justice Kennedy went through the analysis of how to determine the functionality of a product feature. Specifically, he stated that an expired utility patent is "strong evidence" of functionality.⁵⁴ A feature is considered functional until proven nonfunctional by demonstrating, for example, that the feature is an "ornamental, incidental, or arbitrary aspect of the device."⁵⁵

Justice Kennedy then evaluated MDI's representations of its patented dual-spring design. First, he examined MDI's statements made during prior patent infringement litigation, where it argued that the alleged infringer's device had springs that were equivalent to the devices claimed in the patents held by MDI.⁵⁶ Further, the specification of the patents described the dual-spring design as an improvement over signs without springs that topple in strong winds⁵⁷ or single-spring signs that twist in the wind and thereby incur damage.⁵⁸ Similarly, during the course of patent prosecution, MDI described the dual-spring design as an improvement over single-spring signs. Justice Kennedy concluded that such characterizations of the dual-spring design demonstrated the functionality of the design.⁵⁹

Justice Kennedy then examined the test for determining whether a product feature is functional. He indicated that the Court of Appeals' test for functionality was incorrect because it determined whether the particular product configuration is a competitive necessity.⁶⁰ Further, Justice

50. *Id.* at 1260.

51. *TrafFix*, 121 S. Ct. at 1259.

52. The text of 15 U.S.C. § 1125(a)(3) (Supp. V 1994) states:
In a civil action for trade dress infringement under this chapter for trade dress not registered on the principal register, the person who asserts trade dress protection has the burden of proving that the matter sought to be protected is not functional.

53. *TrafFix*, 121 S. Ct. at 1260.

54. *Id.*

55. *Id.*

56. *Id.* (referring to the patent infringement litigation in *Sarkisian v. Winn-Proof Corp.*, 697 F.2d 1313 (1983)).

57. U.S. Patent No. 3,662,482, col. 1 (issued May 16, 1972).

58. U.S. Patent No. 3,646,696, col. 3 (issued March 7, 1972).

59. *TrafFix*, 121 S. Ct. at 1261.

60. *Id.*

Kennedy did not support the appellate court's position that the competitor should attempt other design possibilities.⁶¹ He stated that such alternative designs are not required if the feature in question is functional.⁶² A more appropriate test is that a product feature is functional when "it is essential to the use or purpose of the article or if it affects the cost or quality of the article."⁶³

Justice Kennedy declared that when the feature was previously the subject of patent claims, the patent owner bears the responsibility of showing that it was not a useful part of the invention, but was instead "arbitrary, incidental or ornamental."⁶⁴ In determining the role of the claimed feature, inquiry can be made into the patent and its prosecution history.⁶⁵ A high standard of proof is required to insure that patent law, and not trademark law, provides manufacturers with rewards for innovations.⁶⁶ Thus, regardless of how recognizable a functional feature is to consumers, such a feature should not be the subject of trade dress protection.⁶⁷

III. DISCUSSION

This analysis will explore the policy rationale used in evaluating the overlap between patent and trademark law and the history of Supreme Court rulings in cases involving such an overlap. The present test for addressing this overlap is the test for functionality of a product feature. The definition for functionality in the Court's *Traffix* decision represents a narrow interpretation of the scope of trade dress protection provided by the functionality test in *Qualitex*. Although the *Traffix* functionality test is not egregiously limiting, it will likely result in denial of trademark protection for some deserving product features.

61. *Id.*

62. *Id.* at 1262.

63. *Id.* at 1261 (quoting *Qualitex Co. v. Jacobson Prods. Co., Inc.*, 514 U.S. 159, 165 (1995), which quoted *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 850, n.10 (1982)).

64. *Id.* at 1262.

65. *Id.*

66. *Id.*

67. *Id.* at 1263.

A. The Tension Between Patent and Trademark Law

1. Fundamental Tension.

Patent law seeks to encourage innovation.⁶⁸ As a reward for a significant innovation, a patentee is granted exclusionary rights for a limited time, after which the innovation passes into the public for copying and improvement.⁶⁹ Awarding a patentee exclusionary rights of unlimited duration, as is provided by trademark protection, would be incompatible with the underlying justification and Constitutional basis for patent law.

Trademark law, in contrast, seeks to protect the consumer and promote competition and quality goods in the marketplace.⁷⁰ The consumer does not benefit if a competitor copies a product, thereby misleading the consumer.⁷¹ As a result, trademark protection is properly granted to a product mark for as long as the product is sold in commerce, which can extend trademark protection into perpetuity.⁷²

When a useful innovation also provides the consumer with information as to the source of the product, a tension arises. Patent law advocates dedicating innovations to the public, while trademark law favors perpetual protection for innovations in order to prevent consumer confusion. The present system favors patent law over trademark law when an overlap between the two arises.⁷³

There are several reasons for favoring patent law over trademark law. First, overextending subject matter entitled to trademark protection to include innovative but functional product features can impede competition by limiting the opportunities for others to make competing products.⁷⁴ As a result, the public would be deprived of the benefit of such technological

68. U.S. CONST. art. 1, § 8, cl. 8. For a discussion of the interplay between the Constitution, patent law and trademark law. *See generally* Prowda, *supra* note 2; Gwendolyn Gill, *Through the Back Door: Attempts to Use Trade Dress to Protect Expired Patents*, 67 U. CIN. L. REV. 1269 (1999); Andrea Falk, *Harmonization of the Patent Act and Federal Trade Dress Law: A Critique of Vornado Air Circulation Systems v. Duracraft Corp.*, 21 IOWA J. CORP. L. 827 (1996); David W. Opperbeck, *Form and Function: Protecting Trade Dress Rights in Product Configurations*, 20 SETON HALL LEGIS. J. 1 (1996); and Theodore H. Davis, *supra* note 2.

69. *See, e.g.*, DONALD S. CHISUM, CHISUM ON PATENTS § 1.01; Gwendolyn Gill, *supra* note 68, at 1273-76.

70. *See, e.g.*, MCCARTHY, *supra* note 2, §§ 2:2, 2:3; Prowda, *supra* note 2, at 318-25.

71. *See, e.g.*, MCCARTHY, *supra* note 2, §§ 2:4, 2:33.

72. *See, e.g.*, *Id.* at § 6:8; Gwendolyn Gill, *supra* note 68, at 1277-80.

73. *See, e.g.*, MCCARTHY, *supra* note 2, § 6:10; Prowda, *supra* note 2, at 318-28.

74. *See, e.g.*, Falk, *supra* note 68, at 829-35.

innovations. Second, the manufacturer of an innovative product can communicate to the consumer using a variety of distinguishing features such as product labeling or ornamental packaging, and is not limited to solely establishing product distinctiveness by virtue of the innovative feature.⁷⁵ Because public policy compels dedicating useful innovations to the public and manufacturers can use non-functional labeling or packaging to distinguish their products, patent protection is more appropriate than trademark protection for protecting functional product innovations.

2. *Singer and One-Hundred Years of Supreme Court Jurisprudence*

During the 19th century, the Supreme Court recognized the dominance of patent law over trademark law for protecting functional innovations. In *Singer Manufacturing Company v. June Manufacturing Company*,⁷⁶ a sewing machine manufacturer copied a competitor's product which contained features that had been the subject of an array of patents.⁷⁷ The Court declared that patented subject matter should pass into the public domain after the patent term expires.⁷⁸

Throughout the 20th century, the Supreme Court consistently refused to extend the monopoly for subject matter that was either previously protected by patent law or deemed to be unpatentable for reasons such as lack of novelty. For example, in *Kellogg Company v. National Biscuit Company*, the Court refused to grant trademark protection for a pillow-shaped shredded wheat biscuit which had been protected by an expired patent because "upon expiration of the patents, the form . . . was dedicated to the public."⁷⁹ In *Scott Pater Company v. Marcalus Manufacturing Company*,⁸⁰ the Court considered whether a patentee could restrict the use of an expired patent. The Court ruled that a patentee cannot continue its monopoly by registering as a trademark "any particular descriptive matter appearing in the specification, drawings or claims of the expired patent,

75. See, e.g., Prowda, *supra* note 2, at 318-25.

76. 163 U.S. 169 (1896).

77. *Id.* at 170.

78. *Id.* at 185.

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 . . . The public having the right, on the expiration of the patent, to make the patented article, and to use its generic name, to restrict this use . . . would be to admit the right, and at the same time destroy it.

79. *Kellogg Co. v. Nat'l Biscuit Co.*, 305 U.S. 111, 119-120 (1938).

80. 326 U.S. 249 (1945).

whether or not such matter describes essential elements of the invention or claims."⁸¹

Later, in two accompanying cases, the Supreme Court considered whether a product could be protected under state unfair competition law after U.S. patent protection was denied.⁸² In the first of these cases, *Sears Roebuck & Company v Stiffel Company*, the defendant copied a lamp design covered by an invalidated patent.⁸³ The Court stated that "the right to make the article—including the right to make it in precisely the shape it carried when patented—passes to the public."⁸⁴ Attempts by a state to protect such a product under unfair competition laws would "give protection of a kind that clashes with the objectives of the federal patent laws."⁸⁵ In the second case, *Compco Corporation v. Day-Brite Lighting*, the defendant copied an unpatented fluorescent light fixture that had cross-ribs which gave "both strength and attractiveness to the fixture."⁸⁶ The Court's opinion paralleled the opinion in *Sears*, stating that to forbid copying of the light fixture would go against the spirit of the Constitution and federal patent laws.⁸⁷

While this line of cases indicated a possible *per se* rule for product features, that patentable subject matter did not qualify for trademark protection,⁸⁸ the Court limited this rule in *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*⁸⁹ The Court acknowledged that protection under a state's unfair competition laws could, to some extent, apply to patentable subject matter since the broad scope of patentable subject matter could potentially include "anything under the sun that is made by man."⁹⁰ The Court further asserted that the Lanham Act strikes a balance with patent law, and indicated that "nonfunctional aspects of a product which have been shown to identify source" could be protectable under the Lanham Act.⁹¹ This decision redirected the balancing test between patent and trademark law from an inquiry into whether a product feature might be patentable subject

81. *Id.* at 256.

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

83. *Sears, Roebuck & Co.*, 376 U.S. 225, 226 (1964).

84. *Id.* at 230.

85. *Id.* at 231.

86. *Id.* at 234.

87. *Id.* at 237.

88. *See generally Symposium, Product Simulation: A Right or a Wrong?*, 64 COLUM. L. REV. 1178 (1964).

89. 489 U.S. 141 (1989).

90. *Id.* at 154 (quoting *Diamond v. Charkrabarty*, 447 U.S. 303, 309 (1980)).

91. *Id.* at 166.

matter (the “Sears-Compco rule”⁹²) to an inquiry into whether the product feature is functional.

B. The Functionality Test

1. Traditional Meaning of Functionality

Under *Bonito Boats*, the key to establishing trademark protection for a product feature was demonstrating a lack of functionality. As a traditional common law doctrine, functionality has developed a variety of meanings. In general, these meanings can be separated into two categories: physical functionality and economic functionality. Under physical functionality, the product feature is functional when it plays a role in the operation or cost of the product. Under economic functionality, a feature is functional when competitors would be put at a competitive disadvantage if they were excluded from using the product feature.

The First Restatement of Torts stated 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” the product.⁹³ The Restatement, Third, of Unfair Competition defines functional as a property that “affords benefits in the manufacturing, marketing, or use of the goods or services with which the design is used . . . that are important to effective competition by others and that are not practically available through the use of alternative designs.”⁹⁴ Professor J. Thomas McCarthy identifies two basic rationales supporting rules for functionality: (1) accommodating patent law as the regime for protecting utilitarian features; and (2) preserving free and effective competition by ensuring that competitors can copy necessary features.⁹⁵ The Circuit courts have been split between a physical, patent-like functionality definition and an economic competition functionality definition.⁹⁶ One circuit attempted to construct a rule that considers both physical and economic utility by looking for a “significant inventive aspect” to the feature.⁹⁷ This definition, however, was not widely ac-

92. 1 J. THOMAS MCCARTHY, TRADEMARKS AND UNFAIR COMPETITION § 7:24 (1st ed. 1973).

93. RESTATEMENT (FIRST) OF TORTS § 742 (1924). No equivalent section appears in the Second Restatement of Torts, as unfair competition law was not included in the Second Restatement.

94. RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 17 (1993).

95. MCCARTHY, *supra* note 2, at § 7:68.

96. For a thorough survey of the positions taken in the Circuits, see generally STEPHEN F. MOHR & GLENN MITCHELL, FUNCTIONALITY OF TRADE DRESS: A REVIEW AND ANALYSIS OF U.S. CASE LAW (2d ed. 1994).

97. *Vornado Air Circulation Sys. Inc. v. Duracraft Corp.*, 58 F.3d 1498, 1510 (10th Cir. 1995). *Vornado* rejected the *per se* rule of a patent representing functionality, and

cepted.⁹⁸ The Patent and Trademark Office ("PTO") has followed a line of cases from the Court of Customs and Patent Appeals, in which the key inquiry for functionality by the PTO rests on whether the design is inherently superior to other available designs.⁹⁹

In applying these definitions, a product feature is more likely to be found functional if the physical definition is used rather than the economic definition. For example, a large number of product features can be important for the operation or cost of the product, and thereby considered functional under the physical functionality test. But under the economic functionality test, even if a product feature is patented and plays a role in the operation or cost of the product, it may not be functional if there are economic alternatives to the feature.

2. *Evolution of the Supreme Court's Definition*

In *Traffix*, Justice Kennedy outlined the development of the Supreme Court's definition of functionality under two previous decisions. In the first case, *Inwood Laboratories, Inc. v Ives Laboratories, Inc.*, the color of medicinal pills were found to be functional because they helped patients differentiate their medicines. The Supreme Court stated that "[i]n 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."¹⁰⁰ Thus, the *Inwood* definition for functionality falls into the category of physical functionality. In the second case, *Qualitex Company v. Jacobson Products Company, Inc.*,¹⁰¹ the Supreme Court moved toward an economic definition of functionality by holding that the particular color of a dry cleaning press pad is not functional. The Court expounded on the rule in *Inwood*, stating that a product feature is functional "if exclusive use of the feature

instead held that a "significant inventive aspect" was a configuration that "without it the invention could not fairly be said to be the same invention . . . even if the configuration is nonfunctional."

98. See MCCARTHY, *supra* note 2, at § 7:68 and citations therein.

99. *In re Morton-Norwich Products, Inc.*, 671 F.2d 1332 (C.C.P.A. 1982); *In re Deister Concentrator Co.*, 289 F.2d 496 (C.C.P.A. 1961). In *Morton-Norwich*, the CCPA provided four factors to consider in determining whether a feature is functional: (1) the existence of a utility patent disclosing utility of the feature; (2) advertising touting the utilitarian advantages of the feature; (3) the existence of alternative designs; and (4) design result from a simple method of manufacture. *Morton -Norwich Products, Inc.*, 671 F.2d at 1340. Of these factors, the most important is the third consideration because "the effect on competition 'is really the crux of the matter.'" *Id.* at 1341 (quoting HARRY D. NIMS, UNFAIR COMPETITION AND TRADE-MARKS (4th ed. 1947)).

100. *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 851 n.10 (1982).

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

would put competitors at a significant nonreputation-related disadvantage."¹⁰²

In *TraFFix*, the plaintiff relied on the *Qualitex* definition of functionality, arguing that many economic equivalents of the dual-spring design were available as demonstrated by the products made by other manufacturers, and, therefore, exclusive use of their particular configuration would not put competitors at a significant disadvantage.¹⁰³ Justice Kennedy, however, rejected application of the *Qualitex* rule to functionality in all cases, limiting it to cases concerning aesthetic functionality, such as the function of the color of a laundry press pad.¹⁰⁴ In cases of utilitarian functionality, Justice Kennedy declared that the rule in *Inwood* should be applied.¹⁰⁵

Thus, the rule as recited in *Inwood* represents the test for utilitarian functionality. But Justice Kennedy did not go as far as to equate this rule with a *per se* rule that patented subject matter is functional. He stated that a patent creates a "strong evidentiary inference of functionality" which a patentee must overcome.¹⁰⁶ This inference can be overcome, for example, by a demonstration that the product features are arbitrary, incidental or ornamental, despite being present in patent claims.¹⁰⁷

3. Test case: Cigarette Lighter

A recent case brought before the Trademark Trial and Appeal Board ("TTAB") is helpful in evaluating the functionality rule set forth in *TraFFix*.¹⁰⁸ In *In re Zippo*, the patentee was seeking trade dress registration for a lighter design that, at one point, had been the subject of a patent.¹⁰⁹ In a 1963 court ruling, the feature at issue was found to be functional because it made the lighters cheaper and easier to manufacture.¹¹⁰ In subsequent years, many different lighter designs were developed which competed ef-

102. *Id.* at 165.

103. Brief for Respondent at 26, *TraFFix Devices, Inc. v. Marketing Displays, Inc.*, 121 S. Ct. 1255 (2001) (No. 99-1571).

104. *TraFFix Devices, Inc. v. Marketing Displays, Inc.* 121 S. Ct. 1255, 1262 (2001). For an explanation of aesthetic functionality, see *supra* at note 32.

105. *TraFFix Devices, Inc.*, 121 S. Ct. at 1262. For an explanation of utilitarian functionality, see *supra* at note 32.

106. *Id.* at 1260.

107. *Id.* at 1262.

108. *In re Zippo Mfg., Co.*, 50 USPQ2d 1852 (Trademark Tr. & App. Bd. 1999).

109. *Id.* at 1852.

110. *Zippo Mfg., Co. v. Rogers Imports, Inc.* 216 F.Supp. 670 (SDNY 1963). The feature at issue was the shape of the lighter, specifically its rounded corners, beveled edges and a curved top. *Id.* at 672.

fectively with Zippo's design.¹¹¹ The TTAB ruled that, in view of the development of different designs subsequent to the 1963 court ruling, granting registration would not hinder competition, and, therefore, that Zippo was entitled to registration.¹¹²

Under the ruling in *TrafFix*, however, it is unclear whether the TTAB should have granted Zippo registration of the lighter design. The rounded shape of Zippo's lighter was probably never essential to the use or purpose of the lighter, but it did previously affect the cost of the lighter. Even though the shape presently no longer affects the cost of the lighter, the *TrafFix* rule requires that when any product feature has been patented, an applicant must overcome an inference that the feature is functional. The only apparent guidance from *TrafFix* with regard to overcoming this inference is to present evidence that the feature is "arbitrary, incidental or ornamental." Here, the shape is not arbitrary or incidental since it originally had a functional purpose.¹¹³ The applicant may be able to demonstrate that the shape is ornamental. However, the shape may also have been ornamental in earlier years when it was still functional. Consequently, to overcome the presumption of functionality, it will not suffice to show that the feature is ornamental. An applicant must show that the feature is *solely* ornamental. But showing that a product feature is solely ornamental requires demonstrating that the feature is ornament and not functional, which returns the inquiry to the original question of functionality. Thus, it is uncertain that Zippo could overcome the strong evidentiary inference of functionality of the lighter design that it would face under a post-*TrafFix* examination.

Whether the denial of trademark registration in this case is the proper outcome depends on the degree to which patent law and trademark law should overlap. For those who would create a *per se* rule of exclusivity between patent law and trademark law, denial of trademark registration is proper, regardless of whether or not the patented subject matter had later become obsolete. For Justice Kennedy, "[t]he Lanham Act does not exist to reward manufacturers for their innovation in creating a particular de-

111. The applicant presented thirty alternative lighter designs that had been developed. *Id.* at 1853.

112. *Id.* at 1855.

113. Both arbitrary and incidental imply that there was no particular reason for originally using a specific product feature. The Zippo lighter design did originally have a reason for its use. But this reason is no longer relevant. However, the inquiry into whether a product feature is arbitrary or incidental can produce different results if the inquiry is not directed to the original reason for the product feature, but instead to the present reason for using the product feature.

vice; that is the purpose of the patent law.”¹¹⁴ Although this quotation is not dispositive, Justice Kennedy’s decision in *TraFFix* does not provide a policy basis for why the public would wish to provide trademark protection in instances such as the Zippo lighter, where the patented subject matter has become obsolete.

Under the reasoning of the Restatement, Third, of Unfair Competition:

The freedom to copy goods . . . is fundamental to the operation of a competitive economy. . . 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.¹¹⁵

With thirty alternative lighter designs available in the marketplace, there does not seem to be an anticompetitive consequence of trademark protection. The number of alternatives also suggests that the public will not suffer if trademark protection removes this design from the public realm. Justice Kennedy made it clear in *TraFFix*, however, that the availability of other designs is not relevant to the test for functionality.¹¹⁶ But under the facts of *Zippo*, where the functional feature had lost its useful properties, the public policy rationale supporting the functionality bar from trademark protection does not clearly explain why the physical functionality rule, and not an economic functionality rule, will arrive at the proper result.¹¹⁷

In view of public policy concerns, Professor J. Thomas McCarthy suggests that a court should strike a balance between a physical functionality test and an economic functionality test.¹¹⁸ While it is clear from Justice

114. *TraFFix Devices, Inc. v. Marketing Displays, Inc.*, 121 S. Ct. 1255, 1262 (2001).

115. RESTATEMENT (THIRD) UNFAIR COMPETITION § 17 cmt. a (1993).

116. *TraFFix*, 121 S. Ct. at 1262.

117. This rationale, as discussed above, *supra* note 115, states that functional features of a product should not be entitled to trademark protection because competitors should not be prevented from using something that would influence the quality of the product. However, when a product feature becomes obsolete, any copying of this feature is more likely to be with the intent to palm off a copy of the original rather than to take advantage of an obsolete feature.

118. MCCARTHY, *supra* note 2, at § 7:68. Note, however, that aside from stating that both tests should be considered by courts, no specific guidance is provided for how the two tests could be balanced. For example, in *TraFFix*, the district court emphasized the physical functionality test (*Marketing Displays, Inc. v. TraFFix Devices, Inc.*, 971 F.Supp. 262, 269 (E.D. Mich 1997)) while the circuit court emphasized the economic functionality test (*Marketing Displays, Inc. v. TraFFix Devices, Inc.*, 200 F.3d 929, 939 (6th Cir. 1999)). Clearly, emphasis on one test or the other can often lead to opposite conclusions.

Kennedy's opinion that the *Inwood* physical functionality rule is the proper rule for functionality, there may be occasions when an economic functionality test can still be applied. According to *TrafFix*, the existence of a patent claiming a product feature establishes a strong evidentiary inference of functionality for the manufacturer to overcome. Thus, the existence of a patent for a product feature creates an inference that the feature is "essential to the use or purpose of the article" or "affects the cost or quality of the article."¹¹⁹

It may not be possible to present economic evidence to demonstrate that a product feature is no longer essential to the use or purpose of the article, but it is possible to present economic evidence to demonstrate that a product feature no longer affects the cost or quality of the article. In the case of the Zippo lighter, the presence of a large number of alternative designs demonstrates that the previously patented feature, the lighter shape, no longer affects the cost or quality of the device. Thus, at least in the narrow instance of a patented feature that was functional by virtue of its effect on the cost of a product, economic evidence such as the presence of alternative designs should be capable of overcoming an inference of functionality.

This proposed refinement of the rule in *TrafFix* is not so broad that it would uproot the *TrafFix* decision and revert to a broad interpretation of *Qualitex*. For example, the holding in *TrafFix* would remain the same because the presence of alternative designs is not sufficient to overcome the inference that MDI's dual-spring design was essential to the use or purpose of the article. Nevertheless, the Zippo lighter example demonstrates that under some circumstances, it would be appropriate to permit economic evidence, such as the presence of alternative designs, to overcome an inference of functionality. As the *TrafFix* test for functionality is applied in the courts, examples such as *In re Zippo* will highlight the somewhat restrictive nature of the *TrafFix* test and identify instances where economic considerations should be reintroduced into determinations of functionality.

IV. CONCLUSION

Product features that were at one time subject to patent protection will normally have useful properties. Such product features are properly excluded from trade dress protection to avoid excessive overlap with patent law, and to prevent unreasonable limitations on competitors copying the

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

patented product features. However, there will be instances when a product feature that was protected by a patent no longer serves a functional purpose.

The Supreme Court in *Traffix* rightly avoided a *per se* rule that would prohibit trade dress protection for any product feature once covered by a patent. In its effort to limit the extent of trade dress protection, however, the Court supported a definition for functionality that may exclude some product features that deserve trade dress protection. Moreover, by creating a strong inference of functionality for product features that were subject to patent protection, nonfunctional patented product features are unlikely to enjoy trade dress protection.

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