TRADE DRESS FUNCTIONALITY AFTER TRAFFIX:
THE LOWER COURTS DIVIDE AGAIN

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I. INTRODUCTION

Two years after the U.S. Supreme Court’s TrafFix decision,¹ which resolved one circuit court split concerning the law of functionality in product configuration trade dress cases, a new split of authority has developed in the lower courts concerning how to interpret the TrafFix decision. Part II of this article identifies the new division of authority that has developed in the lower courts.² Parts III and IV discuss why the decisions on one side of the new division are better reasoned than those on the other. Part III concludes that evidence concerning the availability of alternative designs is relevant in determining whether the design of a product feature is functional. Part IV concludes that functionality is not the equivalent of utility. Building on Parts III and IV, Part V identifies the issues that the Supreme Court needs to consider if it is to resolve the newest division of authority now existing in the lower courts.

² It is not disputed that TrafFix was concerned with the functionality of a feature, as opposed to the functionality of a combination of features. See Adidas-Salomon AG v. Target Group, 228 F. Supp. 2d 1192, 1204 (D. Or. 2002) (“Unlike TrafFix, this case does not involve a trade dress consisting of a single functional design feature.”); Coach, Inc. v. We Care Trading Co., No. 99 CIV 11672 (DLC), 2001 U.S. Dist. LEXIS 9879, at *27-*28 (S.D.N.Y. July 18, 2001) (“The TrafFix decision does not overrule Second Circuit law that a collection of functional features may nonetheless be protectable trade dress.”), aff’d in pertinent part without op., No. 01-7968, 2002 U.S. App. LEXIS 13568 (2d Cir. May 20, 2002); Antioch Co. v. W. Trimming Corp., 196 F. Supp. 2d 635, 643 (S.D. Ohio 2002) (a post-TrafFix decision applying pre-TrafFix Ninth Circuit precedent in “the absence of any authority to the contrary authored by the Supreme Court or the Sixth Circuit” on that issue).

In Eppendorf-Netheler-Hinz GmbH v. Ritter GmbH, 289 F.3d 351, 356-58 (5th Cir. 2002), the Fifth Circuit found that each of eight features of plaintiff’s product was functional. This approach cannot fairly be read as overruling prior Fifth Circuit law on the functionality of a combination of functional features. See, e.g., Taco Cabana Int’l, Inc. v. Two Pesos, Inc., 932 F.2d 1113, 1119 (5th Cir. 1991), aff’d, 505 U.S. 763 (1992). The Eppendorf Court never mentioned, much less overruled, its Taco Cabana decision. Rather, the Court was addressing evidence that there were alternatives to each of eight features of plaintiff’s product. See 289 F.3d at 357-58.
II. THE LOWER COURTS DIVIDE OVER TRAFFIX

The plaintiff in TrafFix brought an action for product configuration trade dress infringement to prevent a competitor from making road signs that utilized a visible dual spring mechanism resembling the dual spring mechanism on plaintiff's road signs. The plaintiff's dual spring mechanism, which helps hold the road signs upright in high winds, had been the subject of the claims in two expired U.S. utility patents that had been owned by plaintiff.

The Supreme Court granted certiorari in TrafFix to resolve a conflict among the circuit courts that was defined as “whether the existence of an expired utility patent forecloses the possibility of the patentee’s claiming trade dress protection in the product’s design.” Although the Supreme Court stated that the “principal question in this case is the effect of an expired patent on a claim of trade dress infringement,” the TrafFix decision went beyond this question and considered the test for functionality that should be applied in a product configuration trade dress case whether or not a relevant patent is in evidence.

Following the TrafFix decision has led the lower courts to render split decisions over one or both of the following issues:

• In deciding whether the design of a product feature is functional, is evidence concerning the availability of alternative designs relevant?
• Is functionality the equivalent of utility?

3. TrafFix, 532 U.S. at 28. In answering that question, the Court held that a “prior patent . . . has vital significance in resolving the trade dress claim. A utility patent is strong evidence that the features therein claimed are functional. . . . 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.” 532 U.S. at 29-30.

4. Id. at 29.

5. Id. at 32-34.


III. THE RELEVANCE OF EVIDENCE CONCERNING ALTERNATIVE DESIGNS

A. Overview

In considering the post-TrafFix split that has developed over the relevance of evidence of the availability of alternative designs, it is helpful to distinguish among the following three concepts and to consider what the Supreme Court has said about each:

- the policy underlying the functionality doctrine;

- the standard or test a court should apply in effecting that policy; and

- the evidence a court should consider in applying that standard.

The Supreme Court’s decisions have discussed both the policy underlying the functionality doctrine and the standards that should be applied in effecting that policy. These decisions have not identified in any systematic way the types of evidence a lower court should consider in determining whether the standards effecting the policy have been met. At the same time, the decisions have not said that evidence concerning the availability of alternative designs is irrelevant to that determination.

The post-TrafFix cases that have considered evidence concerning the availability of alternative designs to be relevant to the functionality inquiry are consistent with the Supreme Court's decisions, including TrafFix, in large part because they have distinguished among the policy, the standards and the evidence. By contrast, the post-TrafFix cases that have declined to consider evidence of alternative designs in the functionality inquiry have misread TrafFix, due largely to the failure to distinguish among policy, standards and evidence.

B. The Supreme Court’s View

1. The Policy Underlying the Functionality Doctrine

In Qualitex Co. v. Jacobson Prods. Co., the Supreme Court stated the policy that underlies the functionality doctrine as follows:

The functionality doctrine prevents trademark law, which seeks to promote competition by protecting a firm’s reputation,
A corollary to this policy is that trademark/trade dress law must take into account other laws, including principally patent and copyright law, that bear upon a party’s right to market a product in competition with others.10

2. The Standard to Be Applied in Effecting the Policy Underlying the Functionality Doctrine

(a) Guides to a Standard

The extent to which the law in general wants to encourage competition is central to any standard that seeks to put into effect the policy underlying the trademark/trade dress functionality doctrine.11 In setting that standard, a point can be chosen along a continuum that reflects the level of competition the law wants to encourage. For example, a feature could be regarded as functional (1) if the feature improves to any degree one’s ability to compete; (2) if the feature significantly improves one’s ability to compete; or (3) only if the feature is essential to one’s ability to compete.

The law, including trademark/trade dress law, is comfortable with such line drawing. For example, in framing the standard for trademark infringement, the law bans acts that are “likely” to cause confusion, although it could have settled on a different standard.9

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9. Id. at 164. Accord Restatement (Third) of Unfair Competition § 17 cmt. b, at 173 (1995) (“The exclusion of functional designs from the subject matter of trademark law is intended to insure effective competition, not just by the defendant, but also by other existing and potential competitors.”).

10. See TrafFix, 532 U.S. at 29; Qualitex, 514 U.S. at 164-65. Accommodating trademark/trade dress and patent law has been characterized as one of two policies underlying the functionality doctrine. 1 J. Thomas McCarthy, McCarthy On Trademarks and Unfair Competition § 7:63, at 7-140 to 141 (4th ed. 2002). An aspect of this issue was raised but not addressed in TrafFix, where the Court declined to consider the argument that “the Patent Clause of the Constitution . . . of its own force, prohibits the holder of an expired utility patent from claiming trade dress protection.” TrafFix, 532 U.S. at 35 (emphasis added). However, the accommodation of different laws is not clearly a separate policy underlying the functionality doctrine. Rather, the accommodation can be considered a corollary to the policy of preserving competition through the functionality doctrine, i.e., in effecting that policy, the parameters of functionality should be shaped to take account of certain other laws that regulate competition including the patent laws.

11. To the extent that the functionality doctrine is intended to accommodate trademark/trade dress, patent, copyright and perhaps other laws, see n.10 supra, any standard would need to take those laws into account. This is not a simple matter. Any accommodation should be sensitive to the origins and purposes of all of those laws, the extent to which each law affects competition, the standards each law has developed to gauge how much effect on competition the law should exert, and the soundness of those standards. It would, for example, be an oversimplification to suggest that any feature not protected by a utility patent should be regarded as non-functional for trademark/trade dress purposes or that trademark/trade dress law should uncritically conform the functionality doctrine to the copyright law’s refusal to protect the utilitarian features of a product.
standard, such as “possible” or “actual” confusion. The choice of “likely” confusion reflects a judgment that a less stringent standard (e.g., possible confusion) would ban too much activity and a more stringent standard (e.g., actual confusion) too little.

(b) The Supreme Court Standard

The Supreme Court does not appear to have arrived at a trademark/trade dress functionality standard in this way. Instead, within a series of Supreme Court decisions there appears an incidental statement lacking firm support that was later ignored, then revisited and finally reinterpreted in a way that is at odds with the Supreme Court’s earlier views and other authorities.

(1) Inwood

In Inwood Labs. v. Ives Labs., where the issue was whether a generic drug manufacturer could be vicariously liable for trademark infringement, the Supreme Court observed 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.” That statement appears in a footnote in an opinion otherwise unconcerned with trade dress functionality, and it is not supported by the two cases on which the Inwood decision relied.

One of those cases, Sears, Roebuck & Co. v. Stiffel Co., said that a state may not protect through unfair competition law “articles too lacking in novelty to merit any patent at all under federal constitutional standards.” That statement does not support the functionality standard set out in Inwood.

The other case, Kellogg Co. v. Nat’l Biscuit Co., held that the plaintiff was not entitled to trademark/trade dress rights in the shape of a cereal biscuit because 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.” That appears to be a reference to the types of

12. See Part III.B.2(b)(1), infra.
17. Id. at 850 n.10.
19. Id. at 232.
20. 305 U.S. 111 (1938).
21. Id. at 122.
evidence that led the Court to conclude that the shape of plaintiff’s cereal biscuit was functional, and not to a generally applicable functionality standard. Even if the Kellogg statement is viewed as a generally applicable standard, that standard would be either: (1) whether the feature “lessens the quality of the article or increases its cost” or (2) whether the feature “lessens the quality of the article and increases its cost.”

Neither of these is the Inwood standard, which asks whether the feature “affects the cost or quality of the article” or “is essential to the use or purpose of the article.”

(2) Two Pesos

Four years after the Inwood decision, the Supreme Court said, in dicta, in Two Pesos,

The Fifth Circuit holds that a design is legally functional, and thus unprotectible, 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. See Sicilia Di R. Biebow & Co. v. Cox, 732 F.2d 417, 426 (1984).

That statement of the Fifth Circuit’s standard makes no mention of and differs from the Inwood standard.

(3) Qualitex

Three years later, the Supreme Court revisited the Inwood standard and ignored Two Pesos in its Qualitex decision. The Qualitex opinion contains three references to a functionality standard.

First, after discussing the policy underlying the functionality doctrine, Qualitex observed,

This Court consequently has explained that, “[i]n general terms, a product feature is functional,” and cannot serve as a

22. Id.
23. Inwood Labs, 456 at 850 n.10 (emphasis added).
25. As a standard, the Two Pesos statement appears to require that a feature be “one of a limited number of equally efficient options” and also “unduly hinder” competition. This suggests that a feature can be non-functional (1) if it meets the first requirement but does not unduly hamper competition, or (2) if it unduly hampers competition, but does not meet the first requirement of being one of a limited number of equally efficient options. Such a standard, which declares non-functional a feature that unduly hampers competition, is at odds with the policy underlying the functionality doctrine. It also is not supported by the Fifth Circuit’s Sicilia opinion that the Supreme Court cited.
27. See n.10, supra.
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. Inwood Laboratories, Inc., supra, at 850, n.10.28

The Court then said,

The functionality doctrine, as we have said, forbids the use of a product’s feature as a trademark where doing so will put a competitor at a significant disadvantage because the feature is “essential to the use or purpose of the article” or “affects [its] cost or quality.” Inwood Laboratories, Inc., 456 U.S., at 850, n.10.29

Finally, the Court stated,

The Restatement (Third) of Unfair Competition adds that, if a design’s “aesthetic value” lies in its ability to “confer[ ] a significant benefit that cannot practically be duplicated by the use of alternative designs,” then the design is “functional.” Restatement (Third) of Unfair Competition § 17, Comment c, pp. 175-176 (1993). The “ultimate test of aesthetic functionality,” it explains, “is whether the recognition of trademark rights would significantly hinder competition.” Id., at 176.30

The first two statements reiterate the Inwood standard and equate it with a “significant disadvantage” standard, i.e., exclusive appropriation of a feature puts competitors at a significant non-reputation-related disadvantage if the feature is essential to the use or purpose of an article or affects its cost or quality. The third statement characterizes the significant disadvantage (“significantly hinder”) standard as the “ultimate test of aesthetic functionality,” citing the Restatement (Third) of Unfair Competition. Although not apparent from the Supreme Court’s truncated quote, the Restatement actually says,

The ultimate test of aesthetic functionality, as with utilitarian functionality, is whether the recognition of trademark rights would significantly hinder competition.31

Inasmuch as Qualitex twice equated the Inwood standard with the significant disadvantage standard, it is unlikely that in Qualitex the Supreme Court intended to distinguish between those two standards when it omitted part of the cited Restatement

28. Qualitex, 514 U.S. at 165 (emphasis added).
29. Id. at 169 (emphasis added).
30. Id. at 170.
sentence. Rather, the Court appears to have been setting out the standard that applies in aesthetic functionality cases, without saying that this standard does not also apply in utilitarian functionality cases.

(4) TrafFix

One could well conclude from Inwood and Qualitex that (1) the ultimate test (standard) in both utilitarian and aesthetic functionality cases is whether recognition of trademark/trade dress rights in a product feature will “significantly hinder” competition, i.e., will put competitors at a “significant non-reputation-related disadvantage,” and that (2) this standard is the equivalent of the Inwood standard, because this standard is met when the Inwood standard is met.

That is not how the TrafFix decision interpreted the Inwood and Qualitex decisions. Instead, TrafFix said two things about the standard that should be applied in determining whether a feature is functional. First, it distinguished between the Inwood standard and the significant disadvantage standard, and, second, it affirmed the applicability of the Inwood standard in utilitarian functionality cases while endorsing application of the significant disadvantage standard in aesthetic functionality cases.\footnote{32. TrafFix Devices v. Mktg. Displays, 532 U.S. 23, 32-33 (2001).}

The TrafFix decision reached this result in stages. After setting out the Inwood standard,\footnote{33. Id. at 32.} it said that Qualitex had “expand[ed] upon the meaning” of this standard when Qualitex referred to the significant disadvantage standard.\footnote{34. Id. (“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.’”)} It then equated the significant disadvantage standard with a “competitive necessity” standard and distinguished the significant disadvantage (competitive necessity) standard from the Inwood standard.\footnote{35. The Court, first, observed that the “Court of Appeals in the instant case seemed to interpret this language [exclusive use of which would put competitors at a significant non-reputation-related disadvantage] to mean that a necessary test for functionality is ‘whether the particular product configuration is a competitive necessity.’” TrafFix, 532 U.S. at 32. Then, rather than say the significant disadvantage and competitive necessity standards are different standards, it equated them in concluding that a significant disadvantage/competitive necessity standard is not a “comprehensive definition [standard]” because 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.” Id. at 32-33 (emphasis added).}

Having done this, TrafFix affirmed the applicability of the Inwood standard for utilitarian functionality cases while endorsing
application of the significant disadvantage (competitive necessity) standard in aesthetic functionality cases, as follows:

The Qualitex decision did not purport to displace this traditional [Inwood] 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 [i.e., to consider if the feature places competitors at a significant non-reputation-related disadvantage]. 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 [under the Inwood standard].

Here, TrafFix was considering the standards that should be applied in effecting the policy underlying the functionality doctrine. It was not discussing the types of evidence that should be considered in deciding whether those standards have been met. Thus, TrafFix necessarily was not saying that a particular type of evidence, namely, the availability of alternative designs, is irrelevant in deciding whether a product feature design is functional under the Inwood standard.

3. The Evidence a Court Should Consider in Applying the Functionality Standard

The law, including trademark/trade dress law, may identify factors or the types of evidence that a court should consider in determining whether a legal standard has been met in a particular case. The Supreme Court’s Inwood, Qualitex and TrafFix decisions do not purport to do this. The TrafFix decision does, however, say several things about evidence in a case involving functionality. One statement is that a “utility patent is strong evidence that the features therein claimed are functional.”

The other statement comes against the backdrop of the evidence in the case. The district court in TrafFix “found the dual-spring design functional because the design was claimed in two MDI expired utility patents, MDI touted the utilitarian

36. Id. at 33.
38. Id. at 480.
advantages of the design in advertisements, and the design affected the cost and quality of the traffic signs.”40 Moreover, the district court considered a number of spring mechanisms marketed by others to be unacceptable alternatives to plaintiff’s dual-spring mechanism.41 On appeal, the Sixth Circuit took issue with the district court’s dismissal of these alternatives, and said that other possible alternatives not actually in evidence could easily be imagined.42

The Supreme Court, in turn, said,

*Functionality having been established . . . [t]here is no need . . . 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 [that has already been established] means that competitors need not explore whether other spring juxtaposition might be used.*43

That statement cannot fairly be read to mean that evidence concerning the availability of alternative designs is irrelevant under the Inwood standard in determining whether the design of a product feature is functional. On the contrary, the statement should be taken to mean that once the evidence of record, including the availability of alternative designs, establishes that a feature is functional under the Inwood standard, there is no need to speculate about the availability of alternative design possibilities that might be imagined.

**C. The Division of Authority**

**1. The Division**

The Court of Appeals for the Federal Circuit in Valu Eng’g Inc. v. Rexnord Corp.44 considered whether TrafFix altered the approach to functionality taken by the Federal Circuit’s predecessor court in *In re Morton-Norwich Prods., Inc.*45 The Morton-Norwich decision identified four types of evidence, including “the availability to competitors of functionally equivalent designs,” that a lower court should consider in determining whether a product feature is de jure functional.46

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40. Valu Eng’g, 278 F.3d at 1275, summarizing the evidence on which the district court focused in Mktg. Displays, Inc. v. TrafFix Devices, Inc. 971 F. Supp. 262 (E.D. Mich. 1997).
43. TrafFix, 532 U.S. at 33-34 (emphasis added; citation omitted).
44. 278 F.3d 1268 (Fed. Cir. 2002).
45. 671 F.2d 1332 (C.C.P.A. 1982).
46. Valu Eng’g, 278 F.3d at 1274 (citing Morton-Norwich, 671 F.2d at 1340-41).
In Valu Eng’g, the Federal Circuit concluded, Nothing in TrafFix suggests that consideration of alternative designs is not properly part of the overall mix, and we do not read the Court’s observations in TrafFix as rendering the availability of alternative designs irrelevant. Rather, we conclude that the Court merely noted that once a product feature is found functional based on other considerations there is no need to consider the availability of alternative designs, because the feature cannot be given trade dress protection merely because there are alternative designs available. But that does not mean that the availability of alternative designs cannot be a legitimate source of evidence to determine whether a feature is functional in the first place.47

This view differs from the approach taken by the Court of Appeals for the Fifth Circuit in Eppendorf-Netheler-Hinz GmbH v. Ritter GmbH.48 In that case, the Fifth Circuit held that the plaintiff failed to establish that any of eight features of its disposable pipette tips is non-functional, although its expert testified that each of the features could be designed differently. According to the Fifth Circuit, TrafFix holds that under the Inwood standard the “availability of alternative designs is irrelevant”49 and “not germane.”50

2. Valu Eng’g

Valu Eng’g correctly concluded that evidence of alternative designs is relevant to an application of the Inwood standard. It drew the appropriate distinctions among the policy underlying the functionality doctrine, the standard a court should apply in

48. 289 F.3d 351 (5th Cir. 2002).
49. Id. at 357.
50. Id. at 358. See also Antioch Co., 196 F. Supp. at 640.
effecting that policy, and the evidence a court should consider in applying that standard.

Although Valu Eng’g is not entirely in harmony with Supreme Court precedent, its recognition of the relevance of evidence of alternative designs is in keeping with TrafFix and other Supreme Court authority. After quoting the policy underlying the functionality doctrine set out in Qualitex, the Federal Circuit traced the adoption of the Inwood standard and its subsequent treatment in Qualitex and TrafFix. The Federal Circuit then concluded that in applying the Inwood standard, the availability of alternative designs can be a “legitimate source of evidence.”

Valu Eng’g also recognized the link between the policy underlying the functionality doctrine and evidence of alternative designs. In Valu Eng’g, the Federal Circuit observed that an important policy underlying the functionality doctrine is the preservation of competition. As this court’s predecessor noted in Morton-Norwich, the “effect upon competition ‘is really the crux’” of the functionality inquiry.

Morton-Norwich, in turn, expressed the common sense notion that “since the effect upon competition ‘is really the crux of the matter,’” it is, of course, significant that there are other alternatives [to the product feature] available.

These statements do not require a rejection of the Inwood standard, which Valu Eng’g cites, or dictate how “significant”

51. For example, Valu Eng’g lists among four types of evidence that a court should consider “facts indicating that the design results in a comparatively simple or cheap method of manufacturing the product.” 278 F.3d at 1274. That creates a tension with the Inwood standard, which deems functional any feature that “affects the cost . . . of the article.” 278 F.3d at 1275. Under that standard, evidence that a design results in a comparatively cheap method of manufacture would appear to establish functionality without resort to the other types of evidence that Valu Eng’g says should be considered.

52. See text at nn.40-43, supra.

53. Valu Eng’g, 278 F.3d at 1273-74. While quoting from Qualitex, the Federal Circuit probably gives more weight than Qualitex will support to the importance of accommodating trademark/trade dress and patent law through the functionality doctrine. Compare the discussion at 278 F.3d at 1273 with the discussion at n.10, supra.

54. Valu Eng’g, 278 F.3d at 1274-76. The Federal Circuit also reiterated its own somewhat different standard, stating that “[d]e jure functionality means that the product has a particular shape ‘because it works better in this shape.’” Id. at 1274 (citation omitted).

55. Id. at 1276 (emphasis added).

56. Id. at 1277.

57. 671 F.2d at 1341. Restatement (Third) of Unfair Competition § 17 (1995) says that a “design is ‘functional’ . . . if the design affords benefits . . . that are not practically available through the use of alternative designs” and comment b, at 173, concludes that the “availability of alternative designs . . . is . . . decisive in determining functionality.”

58. Valu Eng’g, 278 F.3d at 1275.
evidence of alternative designs should be in applying the standard.\textsuperscript{59} They do make it plain, however, that evidence of alternative designs is relevant to the functionality inquiry.

3. Eppendorf

By contrast, Eppendorf runs afoul of TrafFix, and the purpose underlying the functionality doctrine, when Eppendorf says that evidence concerning the availability of alternative designs is irrelevant to application of the Inwood standard.

Unlike Valu Eng'g, Eppendorf does not distinguish between the Inwood standard and the evidence a court should consider in applying that standard. Rather, it concludes that under the Inwood standard, a feature is functional if it is the “reason the device works” and that this renders evidence concerning the availability of alternative designs irrelevant to the determination of whether the feature is functional.\textsuperscript{60}

Eppendorf offers no support for this conclusion other than the following statement from TrafFix:

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.\ldots The dual-spring design is not an arbitrary flourish in the configuration of [the road sign]; it is the reason the device works. Other designs need not be attempted.\textsuperscript{61}

That truncated quote omits key language. What TrafFix actually said was:

\textit{Functionality having been established}, whether MDI’s dual-spring design has acquired secondary meaning need not be considered.

There is no need, furthermore, to engage, as did the Court of Appeals, in \textit{speculation} about other design possibilities, such as using three or four springs which \textit{might} serve the same purpose. \textit{Here, the functionality of the spring design [that has already been established] means that competitors need not explore whether other spring juxtapositions might be used}. The dual-spring design is not an arbitrary flourish in the

\textsuperscript{59} Valu-Eng’g says that the availability of alternative designs is one of four types of evidence that should be considered. See text accompanying n.46, supra.

\textsuperscript{60} Eppendorf, 289 F.3d at 355. Accord 289 F.3d at 357.

\textsuperscript{61} Id. at 357 (quoting TrafFix, 532 U.S. at 33-34). Antioch Co., 196 F. Supp. 2d at 640, takes the same approach. In addition, Antioch Co. incorrectly concludes that applying the Inwood standard in lieu of a competitive necessity standard requires that a court “not consider whether alternative designs exist.” Id.
configuration of MDI’s product; it is the reason the device works. Other designs need not be attempted.62

That statement does not mean that evidence of alternative designs is irrelevant to determining whether the “functionality [of the design of a feature] . . . [has] been established” under the Inwood standard. It means that once the evidence in a case establishes that the design of a feature is functional, competitors need not “explore” whether other designs “might” be used, i.e., competitors need not “attempt” to use other possible designs that a court speculates might serve the same purpose.63

In concluding that evidence of alternative designs is not relevant to the functionality inquiry under the Inwood standard, Eppendorf ignored the policy underlying the functionality doctrine that Value Eng’g takes into account.64 It is incorrect to conclude, as Eppendorf does, that a court should shut its eyes to evidence concerning the availability of alternative designs, when the availability of such designs is so central to the functionality inquiry.65

IV. THE RELATIONSHIP BETWEEN FUNCTIONALITY AND UTILITY

The Supreme Court’s Inwood, Qualitex and TrafFix decisions, as well as the Restatement, recognize that utility is not the equivalent of functionality. Valu Eng’g, is consistent with this view. Eppendorf is not.

“Utility” is “fitness for some purpose . . . something useful or designed for use.”66 Inwood, Qualitex and TrafFix made it plain that utility is not the equivalent of functionality, because these decisions recognize that not all useful features, i.e., not all features that serve some purpose, are functional.

Inwood says that a 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.”67 This recognizes that some useful features will not be functional, namely, those useful features that are not essential or do not affect cost or quality. Qualitex sheds further light on this issue when it says that the Inwood standard preserves

62. TrafFix, 532 U.S. at 33-34 (emphasis added; citation omitted).
63. See text at nn.40-43, supra.
64. See text at nn.56-59, supra.
65. See text at nn.56-57, supra.
competitors’ ability to “replicate important non-reputation-related product features,”68 not all such features.

TrafFix endorses the Inwood standard.69 It also discusses how a party might “carry the heavy burden of showing that the feature [claimed in an expired patent] is not functional.”70 It says that this could be accomplished “for instance by showing that [the feature] is merely an ornamental, incidental, or arbitrary aspect of the device.”71 It further says that in seeking to

protect arbitrary, incidental, or ornamental aspects of features of a product found in the patent claims, ... [a party] could perhaps prove that those aspects do not serve a purpose within the terms of the utility patent.72

That discussion in TrafFix does not say that only a useless feature—one that serves no purpose—is non-functional. The discussion is more limited. It says that in overcoming the evidentiary effect of an expired patent in which a feature was claimed, a party can, among other things, try to show that a feature is arbitrary, incidental or ornamental by establishing that the feature serves no purpose within the terms of the patent. Thus, potentially non-functional features include features that are not claimed in an expired patent as well as useful features that are claimed in an expired patent but serve no purpose within the terms of the patent claims.73

The Supreme Court’s views are consistent with the Restatement, which states unambiguously that a “product feature is not functional merely because the feature serves a utilitarian purpose.”74

Valu Eng’g distinguished between utility and functionality when it differentiated between a feature that is de facto functional and one that is de jure functional. A de facto functional feature is one that “has a function,” whereas a de jure functional feature is one that has a function and is not entitled to trademark/trade dress protection, because its exclusive appropriation would interfere with competition more than the law allows.75

68. Qualitex, 514 U.S. at 169 (emphasis added).
69. TrafFix, 532 U.S. at 32.
70. Id. at 30.
71. Id. (emphasis added).
73. For example, a product feature could be considered non-functional if it serves no purpose within the terms of a patent and is of merely incidental utility.
74. Restatement (Third) of Unfair Competition § 17 cmt. b, at 173.
75. Valu Eng’g, 278 F.3d at 1274.
Eppendorf, on the other hand, equated utility with functionality when it held that plaintiff failed to prove that features of its product were non-functional because plaintiff “did not prove . . . that the [features] are an arbitrary flourish that serve no purpose.”76 It then went on to state that if a feature in some shape, size or number [is] necessary to . . . the operation of the product . . . [any particular embodiment of the feature is] functional as a matter of law.77

That approach is contrary to the Supreme Court’s decisions and to the Restatement, which recognize that functionality and utility are not the same thing and that a feature can be non-functional even if it serves some purpose.78

V. ADDRESSING THE DIVISION OF AUTHORITY

If the Supreme Court is presented with the opportunity to address the current division of authority, it should consider the following issues.

A. The Relevance of Alternative Designs: Policy, Standard and Evidence

In considering the relevance of evidence of alternative designs, the Supreme Court should distinguish among three concepts:

- the policy underlying the functionality doctrine;
- the standard or test a court should apply in effecting that policy; and
- the evidence a court should consider in applying that standard.

1. Policy

The Supreme Court should affirm that the policy underlying the functionality doctrine is chiefly concerned with the trademark law’s effect on competition.79

2. Standard

The Supreme Court should rethink the standard that ought to be applied in effecting that policy. That involves three issues.

76. Eppendorf, 289 F.3d at 357.
77. Id. at 358 (footnote omitted).
78. See text at nn.67-74, supra.
79. See text at nn.8-10, supra.
(a) Reconsidering Inwood

At a minimum, the Supreme Court should reconsider the Inwood standard, which provides 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.”80 This is an unfortunate standard for a number of reasons.

The standard says that a feature is functional only if it is “essential” to the product’s use or purpose (provided it has no effect on its cost or quality). On the other hand, where the feature has any affect on cost or quality, the feature is functional even if the feature is not “essential” to the product’s use or purpose, e.g., even if it is only “incidental” to the product’s use or purpose.

Moreover, the standard is internally inconsistent. It is necessary to show that a feature is “essential” to a product’s “use.” However, although the quality of a product is likely to have a bearing on a product’s use, a feature is functional if it has any effect on the product’s quality. Thus, a feature that only marginally improves a product’s usefulness by improving its quality is functional, although such a feature would not be “essential” to the product’s use.

The standard also fails to take account of the policy underlying the functionality doctrine. The standard prevents appropriation of a feature that merely “affects” a product’s cost or quality. A feature that increases the cost of manufacture or reduces a product’s quality would meet that “affects” standard. However, exclusive appropriation of such a feature would not hinder competition. Exclusive appropriation of a feature might hinder competition if the feature reduces the cost of manufacture or increases a product’s quality.

(b) Reconsidering TrafFix

Especially if the Supreme Court reaffirms the Inwood standard, it should reconsider whether TrafFix correctly interpreted Qualitex. Contrary to the TrafFix decision, Qualitex does not distinguish between the Inwood standard and a significant disadvantage (competitive necessity) standard. Rather, Qualitex equates the Inwood and significant disadvantage standards.81 Moreover, particularly in light of the Restatement, Qualitex does not support the application of the Inwood standard in utilitarian functionality cases and a different significant disadvantage standard in aesthetic functionality cases.82

80. Inwood Labs, 456 U.S. at 850 n.10 (emphasis added).
81. See text at nn.28-29, supra.
82. See text at n.31, supra. At least one commentator maintains that contrary to TrafFix “aesthetic functionality was not the central question in the Qualitex case.” 1 J.
(c) Adopting a New Standard

Ideally, the Supreme Court should reject both the Inwood standard and the views on Qualitex it expressed in the TrafFix decision and adopt a new standard. A new standard should address the degree to which exclusive appropriation of a feature through trademark/trade dress law must impede competition before the feature will be considered to be functional. Qualitex and the Restatement, which Qualitex quoted, already provide a useful standard of this kind. A feature is functional if recognition of trademark/trade dress rights in the feature would “put a competitor at a significant disadvantage”, i.e., “would significantly hinder competition.”

Just as the likelihood of confusion standard rules out other degrees of confusion such as possible or actual confusion, this standard rules out effects on competition other than “significant” effects. Thus, for example, a product feature would not be functional if exclusive appropriation had only a minimal effect on competition. On the other hand, a feature could be functional even if it is not essential to the use or purpose of the product, because exclusive appropriation of even a non-essential (e.g., an important) feature could significantly hinder competition.

Unfortunately, Qualitex has undermined this otherwise useful standard by equating it with the Inwood standard. This turns a straightforward “significant disadvantage” standard into a confusing inquiry concerning whether a feature is “essential” to the product’s use or purpose or “affects” its cost or quality. Stripped of this baggage, the “significant disadvantage (significantly hinder)” standard would be a useful standard. Guided by that standard, courts could consider just one issue: whether the facts in any particular case support the conclusion

Thomas McCarthy, McCarthy On Trademarks and Unfair Competition § 7:80, at 7-198 (4th ed. 2002) (original emphasis). Whether there is a need for two standards is a different issue. See, e.g., Deere & Co. v. Farmhand, Inc., 560 F. Supp. 85, 98 (S.D. Iowa 1982) (holding that the color of John Deere tractors was a functional feature that the makers of loaders were entitled to use because “farmers prefer to match their loaders to their tractor . . . [and thus trade dress] protection of John Deere green . . . would hinder Farmhand in competition”), aff’d, 721 F.2d 253 (8th Cir. 1983). One could argue that the color was not essential to the tractor’s (or the loader’s) use or purpose and did not affect their cost or quality, but that preventing its use on loaders could be said to put the makers of loaders at a significant non-reputation-related disadvantage due to farmers’ preference for matching loaders to tractors. See Abercrombie & Fitch Stores, Inc. v. Am. Eagle Outfitters, 280 F.3d 619, 641 (6th Cir. 2002). On the other hand, one could argue that the color was essential to the loader’s use by farmers, who would not use a mismatched loader, and that permitting exclusive appropriation of the color would therefore put competitors at a significant non-reputation-related disadvantage.

83. See text at nn.28-31.
84. See text accompanying n.29, supra.
that competition would be significantly hindered by recognition of trademark/trade dress rights in a product feature.

3. Evidence

The Supreme Court should also discuss the types of evidence that should be considered in applying the standard it adopts, whether that standard is the Inwood standard, a reinterpreted Inwood standard, or a new standard.

In doing this, the Supreme Court should recognize that no listing of the types of relevant evidence that should be considered is likely to be exhaustive. It should also comment on the Morton-Norwich/Valu Eng’g list, which identifies four types of evidence, as follows:

(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.

This list says nothing about evidence that a feature enhances the quality of a product. Such evidence is arguably an aspect of the third type of evidence. However, if the third type of evidence is interpreted that broadly, it probably would include the fourth type of evidence, because a feature with a relatively simple or cheap method of manufacture would not be functionally equivalent to other designs.

The Supreme Court should also note that there is a relationship between the first type of evidence and its observation in the TrafFix decision that a “utility patent is strong evidence that the features therein claimed are functional.” Finally, it should affirm the relevance of evidence of alternative designs.

4. Summary

Put succinctly, the Supreme Court’s treatment of the policy, the standard, and the evidence might look something like this.

Qualitex set out the policy that underlies the functionality doctrine:

86. Valu Eng’g, 278 F.3d at 1274 (citing Morton-Norwich, 671 F.2d at 1340-41).
87. TrafFix, 532 U.S. at 29.
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.88

A corollary to this policy is that trademark/trade dress law must take account of other laws, including principally patent and copyright law, that bear on a party’s right to market a product in competition with others.89

To effect the policy underlying the functionality doctrine, courts should apply the following standard in a case involving either utilitarian or aesthetic functionality: A feature is functional if recognition of trademark/trade dress rights in the feature would “put a competitor at a significant disadvantage,”90 i.e., “would significantly hinder competition.”91

In deciding whether that standard has been met in a given case, the courts should consider the evidence of record and should not speculate about design possibilities of which no evidence has been introduced.92 The types of evidence that should be considered include, but are not limited to, the following:

1. The existence of a utility patent disclosing the utilitarian advantages of the design at issue,93 Such evidence is “strong evidence that the features therein claimed are functional.”94

2. The availability to competitors of designs that are functionally equivalent to the design at issue.95 In determining whether available designs are functionally equivalent to the design at issue, relevant evidence includes evidence concerning the extent, if any, to which the design at issue reduces the cost of producing the product or increases its quality.96

3. Advertising or other materials in which the originator of the design at issue does or does not tout the utilitarian advantages of the design at issue.97

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89. See n.10, supra.
90. Qualitex, 514 U.S. at 169.
91. Id. at 170.
92. See nn.40-43, supra.
93. Valu Eng’g, 278 F.3d at 1274.
94. TrafFix, 532 U.S. at 29.
95. Valu Eng’g, 278 F.3d at 1274.
97. Cf. authorities cited at n.86, supra. These authorities focus on advertising materials in which the party touts the functionality of the design at issue. This is too narrow in two respects. First, materials other than advertising materials in which the
B. Utility and Functionality

The Supreme Court should make it plain that functionality and utility are not the same things, and that only some useful features are functional, e.g., only those the exclusive appropriation of which would significantly hinder competition. 98 The Supreme Court should also affirm that a feature need not necessarily be arbitrary, incidental or ornamental to be non-functional. 99

VI. CONCLUSION

It is said that sometimes the more things change the more they remain the same. In addressing one division of authority in the Courts of Appeal, TrafFix created two new divisions of authority. This article suggests how the new divisions should be addressed and draws three conclusions. First, evidence concerning the availability of alternative designs is relevant in determining whether the design of a product feature is functional. Second, functionality is not the equivalent of utility. Finally, Valu Eng’g is right and Eppendorf is wrong on both of these issues.

98. See text at nn.67-75, supra.
99. See text at nn.72-73, supra.