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TRADEMARKS, FUNCTIONALITY, AND
COMPETITION*

*By Glynn S. Lunney, Jr.***

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ABSTRACT

Courts and commentators have long thought that the purpose of trademark and unfair competition law is to distinguish fair competition from unfair competition and prohibit the latter. Yet, trademark law has a more fundamental, more foundational purpose. Before trademark law can distinguish fair competition from unfair competition, there must first be competition. That makes ensuring competition trademark law's highest priority. Identifying and prohibiting unfair competition becomes, by necessity, a subordinate concern. Until 1982, courts recognized this hierarchy and enforced a broad and flexible functionality limitation on trademark or trade dress protection to ensure competitive markets. In 1982, however, this changed. Judge Rich of the Court of Customs and Patent Appeals held that a product feature could serve an important non-trademark function, and thus be functional in fact, yet nevertheless not be functional for purposes of trademark law. Over the ensuing two decades, this approach spread and sharply constrained the reach of the functionality limitation. In 2001, the Supreme Court stepped in and seemed to reinstate the broad and flexible approach. Yet, courts have failed to let go of Judge Rich's approach. As a result, courts continue to protect as trademarks product features that serve important non-trademark purposes. This was and is a mistake. Recognizing that ensuring competition, rather than ensuring fairness, is trademark law's primary objective leads to a simple conclusion. If consumers, or at least, some of them, want a product feature for its own sake, without regard to who made the product, then the product feature is functional and may not be protected under trademark or unfair competition law.

INTRODUCTION

The Lanham Act expressly prohibits trademark protection for any functional aspect of a product.¹ Usually, courts attribute this functionality prohibition to policies or concerns external to trademark law. These external concerns include, *inter alia*: (i) a

¹ United States Trademark Act of 1946, as amended ("Lanham Act"), § 2, 15 U.S.C. § 1052(e)(5) (2020) (prohibiting the registration on the principal register of any trademark "comprises any matter that, as a whole, is functional"); Lanham Act § 14, 15 U.S.C. § 1064(3) (allowing a cancellation petition for any registered mark that is functional at any time); Lanham Act § 33, 15 U.S.C. § 1115(b)(8) (allowing a defendant to challenge an incontestably registered trademark to be challenged on the grounds that it is functional); Lanham Act § 43, 15 U.S.C. § 1125(a)(3), (c)(4)(A) (placing the burden of proof on the party seeking protection under Section 43(a) or 43(c) for an unregistered trademark to establish that the claimed trademark is not functional).

desire for vigorously competitive markets;² (ii) a channeling function to ensure that trademark protection stays in its lane;³ and (iii) a need to avoid perpetual protection of unpatented product features.⁴ In this article, I show that the functionality prohibition is driven not by considerations external to trademark law, but by the foundational purpose of trademark law itself.

Conventionally, trademark law exists to distinguish between fair and unfair competition—between (i) competition where goods are labeled in a manner that enables consumers to find readily and without mistake what they are looking for in the marketplace; and (ii) competition where goods are labeled in a manner that is likely to lead consumers to make a mistake and purchase the goods of one company believing that they are buying the goods of another. Most trademark doctrines, such as distinctiveness⁵ and likelihood of confusion,⁶ work directly to distinguish between these two types of

² See, e.g., *Landscape Forms, Inc. v. Columbia Cascade Co.*, 113 F.3d 373, 379 (2d Cir. 1997) (noting that “the Lanham Act must be construed in the light of a strong federal policy in favor of vigorously competitive markets”).

³ See, e.g., *Traffix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 29 (2001) (“Trade dress protection must subsist with the recognition that in many instances there is no prohibition against copying goods and products. In general, unless an intellectual property right such as a patent or copyright protects an item, it will be subject to copying.”); see also *Ezaki Glico Kabushiki Kaisha v. Lotte Int’l Am. Corp.*, 986 F.3d 250, 256 (3d Cir.) (“The functionality doctrine keeps trademarks from usurping the place of patents.”), *cert. denied*, 142 S. Ct. 420 (2021).

⁴ See, e.g., *Keene Corp. v. Paraflex Indus., Inc.*, 653 F.2d 822, 824 (3d Cir. 1981) (“The purpose of the rule precluding trademark significance for functional features is to prevent the grant of a perpetual monopoly to features which cannot be patented.”); *Pope Automatic Merch. Co. v. McCrum-Howell Co.*, 191 F. 979, 981-82 (7th Cir. 1911) (explaining that allowing protection under unfair competition for unpatented product features would “give[] gratuitously a monopoly more effective than that of the unobtainable patent in the ratio of eternity to 17 years”).

⁵ Distinctiveness is a prerequisite for registration and protection of an asserted trademark. See, e.g., *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205, 210 (2000) (stating that distinctiveness is a prerequisite for registration and protection of trade dress); *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 162 (1995) (noting the requirement of distinctiveness for trademarks). For purposes of trademark law, distinctiveness refers to the ability of a word or other product feature to identify who made or is otherwise responsible for the associated product. Usually, trademark lawyers shorten this and refer to a distinctive trademark as something that designates the product’s “source,” where source serves as shorthand for the company who made or is otherwise responsible for the characteristics and quality of the good. For example, the image of an apple with a bite out of it on a phone indicates that Apple Inc. is the source of the phone. More generally, a product feature is distinctive in the trademark sense when it serves to convey otherwise unavailable and brand-specific information regarding the associated product to consumers.

⁶ Likelihood of confusion is the general standard of trademark infringement. See Lanham Act §§ 32, 43, 15 U.S.C. §§ 1114(a); 1125(a). Broadly speaking, it asks whether the defendant’s trademark is so similar to the plaintiff’s that, given the nature of the two parties’ products and the ways in which they are marketed and sold, an ordinarily prudent consumer is likely to buy the defendant’s product believing that they are buying the plaintiff’s.

competition. The trademark doctrine of functionality does not, however. To the contrary, trademark law leaves functional aspects of a product, whether packaging, design, or words associated with the product (hereinafter, collectively, “product features” or “features”),⁷ unprotected: (i) even when the feature is distinctive;⁸ and (ii) more tellingly, even when a refusal to protect the feature is likely to lead to consumer confusion.⁹ Perhaps that is why some courts and commentators look outside of trademark law to justify the functionality limitation. Functionality does not turn on whether the associated competition is fair or unfair. It seeks to ensure that there is competition.

Nevertheless, looking outside of trademark and unfair competition law to justify functionality is a mistake. Functionality is not an external constraint some outside policy or legal regime imposes on trademark law. It is a foundational aspect of trademark law itself. Before we can draw a distinction between fair and unfair competition, there must first be competition.

For trademark law, ensuring competition necessarily comes first. The Lanham Act expressly recognizes this hierarchy. As set forth in the statute, where functionality is present, it bars a claim

⁷ I use the phrase “product features” in the broadest possible sense to include packaging, design, features, and even words associated with a product. While some may prefer the ornamental or non-trademark use analysis to limit protection, especially for words, courts have long recognized that the words on a product may add value to a product by conveying a meaning or serving a purpose other than, or in addition to, source identification and thus be functional. *See* *Smith v. Krause*, 160 F. 270, 271 (C.C.S.D.N.Y. 1908) (denying protection words “Merrie Christmas” woven into a ribbon because “the fact that it has ‘Merrie Christmas’ inscribed upon it adds a value to it over the value of a plain ribbon”); *see also* *Greater Anchorage, Inc. v. Nowell*, 974 F.2d 1342 (9th Cir. 1992) (holding that words “Fur Rendezvous” on a lapel pin were functional).

⁸ *See, e.g., TrafFix*, 532 U.S. at 33 (“Functionality having been established, whether [the] design has acquired secondary meaning need not be considered.”); *Mosaic Brands, Inc. v. Ridge Wallet LLC*, 55 F.4th 1354, 1366 (Fed. Cir. 2022) (“[W]e affirm on the ground that the SMCI’s design is functional. We have no need to decide whether to affirm the District Court on additional grounds [including a lack of secondary meaning] as well.”); Lanham Act §§ 2, 14, 15 U.S.C. §§ 1052(e)(5), 1064(3) (barring registration of a mark that is functional irrespective of distinctiveness and allowing cancellation of a registration at any time for a functional product feature again irrespective of distinctiveness).

⁹ *See, e.g., Bliss Collection, LLC v. Latham Cos., LLC*, 82 F.4th 499, 515 (6th Cir. 2023) (affirming dismissal of trade dress claims where plaintiff failed to adequately plead non-functionality without addressing distinctiveness or likelihood of confusion); *Pim Brands v. Haribo, Inc.*, 81 F.4th 317, 323-24 (3d Cir. 2023) (affirming grant of summary judgment in favor of defendant based upon conclusion that claimed features were functional without addressing distinctiveness or likelihood of confusion); *Pocket Plus, LLC v. Pike Brands, LLC*, 53 F.4th 425, 432 (8th Cir. 2022) (“Because we find that there is no genuine dispute that the trade dress is functional, we need not address Pocket Plus’s arguments that its pouch is distinctive.”); *CTB, Inc. v. Hog Slat, Inc.*, 954 F.3d 647, 656 (4th Cir. 2020) (affirming grant of summary judgment in favor of defendant based upon conclusion that claimed features were functional without addressing distinctiveness or likelihood of confusion).

of trademark infringement even where the feature is distinctive.¹⁰ As set forth in the statute, where functionality is present, it bars a claim of trademark infringement even where leaving the product feature unprotected will likely lead to consumer confusion.¹¹ This is not balance, comforting and familiar, but hierarchy, harsh and foreign. Where functionality is found, distinguishing between fair and unfair competition becomes irrelevant.

Congress established this hierarchy to ensure that competition is trademark law's first and highest priority. Only after ensuring that competition exists can trademark law move to the necessarily subordinate concern whether that competition is fair. For that reason, trademark law's purpose cannot be merely to minimize consumer search costs.¹² If that were trademark law's sole or principal purpose, then trademark law should work to ensure a monopoly in every product market.¹³ If there is only one product in every market, then search costs would be minimized, and consumer confusion would never occur. Yet, no one contends that a monopoly in every market—the logical end of a single-minded pursuit of minimizing search costs—is or should be trademark law's goal. Minimizing search cost may be part of trademark law's purpose but cannot be its sole or even primary purpose.

A more complete statement of trademark law's purpose would be that trademark law seeks: (i) to minimize search costs within (ii) markets that are competitive. As between these two policy concerns, ensuring competitive markets must take priority. For consumers to make a choice, there must first be a choice. To separate fair competition from unfair, there must first be competition. As a matter of logic and statutory language, the need to ensure competition necessarily comes first. As a result, the need to ensure competition is trademark law's first priority—its foundational purpose. Not because of an external federal policy, or to ensure that trademark law stays in its lane, or to avoid perpetual protection for unpatented features. But because without competition, there can be no fair competition. Without competition, there is no need to distinguish between fair and unfair competition. Without competition, trademark law has no legitimate role. Thus, ensuring competition is trademark law's primary concern. Only once that is accomplished can trademark law concern itself with the necessarily subordinate issue whether that competition is fair or unfair.

¹⁰ See *supra* note 8.

¹¹ See *supra* note 9.

¹² But cf. *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 164-65 (1995) (offering search cost reduction as the rationale for trademark protection).

¹³ See Glynn S. Lunney, Jr., *Trademark Monopolies*, 48 Emory L.J. 367, 433 (1999) [hereinafter Lunney, *Trademark Monopolies*]; Glynn S. Lunney, Jr., *An Introduction to the Law & Economics of Trademarks*, in *Research Handbook on the Law & Econ. of Trademarks* 5, 25-26 (Glynn S. Lunney, Jr. ed., 2023).

For that reason, when the initial attempts to protect product features against imitation arose under unfair competition law, courts employed a broad and flexible functionality doctrine to limit the availability of protection.¹⁴ Courts did not balance the value of a feature as trademark against the value of the feature for purposes other than source identification. To the contrary, even if the imitated feature was distinctive, courts would refuse to protect that feature under unfair competition if the feature served or had value for any material non-trademark purpose.¹⁵ Protection against imitation was limited to those product features that were “mere arbitrary embellishment, a form of dress for the goods primarily adopted for purposes of identification and individuality and, hence, unrelated to basic consumer demand or preference for the associated product.”¹⁶ This broad and flexible definition of functionality secured trademark and unfair competition law’s first priority. It ensured competition itself.

In 1982, however, this changed. In that year, Judge Giles Rich, of the Court of Customs and Patent Appeals, held in *In re Morton-Norwich Products, Inc.* that functional product features could be registered and receive protection as trademarks.¹⁷ The product feature at issue, a two-dimensional silhouette of the GLASS PLUS bottle,¹⁸ reflected the functional shape of the GLASS PLUS bottle, and Judge Rich acknowledged as much.¹⁹ But then, in a remarkable feat of legerdemain, he created a distinction between features that were functional in fact, or *de facto* functional, and features that were functional for purposes of trademark law, *de jure* functional.²⁰ While *de facto* functional coincides with the broad common law and ordinary language definition of functional, he gave *de jure* functional a much narrower meaning.²¹ Only those product features that were “essential” to the functioning of the product—because, for example, there were no alternative designs available—qualified as

¹⁴ See *infra* text accompanying notes 91-112.

¹⁵ See, e.g., *Pagliero v. Wallace China Co.*, 198 F.2d 339, 343 (9th Cir. 1952) (“‘Functional’ in this sense might be said to connote other than a trade-mark purpose.”).

¹⁶ *Id.*

¹⁷ *In re Morton-Norwich Prods., Inc.*, 671 F.2d 1332 (C.C.P.A. 1982).

¹⁸ *Id.* at 1334. At this time, before the protection of so-called trade dress was firmly established, trademark attorneys used tricks such as registering a silhouette or other two-dimensional representation of a product to bypass potential issues as to whether products themselves could be registered as trademarks. See also *In re DC Comics, Inc.*, 689 F.2d 1042, 1045 (C.C.P.A. 1982) (seeking registration of two-dimensional representation of Superman action figure).

¹⁹ *Id.* at 1342 (“Of course, the spray bottle is highly useful and performs its intended functions in an admirable way . . .”).

²⁰ *Id.* at 1337.

²¹ *Id.* at 1341.

de jure functional and were barred from trademark protection.²² Using this distinction enabled Judge Rich to acknowledge that the shape of the GLASS PLUS bottle was functional in fact, but nevertheless hold that it was not functional in law.²³ As a result, he ruled that the shape of the GLASS PLUS bottle could be registered and otherwise protected as a trademark, assuming distinctiveness could be shown.²⁴ As his approach to the functionality limitation spread, functional product features started receiving protection under trademark law. This protection frustrated trademark law's first-order concern of ensuring competition.

To be sure, Judge Rich tried to justify his approach in terms of functionality's core purpose. In his opinion, he kept using the words "compete," "competition," and "competitive,"²⁵ but I do not think those words mean what he thought they meant. For two products to compete, it is not enough that they serve more or less the same general purpose, nor is it enough that they are placed next to each other on grocery store shelves, nor is it enough that their different manufacturers can be readily distinguished. The purpose of competition is to ensure competitive prices for consumers.²⁶ To ensure competitive prices, products compete only if a "small but significant and non-transitory" price increase on one product will lead enough consumers to switch to the other that the price increase becomes unprofitable.²⁷ As I explained more than twenty-five years ago, by that definition, even COKE soda and PEPSI soda probably do not compete.²⁸ For many consumer products, even a slight change in product characteristics, such as flavor profile, means that consumers will no longer switch. For consumers to actually switch to another product in response to such a price increase, the second product may need to be effectively indistinguishable from the first. Under the common law, courts recognized this. The functionality limitation, under the common law, ensured that so long as competitors were careful to label the imitation as their own, they

²² *Id.* ("The question is whether appellant's plastic spray bottle is *de jure* functional; is it the best or one of a few superior designs available?").

²³ *Id.* at 1341-43.

²⁴ The Court of Customs and Patent Appeals remanded for a determination whether the shape of the GLASS PLUS bottle had the requisite secondary meaning. *Id.* at 1343-44.

²⁵ In the *Morton-Norwich* opinion, variations on the word "compete," including "compete," "competition," and "competitive," appeared 32 times.

²⁶ This, at least, has been the view among economists since Adam Smith. *See* Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, 77-78 (1791).

²⁷ *See* Dep't of Justice & Federal Trade Comm'n, *Horizontal Merger Guidelines* § 1.0 (1992); *see also* *Satellite Television & Associated Res., Inc. v. Cont'l Cablevision of Virginia, Inc.*, 714 F.2d 351, 355 n.5 (4th Cir. 1983) (applying Guidelines approach to define relevant product market), *cert. denied*, 465 U.S. 1027 (1984); *Bon-Ton Stores, Inc. v. May Dep't Stores Co.*, 881 F. Supp. 860, 872 (W.D.N.Y. 1994) (using Guidelines approach to define relevant product market).

²⁸ *See* Lunney, *Trademark Monopolies*, *supra* note 13, at 424-25.

were free, as Judge Learned Hand famously put it, to “copy the plaintiff’s goods slavishly down to the minutest detail.”²⁹ Outside of the narrowest and most obvious limits, courts refused to second-guess would-be competitors as to which product features mattered to consumers. If the product feature at issue had value to consumers for non-trademark reasons, it was functional. But Judge Rich was confident that he knew competition when he saw it, and so arrogated to courts a central role in defining what product features were necessary for competition and what product features were not.

In 2001, the Supreme Court stepped in and rejected Judge Rich’s reading of the functionality limitation as overly narrow.³⁰ In its place, the Court embraced an interpretation of functional more consistent with the broader common law standard. In its *TrafFix* opinion, the Court appeared to reject the de facto–de jure distinction and embrace the proposition that de facto functionality establishes de jure functionality.³¹ The Court rejected the availability of alternative designs as a basis for finding that a product feature was not functional.³² And the Court relegated non-functional product features to “arbitrary flourish[es]” that were entirely unrelated to function.³³ In short, the *TrafFix* Court’s decision returned to, or appeared to return to, the common law approach that prevailed before *Morton-Norwich*.

Unfortunately, not even the Supreme Court could kill Judge Rich’s approach entirely. Several aspects of the doctrine that Judge Rich made up have endured. Courts continue to distinguish between de jure and de facto functionality.³⁴ They continue to limit functionality to those designs or feature that are “the best or one of the few best designs or features available.”³⁵ And they continue to rely on the four factors, or categories of evidence, that Judge Rich identified.³⁶ Indeed, courts continue to rely on Judge Rich’s third

²⁹ *Crescent Tool Co. v. Kilborn & Bishop Co.*, 247 F. 299, 301 (2d Cir. 1917).

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

³¹ *Id.* (“[The dual-spring design] is the reason the device works.”).

³² *Id.* (“Other designs need not be attempted.”)

³³ *Id.* (“The dual-spring design is not an arbitrary flourish in the configuration of MDI’s product.”).

³⁴ *See, e.g., In re Becton, Dickinson & Co.*, 675 F.3d 1368, 1373-74 (Fed. Cir. 2012).

³⁵ *See, e.g., TBL Licensing, LLC v. Vidal*, 98 F.4th 500, 511 (4th Cir. 2024) (listing four factors to evaluate functionality and reciting the third as “(3) the availability of functionally equivalent alternative designs which competitors may use”); *ERBE Elektromedizin GmbH v. Canady Tech. LLC*, 629 F.3d 1278, 1289 (Fed. Cir. 2010) (stating that a color is not de jure functional unless it is “the best, or at least one, of a few superior designs.”) (citation omitted).

³⁶ *See, e.g., TBL Licensing, LLC*, 98 F.4th at 511 (reciting and applying the four factors); *Blumenthal Distrib., Inc. v. Herman Miller, Inc.*, 963 F.3d 859, 865 (9th Cir. 2020), *cert. denied*, 141 S. Ct. 1514 (2021) (identifying four factors for determining functionality: “(1) whether the design yields a utilitarian advantage, (2) whether alternative designs are available, (3) whether advertising touts the utilitarian advantages of the design, and

category of evidence, the availability of alternative designs,³⁷ despite language in the Court's *TrafFix* decision that seems to state expressly that such evidence need not be considered.³⁸

For the last two decades, a seeming equilibrium has been reached. On the surface, the definition of functional appears settled. Courts recite the same standard for functionality. A feature is functional "if it is essential to the use or purpose of the article or if it affects [its] cost or quality."³⁹ But hidden beneath this common phrasing, sharp differences persist. Some courts interpret the word "essential" quite literally, read *TrafFix* narrowly, and so sharply confine the reach of the functionality limitation.⁴⁰ Others reject a literal interpretation of the word "essential," read *TrafFix* more broadly, and embrace a broad interpretation of the functionality limitation.⁴¹

Rather than participate in this kabuki theater, the Third Circuit has recently blazed an altogether new approach—new, at least, for trademark law.⁴² The court adopted a literalist approach. Under the literalist approach—an approach that Justice Scalia long championed, courts must leave policy issues to Congress and, at

(4) whether the particular design results from a comparatively simple or inexpensive method of manufacture.”) (citation omitted).

³⁷ See, e.g., *DayCab Co. v. Prairie Tech., LLC*, 67 F.4th 837, 849 (6th Cir. 2023) (relying on alternative designs to find product features non-functional); *Cartier, Inc. v. Sardell Jewelry, Inc.*, 294 F. App'x 615, 621 (2d Cir. 2008) (“the trade dress is not ‘functional’ because there are many alternative designs that could perform the same function”); *McAirlaids, Inc. v. Kimberly-Clark Corp.*, 756 F.3d 307 (4th Cir. 2014) (holding that the availability of alternative designs was important for assessing functionality of a mark); *Bodum USA, Inc. v. A Top New Casting Inc.*, 927 F.3d 486, 493 (7th Cir. 2019) (finding that “a plethora of evidence regarding the availability of alternative designs . . . supported [the mark’s] lack of functionality.”), *cert. denied*, 589 U.S. 1121 (2019).

³⁸ *TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 34 (2001) (“The dual-spring design is not an arbitrary flourish in the configuration of MDI’s product; it is the reason the device works. Other designs need not be attempted.”); see also *Eppendorf-Netheler-Hinz GmbH v. Ritter GmbH*, 289 F.3d 351, 355 (5th Cir.) (holding that the “availability of alternative designs is irrelevant” to the functionality inquiry), *cert. denied*, 537 U.S. 1071 (2002); *Groeneveld Transp. Efficiency, Inc. v. Lubecore Int’l, Inc.*, 730 F.3d 494, 506–07 (6th Cir. 2013) (holding that the Court’s precedent “makes clear that [plaintiff’s] argument about the availability of alternative . . . designs is misguided” and that so long as plaintiff’s design “was substantially influenced by functional imperatives or preferences” it would be “error [to inquire] about possible alternative designs”).

³⁹ *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 850 n.10 (1982).

⁴⁰ See, e.g., *Whirlpool Corp. v. Shenzhen Sanlida Elec. Tech. Co.*, 80 F.4th 536, 544 (5th Cir. 2023) (finding design of stand mixer to be non-functional based upon the availability of alternative designs that were “‘equally usable’ even if potentially less desirable or aesthetically pleasing”), *cert. denied*, 144 S. Ct. 807 (2024).

⁴¹ See, e.g., *Pocket Plus, LLC v. Pike Brands, LLC*, 53 F.4th 425, 433–34 (8th Cir. 2022) (holding product features to be functional despite the existence of alternative designs and equating “essential” with a feature that “affects” the product’s function).

⁴² *Ezaki Glico Kabushiki Kaisha v. Lotte Int’l Am. Corp.*, 986 F.3d 250 (3d Cir.), *cert. denied*, 142 S. Ct. 420 (2021).

least as a starting point, give statutory language, such as the word “functional” in the Lanham Act, its ordinary or plain language meaning.⁴³ And that’s precisely what the Third Circuit did. The Third Circuit rejected the interpretation of functional as “essential.”⁴⁴ That is not the word’s ordinary meaning. To be functional, a doorknob does not have to be the best doorknob available. It just has to open the door. And so the Third Circuit held. Functional, for purposes of trademark law, means useful.⁴⁵ While seemingly straightforward, the Third Circuit’s approach and definition of functional threatened to undo decades of sophistry that courts have offered as to why functional in fact does not mean functional in law. It would restore much of the broad and flexible reach the functionality limitation enjoyed before *In re Morton-Norwich*. It would sharply reduce the availability of trademark protection for product features that consumers want for their own sake, rather than for source identification. Rather than focus on whether competition is fair or unfair, it would shift the focus to whether there will be competition at all. If the approach spreads, it could bring radical and much needed change to the functionality doctrine. In asking the Court to reverse, the plaintiff in the case argued as much in its petition for certiorari.⁴⁶ But the Court denied the writ.⁴⁷

This leaves us in something of a quandary. On a case-by-case basis going forward, courts must determine whether a narrow or broad functionality limitation better advances trademark law’s goals. To make that determination, we must first determine whether trademark law’s true goals are: (i) ensuring competition; or (ii) ensuring fairness. To help cast light on this choice, in this paper, I trace the origins and purpose of the functionality limitation and argue that ensuring competition is trademark law’s primary purpose. I then show that ensuring competition requires a broad and flexible definition of functionality.

To explore these issues, Part I starts with a brief review of the history of trade dress protection under trademark and unfair competition law—ground that I have covered more thoroughly elsewhere.⁴⁸ Part II details the development of the functionality

⁴³ For a general discussion of the literalist approach and its application to copyright law, see Glynn S. Lunney, Jr., *Copyright, Literally*, 51 AIPLA Q.J., 479 (2023).

⁴⁴ *Ezaki*, 986 F.3d at 256-57.

⁴⁵ *Id.*

⁴⁶ Petition for a Writ of Certiorari, *Ezaki Glico Kabushiki Kaisha v. Lotte Int’l America Corp.*, (No. 20-1817), 2021 WL 2686149, at *14-36.

⁴⁷ *Ezaki Glico Kabushiki Kaisha v. Lotte Int’l Am. Corp.*, 142 S. Ct. 420 (2021) (denying certiorari petition).

⁴⁸ See Lunney, *Trademark Monopolies*, *supra* note 13, at 373-91; 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) [hereinafter Lunney, *The Trade Dress Emperor*].

doctrine historically, its narrowing in *In re Morton-Norwich*, and its partial re-broadening in *TrafFix*. Part III argues for ensuring competition as trademark and unfair competition law's primary objective and promoting fair competition as a subordinate objective. Part IV explores the consequences of recognizing that hierarchy. To put those consequences in the starkest possible terms, prioritizing competition means that if trademark law faces a choice between: (i) a market with unfair competition, and (ii) a market with no competition at all, trademark law should choose the market with unfair competition. Simply put, unfair competition is better than no competition at all. Part V then concludes. Our conclusion follows directly from recognizing that ensuring competition is trademark law's primary concern. To ensure competition, courts should return to the standard that prevailed for more than a hundred years under the common law of unfair competition and rule that, for trademark purposes, *de facto* functionality is *de jure* functionality.

I. A BRIEF HISTORY OF TRADE DRESS PROTECTION

Congress first added a functionality limitation to the Lanham Act in 1998.⁴⁹ In 2001, the Court in *TrafFix* attempted to give a definitive definition and application of the functionality limitation in trademark law.⁵⁰ Yet, Congress enacted the Lanham Act in 1946. This raises a question: Why are these fundamental questions regarding functional product features arising and being addressed more than half a century after the statute's enactment? The timing seems, at the very least, curious.

To understand this curious timing, we must travel back to the first half of the twentieth century, to a time before the Lanham Act. At that time, before the enactment of the Lanham Act, product features were not legally recognized or protected as "trademarks."⁵¹ Instead, protection of such product features, along with the

⁴⁹ Trademark Law Treaty Implementation Act, Pub L. 105-330, 112 Stat. 3064 § 201(a)(2)(A)(ii), (a)(4), (a)(5), (a)(9) (1998) (current version at 15 U.S.C. §§ 1052(e)(5), 1064, 1091(c), 1115(b)(8)).

⁵⁰ *TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23 (2001). The Court first addressed the functionality doctrine in a Lanham Act case in 1982. *See Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 850 n.10 (1982).

⁵¹ For the proposition that product features could not receive protection as formal trademarks, but only under the common law rubric of unfair competition, see, for example, *Coats v. Merrick Thread Co.*, 149 U.S. 562, 566 (1893); *Lucien Lelong, Inc. v. Lenal, Inc.*, 181 F.2d 3, 4-5 (5th Cir. 1950) ("It is elementary that a color or container cannot be a trade-mark. . . . [T]here can be no trade-mark in a package, the shape of a bottle, or a letter of the alphabet."); *Societe Anonyme de la Distillerie de la Liqueur Benedictine de L'Abbaye de Fecamp v. Puziello*, 250 F. 928, 928 (E.D.N.Y. 1918) ("The statute of February 20, 1905, allowing the registration of a trade-mark in use for more than 10 years, does not alter the fundamental proposition, that a trade-mark is a design or mark rather than a container or package.").

protection of descriptive words used to identify a product's source, was relegated to the law of unfair competition. Although both trademark law and unfair competition law seek to prevent, or at least limit, the likelihood of consumer deception or confusion in the marketplace, there were, at least, two important distinctions between trademark law and unfair competition. First, at the time, under trademark law, trademark status was limited to inherently distinctive words—those words that were either made up or carried little or no direct meaning with respect to the products in connection with which they were used. For these inherently distinctive words, distinctiveness arose automatically, from mere use. In contrast, under unfair competition law, such distinctiveness, whether for descriptive words or for product features, had to be proven.⁵² Second, because the essence of unfair competition was a false statement—that is, these goods are from Company A, when they are really from Company B—truth was a complete defense.⁵³ As a result, so long as the imitator took reasonable care to label or

⁵² See, e.g., *Chas. D. Briddell, Inc. v. Alglobe Trading Corp.*, 194 F.2d 416, 419-420 (2d Cir. 1952) (denying relief where plaintiff failed to demonstrate secondary meaning); *Bliss v. Gotham Indus., Inc.*, 316 F.2d 848, 854-55 (9th Cir. 1963) (denying protection where secondary meaning not shown); *Gen. Time Instruments Corp. v. U.S. Time Corp.*, 165 F.2d 853, 854-55 (2d Cir.) (denying relief where plaintiff failed to demonstrate secondary meaning), *cert. denied*, 334 U.S. 846 (1948); *Swanson Mfg. Co. v. Feinberg-Henry Mfg. Co.*, 147 F.2d 500, 503 (2d Cir. 1945) (“Without [secondary meaning] or patent protection it was not unfair competition merely to copy the plaintiffs’ purses and sell duplicates of them.”); *Zangerle & Peterson Co. v. Venice Furniture Novelty Mfg. Co.*, 133 F.2d 266, 270 (7th Cir. 1943) (“[T]here can be no unfair competition unless the plaintiff has clearly established that its table had acquired in the trade a secondary meaning.”).

⁵³ *Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111, 120-22 (1938); *William R. Warner & Co. v. Eli Lilly & Co.*, 265 U.S. 526, 531 (1924) (“The petitioner or anyone else is at liberty under the law to manufacture and market an exactly similar preparation . . . [b]ut the imitator of another’s goods must sell them as his own production.”); *Feathercombs, Inc. v. Solo Prods. Corp.*, 306 F.2d 251, 257 (2d Cir.), *cert. denied*, 371 U.S. 910 (1962); *Modern Aids, Inc. v. R.H. Macy & Co.*, 264 F.2d 93, 94 (2d Cir. 1959) (per curiam) (“Even [where a plaintiff is entitled to relief under unfair competition against an imitator], however, the relief would go no further than to require the defendant to make plain to buyers that the plaintiff was not the source of the machines sold by it.”); *Paramount Indus., Inc. v. Solar Prods. Corp.*, 186 F.2d 999, 1001-02 (2d Cir. 1951); *Elizabeth Arden, Inc. v. Frances Denney, Inc.*, 99 F.2d 272, 273 (3d Cir. 1938) (per curiam); *Vogue Ring Creations, Inc. v. Hardman*, 410 F. Supp. 609, 613 (D.R.I. 1976) (“It is well established that copying another’s article is not, standing alone, unfair competition. It must be shown that the defendant so confusingly presented his product through packaging, labeling or otherwise as to lead purchasers to believe they were buying the plaintiff’s article.”); *Remco Indus., Inc. v. Toyomenka, Inc.*, 286 F. Supp. 948, 952, 955 (S.D.N.Y. 1968), *aff’d*, 397 F.2d 977 (2d Cir. 1968); *Key West Hand Print Fabrics, Inc. v. Serbin, Inc.*, 244 F. Supp. 287, 292 (S.D. Fla. 1965), *aff’d*, 381 F.2d 735 (5th Cir. 1967). For other differences, see Milton Handler & Charles Pickett, *Trade Marks and Trade Names—An Analysis and Synthesis: I*, 30 Colum. L. Rev. 168 (1930) (describing greater requirements for and narrower scope of protection for trade names under doctrine of unfair competition as compared to protection of and for trademarks).

otherwise identify the imitation as its own, the resulting similarity did not constitute unfair competition.⁵⁴

In enacting the Lanham Act in 1946, Congress expressly elevated descriptive words to trademark status. To reflect that change in status, Congress expressly detailed in Section 2 of the Act the secondary meaning requirements for descriptive words, mis-descriptive words, geographically descriptive words, and primarily geographically mis-descriptive words in order for them to be registered⁵⁵ and receive protection as trademarks.⁵⁶ In Section 14, Congress limited a third party's right to seek to cancel the registration for such a trademark on the grounds that it lacked the requisite secondary meaning to the first five years following the trademark's registration.⁵⁷ And in Section 33, Congress limited the scope of protection for descriptive word(s) registered as a trademark by enacting unfair competition law's truth defense in the fair use exception.⁵⁸

In contrast, Congress expressly barred the registration of product features on the Principal Register.⁵⁹ This is readily seen, even today, by contrasting the limited subject matter categories in the definition of a "trademark," eligible for registration on the Principal Register,⁶⁰ with the much broader subject matter categories in the definition of a "mark," eligible for registration on the Supplemental Register.⁶¹ For the Principal Register, a trademark "includes any word, name, symbol, or device or any combination thereof."⁶² In contrast, for the Supplemental Register,

⁵⁴ *Kellogg Co.*, 305 U.S. at 120-22; *William R. Warner & Co.*, 265 U.S. at 531 ("The petitioner or anyone else is at liberty under the law to manufacture and market an exactly similar preparation . . . [b]ut the imitator of another's goods must sell them as his own production."); *Feathercombs, Inc.*, 306 F.2d at 257; *Modern Aids, Inc.*, 264 F.2d at 94 ("Even [where a plaintiff is entitled to relief under unfair competition against an imitator], however, the relief would go no further than to require the defendant to make plain to buyers that the plaintiff was not the source of the machines sold by it.").

⁵⁵ Lanham Act § 2, 15 U.S.C. § 1052(e), (f).

⁵⁶ *Id.*

⁵⁷ Compare Lanham Act § 14, 15 U.S.C. § 1064(1) (allowing a trademark registration to be challenged on any grounds, including a lack of secondary meaning, within five years of registration), with 15 U.S.C. § 1064(3) (limiting the grounds for such a cancellation after five years on the principal register).

⁵⁸ Lanham Act § 33, 15 U.S.C. § 1115(b)(4).

⁵⁹ I have laid out the relevant legislative history showing that Congress added the "word, name, symbol, or device" language to the definition of trademarks eligible for registration on the Principal Register to relegate product features to the Supplemental Register in detail in a previous article. See Lunney, *The Trade Dress Emperor's New Clothes*, *supra* note 48, at 1136-55.

⁶⁰ Lanham Act § 45, 15 U.S.C. § 1127 (defining a "trademark" eligible for registration on the Principal Register).

⁶¹ Lanham Act § 23, 15 U.S.C. § 1091(c) (defining a "mark" eligible for registration on the Supplemental Register).

⁶² Lanham Act § 45, 15 U.S.C. § 1127 (defining both trademarks and service marks).

a mark “may consist of any trademark, symbol, label, package, configuration of goods, name, word, slogan, phrase, surname, geographical name, numeral, device, any matter that as a whole is not functional, or any combination of any of the foregoing.”⁶³ Even without an understanding of the legislative process and history behind these categorical subject matter listings, the longer listing of categories in the definition of a mark, eligible for registration on the Supplemental Register, immediately suggests that Congress intended more things to be eligible for registration on the Supplemental Register. A careful review of when and why Congress added these categories to the definitions of trademarks and marks confirms this immediate impression. As I have thoroughly explained elsewhere, Congress expressly added these subject matter categories and made other linguistic changes to the bill that would become the Lanham Act in 1944, at the behest of the Department of Justice, to ensure that trade dress, whether a “package” or a “configuration of goods,” was barred from the Principal Register and relegated to the Supplemental Register.⁶⁴ Rules of statutory construction, the legislative history, and contemporaneous administrative and judicial interpretations confirm this and further confirm that Congress intended the words “symbol” and “device” in the definition of a trademark to be read narrowly as sigil, emblem, or coat of arms.⁶⁵ Congress did not intend these two terms to encompass and thereby render superfluous the words “package” and “configuration of goods” that Congress expressly included in the definition of a mark, but expressly omitted from the definition of a trademark.⁶⁶ Instead of elevating product features to technical trademark status, as it did expressly for descriptive words, Congress deliberately and with full awareness left the protection of product features against imitation to the preexisting state law of unfair competition. That’s why the Lanham Act, as enacted in 1946, included neither a secondary meaning requirement specific to product features, nor a functionality limitation. Because Congress intended to bar product features from registration on the Principal Register, Congress had no reason to address the requirements for registering such features in the Act.

Yet, after the Lanham Act’s enactment, first the United States Patent and Trademark Office (“USPTO”) and then the courts overruled Congress on the issue. While the USPTO acceded to the clamoring of would-be trade dress owners quickly and started allowing product features to be registered on the Principal Register

⁶³ Lanham Act § 23, 15 U.S.C. § 1091(c).

⁶⁴ See Lunney, *The Trade Dress Emperor’s New Clothes*, *supra* note 48, at 1136-55.

⁶⁵ *Id.*

⁶⁶ *Id.*

in 1958,⁶⁷ it was not until the Eighth Circuit's decision in *Truck Equipment Service Co. v. Fruehuaf Corp.* in 1976—thirty years after the statute's enactment—that a federal appellate court first granted a remedy for trade dress infringement under the Lanham Act.⁶⁸

Following the Eighth Circuit's mistake, it did not take long for the rest of the federal circuits to join the parade. By the time the issue came before the Supreme Court, in *Two Pesos, Inc. v. Taco Cabana, Inc.*, in 1992,⁶⁹ the parties and the Court took it for granted that Congress had intended to allow for the protection of product features, such as the décor of a restaurant, under Section 43(a).⁷⁰ In 1995, the Court in *Qualitex Co. v. Jacobson Products Co.*, took the “word, name, symbol, or device” language that Congress added to the Lanham Act specifically to bar the registration of product features on the Principal Register and re-defined that language to encompass product features.⁷¹ By 2001, without ever addressing, in a serious way, the statutory language or the relevant legislative history that showed Congress's intent to bar such protection, the Court pronounced: “It is well established that trade dress can be protected under federal law.”⁷² Apparently, once a mistake becomes sufficiently widespread, it becomes the law.

Unfortunately, this initial mistake led to further mistakes. Mistakenly assuming that Congress had intended to allow protection of product features all along led the *Two Pesos* Court to rule that product features, such as restaurant décor, could be inherently distinctive. After all, in Section 2 of the Lanham Act, Congress required proof of secondary meaning for descriptive words, the Court explained, but did not expressly provide any different rule for product features.⁷³ Therefore, Congress must have intended the

⁶⁷ The Court of Customs and Patent Appeals recognized the protection of product features or designs as “trademarks” registrable on the principal register in 1974. See *In re Honeywell, Inc.*, 497 F.2d 1344 (C.C.P.A.), *cert. denied*, 419 U.S. 1080 (1974).

⁶⁸ *Truck Equip. Serv. Co. v. Fruehauf Corp.*, 536 F.2d 1210, 1223 (8th Cir.) (affirming injunctive relief and awarding disgorgement for imitation of grain hopper trailer under Section 43(a) of the Lanham Act), *cert. denied*, 429 U.S. 861 (1976).

⁶⁹ 505 U.S. 763 (1992). An earlier case, *Inwood Labs., Inc. v. Ives Labs., Inc.*, presented a potential trade dress issue, but the Court resolved it on procedural grounds. 456 U.S. 844 (1982). Specifically, the *Inwood Labs.* majority held that the appellate court had failed to give adequate deference under Rule 52(a) of the Federal Rules of Civil Procedure to the factual findings of the district court. See *Inwood Labs., Inc.*, 456 U.S. at 855-58.

⁷⁰ *Two Pesos*, 505 U.S. at 772 (“If a verbal or symbolic mark or the features of a product design may be registered under § 2, it necessarily is a mark ‘by which the goods of the applicant may be distinguished from the goods of others,’ 60 Stat. 428, and must be registered unless otherwise disqualified.”).

⁷¹ See *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 162 (1995) (“Since human beings might use as a ‘symbol’ or ‘device’ almost anything at all that is capable of carrying meaning, this language, read literally, is not restrictive.”).

⁷² *Traffix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 28 (2001).

⁷³ *Two Pesos*, 505 U.S. at 772 (“If a verbal or symbolic mark or the features of a product design may be registered under § 2, it necessarily is a mark ‘by which the goods of the

same rule for words to apply to product features as well.⁷⁴ As a result, descriptive words or descriptive product features required proof of secondary meaning, but non-descriptive words and non-descriptive product features did not.⁷⁵ The same initial mistake—believing that Congress had intended to allow product features to serve as trademarks all along—also led the Fourth Circuit to make a similar further mistake in *Shakespeare Co. v. Silstar Corp.* in 1993.⁷⁶ Under Section 33(b) of the Lanham Act, once a registration becomes incontestable, only a limited set of enumerated defenses are available to challenge the validity of the registration. And at the time, functionality was not expressly included as one of those enumerated defenses. Of course, at the time, Congress had not included a functionality limitation anywhere in the Act. But, rather than recognize that Congress had not included an express functionality limit because Congress had barred product features from registration on the Principal Register, the Fourth Circuit held that the absence of a functionality limitation from Section 33(b) meant that functionality could not be raised as a defense against a registered product feature once the registration had become incontestable.⁷⁷

These mistakes eventually led to at least partial corrections from both Congress and the Court. While neither corrected the fundamental mistake of allowing product features to be registered on the Principal Register,⁷⁸ Congress expressly added the functionality limitation to the statute in 1998.⁷⁹ And in 2000, the Supreme Court partially corrected its *Two Pesos* mistake. In *Wal-*

applicant may be distinguished from the goods of others,' 60 Stat. 428, and must be registered unless otherwise disqualified.”).

⁷⁴ *Id.*

⁷⁵ Curiously, at the same time it was insisting that the statutory language of the Act governed on the distinctiveness issue, the *Two Pesos* Court also specifically acknowledged that “[o]nly nonfunctional, distinctive trade dress is protected under § 43(a).” *Two Pesos*, 505 U.S. at 775. Yet, in 1992, there was no express functionality limitation anywhere in the Lanham Act.

⁷⁶ See *Shakespeare Co. v. Silstar Corp. of Am.*, 9 F.3d 1091, 1097 (4th Cir. 1993) (holding that functionality could not be raised as a defense to a claim of infringement of an incontestably registered product feature because functionality was not a defense listed in Section 33(b) of the Act), *cert. denied*, 511 U.S. 1127 (1994). But see *Aromatique, Inc. v. Gold Seal, Inc.*, 28 F.3d 863 (8th Cir. 1994) (holding that functionality could be raised against even an incontestably registered product feature).

⁷⁷ See *Shakespeare Co.*, 9 F.3d at 1097.

⁷⁸ In *Wal-Mart Stores, Inc. v. Samara Bros.*, the Court used the fact that Congress, in correcting one of those mistakes, used the phrase “trade dress,” and thus must have intended to recognize the protection of product features under the Lanham Act. 529 U.S. 205, 210 (2000) (“This reading of § 2 and § 43(a) is buttressed by a recently added subsection of § 43(a), § 43(a)(3), which refers specifically to ‘civil action[s] for trade dress infringement under this chapter for trade dress not registered on the principal register.’”) (citation omitted).

⁷⁹ Trademark Law Treaty Implementation Act § 201(a)(2)(A)(ii), (a)(4), (a)(5), (a)(9).

Mart Stores v. Samara Brothers, the Court distinguished product features that constitute product packaging from those that constitute product design.⁸⁰ It then held that for those product features that constitute product design secondary meaning or acquired distinctiveness must always be proven.⁸¹

Yet, even with these corrections, establishing a triable claim of so-called “trade dress” infringement today remains far easier than it was to establish such a claim for imitation of product features under unfair competition. Even after *Wal-Mart Stores*, certain product features still qualify as inherently distinctive product packaging.⁸² As a result, acquired distinctiveness need not always be shown. Even where it must be shown, once courts elevated product features to formal trademark status, some courts have allowed a plaintiff to establish acquired distinctiveness for product features using the same sorts of circumstantial evidence that can be used to establish secondary meaning for words used as trademarks.⁸³ This comes despite the Court’s warning in *Wal-Mart Stores*: “Consumers are aware of the reality that, almost invariably, even the most unusual of product designs—such as a cocktail shaker shaped like a penguin—is intended not to identify the source, but to render the product itself more useful or more appealing.”⁸⁴ More importantly, where proper labeling was once the limit of the relief provided where the imitation of product features was found to constitute unfair competition, that is no longer true. Once courts elevated product features to formal trademark status, the imitation of the product feature itself became the wrong. Proper labeling—truth—was no longer a defense.

As a result, to establish a triable claim of infringement today, in some circuits, all a plaintiff need show is intentional copying of a popular product feature.⁸⁵ Taken together, the intentional copying

⁸⁰ *Wal-Mart Stores, Inc.*, 529 U.S. at 212-15.

⁸¹ *Id.* at 216.

⁸² *Id.* at 214-15 (distinguishing, rather than overruling, *Two Pesos* and retaining rule that product packaging, such as a restaurant’s décor, may be inherently distinctive).

⁸³ *Compare* A.C. Gilbert Co. v. Shemitz, 45 F.2d 98, 99 (2d Cir. 1930) (ruling that similarity resulting from imitation and “many sales and much advertising” did not establish secondary meaning in design of article), and *Gen. Time Instruments Corp. v. U. S. Time Corp.*, 165 F.2d 853, 854-55 (2d Cir.) (ruling that sale of 3,000,000 clocks and expenditure of \$2 million in advertising from 1939 to 1946 insufficient to establish secondary meaning in design of clock), *cert. denied*, 334 U.S. 846 (1948), *with* *Clamp Mfg. Co. v. Enco Mfg. Co., Inc.*, 870 F.2d 512, 517 (9th Cir.) (finding secondary meaning in product features based upon sales and advertising expenditures alone), *cert. denied*, 493 U.S. 872 (1989).

⁸⁴ *Wal-Mart Stores, Inc.*, 529 U.S. at 213.

⁸⁵ *See, e.g.*, *Coach Leatherware Co. v. AnnTaylor, Inc.*, 933 F.2d 162, 169 (2d Cir. 1991) (stating that inference of secondary meaning can be drawn from fact of imitation alone); *Truck Equip. Serv. Co. v. Fruehauf Corp.*, 536 F.2d 1210, 1220 & n.13 (8th Cir.) (holding that inferences of secondary meaning and likelihood of confusion can be drawn from fact of imitation alone), *cert. denied*, 429 U.S. 861 (1976); *Animal Fair, Inc. v. Amfesco*

and the popularity of the product feature are sufficient to establish a triable issue as to both distinctiveness and likelihood of confusion. Yet, the copying of popular product features is precisely when the competitive benefits that copying offers are highest. In this legal environment, the functionality limitation becomes competition's last and most critical line of defense. Yet, even as they elevated product features to trademark status, courts simultaneously gutted the functionality limitation—a tale to which we now turn.

II. THE FUNCTIONALITY LIMITATION

Until 1982, courts limited the protection unfair competition law provided against the imitation of product features through a broad functionality limitation vigorously applied. They embraced a broad functionality limitation because they recognized the critical role imitation plays in ensuring competitive markets.⁸⁶ As a result of that functionality limitation, many product markets are competitive today, where had a narrower functionality limitation prevailed, they would not be.⁸⁷

Because of a broad functionality limitation, competitors could freely copy any feature that added material non-trademark value to a product. That value could relate to the aesthetics of the product, its mechanical functioning, or a meaning, message, or information other than who made or sponsored the product. So long as the value derived from something other than identifying who made or sponsored the product, it served a non-trademark purpose and could be freely copied under the functionality limitation. As a result, markets today are competitive or more competitive than they would

Indust., Inc., 620 F. Supp. 175, 190 (D. Minn. 1985) (drawing inferences of secondary meaning and likelihood of confusion from fact of imitation), *aff'd*, 794 F.2d 678 (8th Cir. 1986).

⁸⁶ See, e.g., *American Safety Table Co. v. Schreiber*, 269 F.2d 255, 272 (2d Cir.) (characterizing imitation as “the life blood of competition”), *cert. denied*, 361 U.S. 915 (1959); *Chas. D. Briddell, Inc. v. Alglobe Trading Corp.*, 194 F.2d 416, 418 (2d Cir. 1952) (“For the common law favors competition; and it is of the essence of competition that competitors copy and undersell the product of an originator. The competitors do not lose their favored common-law position merely because someone chooses to call them ‘free riders.’”).

⁸⁷ See *Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111, 120-22 (1938) (holding that biscuit-shape of shredded wheat cereal was functional and could be freely copied); *William R. Warner & Co. v. Eli Lilly & Co.*, 265 U.S. 526, 531 (1924) (finding that defendant could imitate exactly chocolate flavoring of medication because it “serves a substantial and desirable use”); *Norwich Pharmacal. Co. v. Sterling Drug, Inc.*, 271 F.2d 569, 572 (2d Cir. 1959) (finding color pink for a stomach remedy could be functional because it was “designed to present a pleasing appearance to the customer and to the sufferer”), *cert. denied*, 362 U.S. 919 (1960); *Price Food Co. v. Good Foods, Inc.*, 400 F.2d 662 (6th Cir. 1968) (finding use of cellophane to wrap products was functional); *Smith v. Krause*, 160 F. 270, 271 (C.C.S.D.N.Y. 1908) (refusing to recognize words “Merrie Christmas” woven into a ribbon as a trademark because “the fact that it has ‘Merrie Christmas’ inscribed upon it adds a value to it over the value of a plain ribbon”).

otherwise be. Moreover, this increased competition was achieved with very little long-term risk of consumer confusion. Consider, as one example, the shape of the shredded wheat biscuit. When Kellogg first introduced its competing shredded wheat cereal into a market where there was formerly only Nabisco shredded wheat, there was likely some risk of consumer confusion.⁸⁸ For decades, Nabisco had been the only shredded wheat on the market. In such a market, when a new shredded wheat appeared, some consumers may mistakenly have believed that the new cereal also came from Nabisco. But consumers can and do adapt. And so today, when shopping at the grocery store, because of the functionality limitation, consumers have a choice between Kellogg and Nabisco shredded wheat cereals, and other brands as well. There is competition in the shredded wheat cereal market because the Court overruled the Third Circuit and held the specific pillow shape of the shredded wheat biscuit that Nabisco popularized was functional.⁸⁹ In doing so, the Court implicitly defined the sort of competition that the functionality limitation aims to ensure. Functionality, under the common law, seeks not merely to secure imperfect or indirect competition between differentiated breakfast cereals, such as corn flakes, oatmeal, or rice crispies, but direct competition within the shredded wheat cereal market. Moreover, the differences in the two brands' word marks ensure that an ordinarily prudent consumer can make that choice without undue risk of mistake despite the similarity in the biscuit shape of the two cereals.

In applying the functionality limitation, courts phrased the limitation in different ways. The Court in *Kellogg Co. v. National Biscuit Co.* offered the phrasing that is likely most familiar to a modern audience.⁹⁰ In that case, the Court held the pillow shape of shredded wheat cereal was functional because "the cost of the biscuit would be increased and its high quality lessened if some other form were substituted for the pillow-shape."⁹¹ As the *Kellogg Co.* opinion reflects, courts, at this time, gave their reasoning in terms of the facts of the case in front of them, rather than

⁸⁸ See *Kellogg Co.*, 305 U.S. at 121; *American Safety Table Co.*, 269 F.2d at 273 ("Since a certain amount of confusion as to source was inherent in the process of imitation, the courts have developed a body of principles by which to determine whether or not the confusion was permissible."); *Chas. D. Briddell, Inc.*, 194 F.2d at 419-20; *Gen. Time Instruments Corp. v. U.S. Time Corp.*, 165 F.2d 853, 854 (2d Cir.), *cert. denied*, 334 U.S. 846 (1948); *Selchow & Righter Co. v. Western Printing & Lithographing Co.*, 142 F.2d 707, 709 (7th Cir.), *cert. denied*, 323 U.S. 735 (1944); *Grosjean v. Panther-Panco Rubber Co.*, 26 F. Supp. 344, 352 (D. Mass. 1939) ("Assuming the admissibility of all the evidence proffered on this subject, . . . it all shows only isolated cases of confusion such as would naturally result where a new firm enters a field long exclusively occupied by another."), *aff'd*, 113 F.2d 252 (1st Cir. 1940).

⁸⁹ See *Kellogg Co.*, 305 U.S. at 122.

⁹⁰ 305 U.S. 111 (1938).

⁹¹ *Id.* at 122.

attempting to promulgate a uniform legal rule that would govern all the cases not before them. Of the two functions judicial decisions can serve, courts, at this time, seemed more focused on dispute resolution than on law making. Thus, there was not one general definition of functionality routinely cited.⁹² Rather, courts, including the Supreme Court, tailored their definition of functionality to the facts of their case. For example, in holding that chocolate-flavoring was functional for medications and thus could be freely copied, the Court held that the flavor was functional because it “served a substantial and desirable use.”⁹³ The Ninth Circuit in *Pagliero v. Wallace China* held that a china pattern was functional because it “was an important ingredient in the commercial success of the product.”⁹⁴ The Southern District of New York held that the words “Merrie Christmas” woven into a ribbon for wrapping presents were functional because “the fact that it has ‘Merrie Christmas’ inscribed upon it adds a value to it over the value of a plain ribbon.”⁹⁵

Moreover, as these cases illustrate, the common law defined functionality in terms of consumer preferences. It did not limit functionality to mechanical functionality. If consumers wanted a product for aesthetics, then the product’s aesthetics were functional.⁹⁶ If consumers wanted a product for the words that appeared on it and those words conveyed a meaning or message other than or in addition to source or sponsorship identification, then those words were functional.⁹⁷ The only limit the common law recognized to a broad functionality limitation was when a consumer wanted a product feature solely because that feature served to indicate source or sponsorship information.⁹⁸ That consumers

⁹² The first Restatement of Torts defined a product feature as functional “if it affects their purpose, action, or performance, or the facility or economy of processing, handling or using them; it is non-functional if it does not have any of such effects.” Restatement (First) of Torts § 742 (A.L.I. 1938).

⁹³ *William R. Warner & Co.*, 265 U.S. at 531; *Industria Arredamenti Fratelli Saporiti v. Charles Craig, Ltd.*, 725 F.2d 18, 19 (2d Cir. 1984) (applying same standard).

⁹⁴ *Pagliero v. Wallace China Co.*, 198 F.2d 339, 343 (9th Cir. 1952) (“If the particular feature is an important ingredient in the commercial success of the product, the interest in free competition permits its imitation in the absence of a patent or copyright.”).

⁹⁵ *Smith v. Krause*, 160 F. 270, 271 (C.C.S.D.N.Y. 1908) (refusing to recognize words “Merrie Christmas” woven into a ribbon as a trademark because “the fact that it has ‘Merrie Christmas’ inscribed upon it adds a value to it over the value of a plain ribbon”).

⁹⁶ See *Norwich Pharm. Co. v. Sterling Drug, Inc.*, 271 F.2d 569, 572 (2d Cir. 1959); *Pagliero v. Wallace China Co.*, 198 F.2d 339, 344 (9th Cir. 1952); *J.C. Penney Co. v. H.D. Lee Mercantile Co.*, 120 F.2d 949, 954 (8th Cir. 1941); see also Restatement (First) of Torts § 742 cmt. a (“When goods are bought largely for their aesthetic value, their features may be functional because they definitely contribute to that value and thus aid the performance of an object for which the goods are intended.”).

⁹⁷ See *Smith*, 160 F. at 271.

⁹⁸ See, e.g., *Pagliero*, 198 F.2d at 343 (“‘Functional’ in this sense might be said to connote other than a trade-mark purpose.”).

valued a product feature, but only for trademark reasons—because of the source of sponsorship information the feature conveyed—did not make the feature functional.

But aside from the “value as trademark” exception, features that consumers valued were functional. As the Eighth Circuit wrote in 1941:

If [consumers believe] that a certain feature adds a utilitarian⁹⁹ value to the goods—whether it actually does or not—and will be materially influenced to purchase them on that basis, over other competitive goods in the market, it will be held to be functional. In the absence of a patent or a controlling legislative regulation in the particular field, the public is entitled to free competitive production in every element of consumer’s value.¹⁰⁰

As this language reflects, the functionality limitation ensured that competitors could copy, free from any claim of unfair competition, any feature that consumers desired. Only through such a broad and flexible doctrine could consumers receive the benefits of competition in the product features that played a material role in their purchasing decisions. In short, if consumers valued a product feature for its own sake, rather than for, or in addition to, its role in conveying trademark-specific information, then that product feature was functional and could be freely copied.

But in February 1982, Judge Rich in *Morton-Norwich*¹⁰¹ expressly rejected the common law’s approach to functionality. In the *Morton-Norwich* case, Morton-Norwich was attempting to register a two-dimensional silhouette of its GLASS PLUS spray bottle as a trademark on the principal register. Both the examiner and the Trademark Trial and Appeal Board had rejected the application on the grounds that the entirely utilitarian shape of the bottle was “functional” and hence could not receive protection as a trademark.¹⁰²

⁹⁹ Some later courts will restrict the meaning of “utilitarian value” to mechanical functionality and will refuse to recognize aesthetics as functional for purposes of trademark law. *See, e.g.,* Clicks Billiards, Inc. v. Sixshooters, Inc., 251 F.3d 1252, 1260 (9th Cir. 2001) (stating that a product feature cannot be both “functional and purely aesthetic”). *But see* Jay Franco & Sons, Inc. v. Franek, 615 F.3d 855, 860 (7th Cir. 2010) (“A design’s aesthetic appeal can be as functional as its tangible characteristics.”). But the Eighth Circuit was not using the phrase “utilitarian value” so narrowly here. The product feature at issue was a bib pocket in the front center of a pair of overhauls. Consumers valued the pocket for its appearance and that aesthetic provided a utilitarian value that made it functional for purposes of unfair competition law. *See J.C. Penney Co.*, 120 F.2d at 954.

¹⁰⁰ *J.C. Penney Co.*, 120 F.2d at 954; Pagliero, 198 F.2d at 344 (“The law encourages competition not only in creativeness but in economy of manufacture and distribution as well.”).

¹⁰¹ 671 F.2d 1332 (C.C.P.A. 1982).

¹⁰² *Id.* at 1334-35.

In doing so, they relied on the broad definition of functionality that earlier common law unfair competition cases and the Restatement (First) of Torts had adopted. The Restatement, for example, had recognized an approach that barred protection under the analogous common law unfair competition doctrine if a design or feature “contributes to’ the utility, durability, effectiveness or ease of use, or the efficiency or economy of manufacture of that ‘feature.’”¹⁰³ Under this approach, functional, for trademark purposes, carried its broad ordinary language meaning. While trade dress protection was available, it was effectively limited to ornamental and arbitrary flourishes.

On Morton-Norwich’s appeal from the Patent and Trademark Office, Judge Rich found this approach untenable. In his view, it “ignore[d] the policies which created the law of ‘functionality.’”¹⁰⁴ Those policies, in Judge Rich’s view, required “a balance between the ‘right to copy’ and the right to protect one’s method of trade identification.”¹⁰⁵ But we should not fool ourselves. The balance framing, while familiar and comforting, is a lie. Under the common law, there was no balancing. There was a hierarchical ordering. And in the ordering, the right to copy had primacy.¹⁰⁶ A product feature was functional and could be freely copied if it added any material value, other than source identification, to a product. Under the Restatement, for example, a product feature was functional and could be freely copied so long as it “affect[ed] [the product’s] purpose, action or performance.”¹⁰⁷ These statements do not reflect a balancing of the two interests, but an ordering. And in that ordering, freedom to copy held primacy. Freedom to copy was the rule; protection from copying was the exception. Protection had to be justified and could be justified only if protection: (i) was necessary to convey information as to a product’s source and (ii) would have no effect on competition.

Moreover, despite his reassuring appeal to balance, Judge Rich did not re-balance the interests of competition and source identification. He reversed their hierarchical order. Under his approach, “the right to protect one’s method of trade identification”

¹⁰³ *Id.* at 1340.

¹⁰⁴ *Id.*

¹⁰⁵ *Id.*

¹⁰⁶ *See, e.g.,* Fisher Stoves, Inc. v. All Nighter Stove Works, Inc., 626 F.2d 193, 195 (1st Cir. 1980) (stating that “functional features which are not the subject of a valid patent or copyright may be imitated with impunity”); Keene Corp. v. Paraflex Indus., Inc., 653 F.2d 822, 824 (3d Cir. 1981) (stating that “[o]ur natural inclination to disapprove of [imitating or copying] must give way to the public policy favoring competition, even by slavish copying, of products not entitled to federal patent protection”); B.H. Bunn Co. v. AAA Replacement Parts Co., 451 F.2d 1254, 1259 (5th Cir. 1971) (noting that “outright copying is often a civilizing rather than a cannibalizing folkway”).

¹⁰⁷ Restatement (First) of Torts § 742 (A.L.I. 1938).

became the primary concern. Freedom to copy became subordinate. As a result, only where copying a product feature was “essential to effective competition”¹⁰⁸—only where copying a product feature was a “competitive necessity”¹⁰⁹—would a product feature be found functional and its copying allowed. Under Judge Rich’s approach, protection against copying became the rule, and freedom to copy the exception.¹¹⁰ Under his approach, copying had to be justified and could be justified only if copying was strictly necessary to compete and would have no effect on source identification. The right to compete became the right to compete effectively. An absolute right became conditional.

To implement this reversal, Judge Rich rejected the common law’s broad definition of functionality and replaced it with his own preferred and much narrower definition. As discussed in the introduction, Judge Rich accomplished this by distinguishing between product features that are functional in fact, or *de facto* functional, and product features that are functional in law, or *de jure* functional. While *de facto* functionality corresponds to the broad common law and ordinary language meaning of functional, *de jure* functionality is much narrower. To be *de jure* functional, it was not enough that a product feature served a non-trademark purpose and added value to the product. Indeed, it was not even enough that the feature be the sole reason the product worked at all. *De jure* functionality required that the product feature be the “best or one of a few” best ways to make the product work.¹¹¹ So long as there were other alternative ways to make the product serve its purpose, broadly defined, the product feature was not functional. This distinction served as an amazing sleight of hand. It permitted Judge Rich to admit that the GLASS PLUS bottle shape was functional in fact, but still hold that the bottle shape was nonetheless not functional for purposes of trademark law.¹¹² Having made up this distinction, Judge Rich cited his own earlier concurrence in *In re Honeywell* as his sole authority and adopted a new rule: A product feature can be functional in fact, yet not be functional for purposes of trademark law.¹¹³

¹⁰⁸ *In re Morton-Norwich Prods., Inc.*, 671 F.2d at 1339 (“‘Utilitarian’ means ‘superior in function (de facto) or economy of manufacture,’ which ‘superiority’ is determined in light of competitive necessity to copy.”).

¹⁰⁹ *Id.*

¹¹⁰ *See, e.g.,* *Vaughan Mfg. Co. v. Brikam Int’l, Inc.*, 814 F.2d 346, 349 (7th Cir. 1987) (“In trademark law, ‘functional’ means not that a feature serves a function; it means that the feature is one that competitors would find necessary to incorporate into their product in order to compete effectively.”).

¹¹¹ *In re Morton-Norwich Prods., Inc.*, 671 F.2d at 1341.

¹¹² *Id.* at 1337-44.

¹¹³ *Id.* at 1337 (citing *In re Honeywell, Inc.*, 497 F.2d 1344, 1350 (C.C.P.A. 1974) (Rich, J., concurring)) (“This definitional division, noted in ‘truism’ in *Deister*, leads to the resolution that if the designation ‘functional’ is to be utilized to denote the legal

In addition to limiting functionality to those features that were de jure functional, Judge Rich also identified four factors that might prove helpful in determining whether a product feature was de jure functionality:

- (i) “the existence of an expired utility patent which disclosed the utilitarian advantage of the design sought to be registered as a trademark”;¹¹⁴
- (ii) advertising that touts the design’s utilitarian advantages;¹¹⁵
- (iii) the availability of alternative designs;¹¹⁶ and
- (iv) whether “a particular design results from a comparatively simple or cheap method of manufacturing the article.”¹¹⁷

Having made up his own much narrower standard, Judge Rich applied it and held that the shape of the GLASS PLUS bottle, while admittedly functional in fact, was not functional for purposes of trademark law.¹¹⁸

For nearly twenty years, Judge Rich’s made-up distinction and associated doctrinal rules dominated the functionality issue.¹¹⁹ To be sure, not all of the circuits went along with Judge Rich’s restrictive definition of functionality. The Ninth Circuit, in particular, while applying much of Judge Rich’s approach, did so in a manner that effectively enforced a broader definition of functionality limit—one that was similar to the common law’s traditional definition of functionality.¹²⁰

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

¹¹⁴ *Id.* at 1340-41.

¹¹⁵ *Id.* at 1341.

¹¹⁶ *Id.*

¹¹⁷ *Id.*

¹¹⁸ *Id.* at 1337-44.

¹¹⁹ See, e.g., *Vornado Air Circulation Sys., Inc. v. Duracraft Corp.*, 58 F.3d 1498, 1507 (10th Cir. 1995) (adopting the alternative design test for functionality); *Merch. & Evans, Inc. v. Roosevelt Bldg. Prods. Co.*, 963 F.2d 628, 634 (3d Cir. 1992) (adopting *In re Morton-Norwich’s* “the best or one of a few superior designs available” approach); *Clamp Mfg. Co. v. Enco Mfg. Co.*, 870 F.2d 512, 516 (9th Cir. 1989) (adopting *In re Morton-Norwich* approach); *W.T. Rogers Co. v. Keene*, 778 F.2d 334, 340 (7th Cir. 1985) (relying on the de facto–de jure distinction); *Sicilia di R. Biebow & Co. v. Cox*, 732 F.2d 417, 429 (5th Cir. 1984) (adopting *In re Morton-Norwich* approach); *Warner Bros., Inc. v. Gay Toys, Inc.*, 724 F.2d 327, 331 (2d Cir. 1983) (following *In re Morton-Norwich*).

¹²⁰ See, e.g., *Sega Enters. Ltd. v. Accolade, Inc.*, 977 F.2d 1510, 1531 (9th Cir. 1992) (“[I]n order to establish nonfunctionality the party with the burden must demonstrate that the product feature serves no purpose other than identification.”); see also *Aromatique, Inc. v. Gold Seal, Inc.*, 28 F.3d 863, 873 (8th Cir. 1994) (retaining the common law’s “important ingredient in the commercial success” test for functionality). Although the

As those twenty years passed, the Supreme Court addressed functionality under the Lanham Act here and there in passing dicta. Unfortunately, as is often the case, without the focus the adversarial system brings to a contested issue, much of the dicta is careless, confusing, and just plain wrong. We first find such passing dicta in *Inwoods Laboratories, Inc. v. Ives Laboratories, Inc.*¹²¹ Decided just four months after Judge Rich's opinion in *In re Morton-Norwich*,¹²² the central issue before the Court was whether generic pharmaceutical companies could be held secondarily liable for the improper substitution and mislabeling by pharmacists of the generic version of a drug as the brand version.¹²³ As part of its argument for holding the generic producer liable, Ives argued that by copying the red-blue coloration of its capsule, the generic producers made the substitution possible. The generic producers, including Inwood Laboratories, presented evidence at trial that the red-blue coloration served important non-trademark purposes and was therefore functional.¹²⁴ Specifically, the red-blue coloration served to convey both brand- and non-brand information. It identified not just whether the medicine was brand or generic, but whether it was one medicine or another. The red-blue coloration thus facilitated easy identification of a pill as the correct medicine for both doctors and patients. The district found this evidence persuasive and concluded that the red-blue coloration was functional. The Second Circuit found it unpersuasive and rejected

Ninth Circuit employed Judge Rich's four factors in its analysis of functionality, even when it did so, it more readily found functionality. *See, e.g.,* Leatherman Tool Group, Inc. v. Cooper Indus., Inc., 199 F.3d 1009, 1013-14 (9th Cir. 1999) (finding functionality despite the existence of alternative designs because "none of [the alternative designs] offer *exactly* the same features as the [plaintiff's]") (emphasis in original); Disc Golf Ass'n, Inc. v. Champion Discs, Inc., 158 F.3d 1002, 1008-09 (9th Cir. 1998) (noting that alternative designs must be more than "merely theoretical or speculative"; they must be "commercially feasible" and on the market).

¹²¹ 456 U.S. 844 (1982).

¹²² *Id.*, 456 U.S. at 850 n.10.

¹²³ The district court had rejected both indirect liability under Section 32 and direct liability under Section 43(a). *Ives Labs., Inc. v. Darby Drug Co.*, 488 F. Supp. 394 (S.D.N.Y. 1980), *rev'd*, 638 F.2d 538 (2d Cir. 1981), *rev'd sub nom.* *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844 (1982). On appeal, the Second Circuit reversed the district court's findings under Section 32, but did not address the liability claims under Section 43(a). *Ives Labs., Inc. v. Darby Drug Co.*, 638 F.2d 538 (2d Cir. 1981), *rev'd sub nom.* *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844 (1982). As a result, the direct liability claim for copying the red-blue coloration of Ives's capsules was not before the Court. *Inwood Labs., Inc.*, 456 U.S. at 853 (addressing indirect liability of the generic producers under § 32, but not addressing the direct infringement issue for copying the red-blue coloration under § 43(a)).

¹²⁴ In his concurrence, Justice White summarized the non-trademark reasons for copying the red-blue coloration: "patient anxiety and confusion were likely if accustomed medicine were dispensed in a different color; capsule colors assist patients in identifying the correct pill to take; standard colors help physicians identify the drug involved in case of overdose." *See Inwood Labs., Inc.*, 456 U.S. at 862 (White, J., concurring).

the district court's finding.¹²⁵ The Second Circuit therefore required the generic producers to cease use of the red-blue coloration.¹²⁶

After granting certiorari, the Supreme Court reversed the Second Circuit's decision. In its opinion, the Court held that the Second Circuit had failed to provide the deference required under Rule 52(a) of the Federal Rules of Civil Procedure to the trial court on factual findings.¹²⁷ Under the "clearly erroneous" standard, an appeals court may not merely substitute its judgment for that of the district court on factual issues.¹²⁸ Yet, that is precisely what the Second Circuit panel had done.¹²⁹ The Court therefore reversed.¹³⁰

While the legal definition of functionality was not directly before the Court, in footnote 10 of its opinion, the Court offered a definition of functionality nonetheless: "In general terms, a product feature is functional if it is essential to the use or purpose of the article or if it affects the cost or quality of the article."¹³¹ Although this language is routinely cited as the general definition of functionality, there are three problems with it. First, the Court's holding necessarily approved a different definition. The Court held that the district court's finding of functionality was not clearly erroneous. The clearly erroneous standard, however, applies only if the district court resolved the factual issue using the correct legal standard.¹³² By applying the clearly erroneous rule, the Court therefore necessarily held that the district court had applied the correct legal standard. But the definition in footnote 10 was not the definition that the district court and the Second Circuit panel had applied. Before the case arrived at the Court, there had been a prior appeal to the Second Circuit.¹³³ In that prior appeal, Judge Friendly had established the relevant legal standard for determining whether the

¹²⁵ *Ives Labs., Inc.*, 638 F.2d at 544 ("Their arguments that look-alike capsules reduce patient confusion or anxiety in taking medication, enable doctors to communicate with patients more easily concerning their medication, and aid in their identification of the drug in an emergency situation, are unconvincing."), *rev'd sub nom.* *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844 (1982).

¹²⁶ *Id.* at 545 ("The simplest way to reduce illegal substitution and mislabeling is to require that cyclandelate be sold in capsules which do not resemble those used for CYCLOSPASMOL.").

¹²⁷ *Inwood Labs., Inc.*, 456 U.S. at 855.

¹²⁸ *Id.* at 855-58.

¹²⁹ *Id.* at 857-58.

¹³⁰ *Id.* at 858 ("The Court of Appeals erred in setting aside findings of fact that were not clearly erroneous. Accordingly, the judgment of the Court of Appeals that the petitioners violated § 32 of the Lanham Act is reversed.").

¹³¹ *Id.* at 850 n.10.

¹³² As the Court noted, if the district court had applied the wrong legal standard, the clearly erroneous standard would not have applied. *Id.*, 456 U.S. at 855 n.15.

¹³³ *Ives Labs., Inc. v. Darby Drug Co.*, 601 F.2d 631 (2d Cir. 1979) ("*Ives II*").

red-blue coloration was functional.¹³⁴ He did so by quoting the definition of functionality set forth in *Pagliero v. Wallace China Co.*:

Imitation of the physical details and designs of a competitor's product may be actionable, if the particular features imitated are "non-functional" and have acquired a secondary meaning. But, where the features are 'functional' there is normally no right to relief. "Functional" in this sense might be said to connote other than a trade-mark purpose. If the particular feature is an important ingredient in the commercial success of the product, the interest in free competition permits its imitation in the absence of a patent or copyright. On the other hand, where the feature or, more aptly, design, is a mere arbitrary embellishment, a form of dress for the goods primarily adopted for purposes of identification and individuality and, hence, unrelated to basic consumer demands in connection with the product, imitation may be forbidden where the requisite showing of secondary meaning is made. Under such circumstances, since effective competition may be undertaken without imitation, the law grants protection.¹³⁵

Following that initial Second Circuit appeal, under the law of the case, both the district court and the Second Circuit panel on the second appeal were bound to, and did, apply that legal definition in evaluating the evidence presented to resolve the factual issue whether the red-blue coloration was functional. By applying the clearly erroneous rule, the Court necessarily held that legal definition of functionality was correct. That definition focused on whether the product feature at issue served important non-trademark purposes, not whether it was "essential to the use or purpose" of the product—a point Justice White emphasized in his concurrence.¹³⁶ Rather than follow the incorrect dicta in footnote 10, later courts should follow the legal definition of functional that the Court's holding necessarily approved.

Second, the cited authorities in footnote 10 provide no support for limiting functional product features to those that are "essential to the use or purpose of the article." As authority for its definition, the Court cites only two cases: (i) *Sears, Roebuck & Co. v. Stiffel Co.*;¹³⁷ and (ii) *Kellogg Co. v. National Biscuit Co.*¹³⁸ The Court's opinion in *Kellogg Co.* directly supports the "affects the cost or

¹³⁴ *Id.* at 642-43.

¹³⁵ *Id.* at 642-43 (quoting *Pagliero v. Wallace China Co.*, 198 F.2d 339, 343 (9th Cir. 1952)).

¹³⁶ *Inwood Labs., Inc.*, 456 U.S. at 863 (White, J., concurring) ("A functional characteristic is 'an important ingredient in the commercial success of the product.'") (quoting *Ives II*, 601 F.2d at 643).

¹³⁷ 376 U.S. 225, 232 (1964).

¹³⁸ 305 U.S. 111, 122 (1938).

quality of the article” portion of the *Inwood Labs* Court’s definition of functionality. But neither the two cited cases, nor any other prior Supreme Court decision, provides any support for limiting functionality to those features that are “essential to the use or purpose of the article.”¹³⁹

Third, if we were to actually apply the footnote 10 definition to the red-blue capsule coloration, it is difficult to see how the red-blue coloration would qualify as functional. The coloration does not affect the cost or quality of the generic medication, nor does it appear to be “essential” to the purpose or use of the medication at issue. In his concurrence, Justice White helpfully summarized the evidence on functionality: “patient anxiety and confusion were likely if accustomed medicine were dispensed in a different color; capsule colors assist patients in identifying the correct pill to take; standard colors help physicians identify the drug involved in case of overdose.”¹⁴⁰ It is easy to see how this evidence, if believed, established that the red-blue coloration served important non-trademark purposes and thus was functional under the *Pagliero* standard that Judge Friendly adopted, the lower courts applied, and that the Court necessarily approved. It is far more difficult, if not impossible, to see how this evidence, even if believed, establishes that the red-blue coloration is “essential” to the medicine’s use or purpose.¹⁴¹ Whether the capsules are red-blue or some other color, the medicine is still the medicine and still provides the relevant therapeutic effect. Moreover, the language Justice White used in his summary of non-trademark purposes—“were likely,” “assist,” “help”—falls short of what the literal meaning of “essential” requires.

Despite its status as careless and mistaken dicta, some courts took to heart the *Inwood* Court’s use in footnote 10 of the word “essential.” Reading “essential” literally, they imposed an exceedingly strict standard for functionality. The Second Circuit, for example, interpreted “essential” to require that the product feature at issue be “dictated by the functions to be performed; a feature that merely accommodates a useful function is not enough.”¹⁴² The word “essential” also seemed to align with Judge Rich’s *de facto-de jure*

¹³⁹ *Sears* is a preemption decision and does not define, or even address, the functionality limitation at all. *Sears, Roebuck & Co.*, 376 U.S. at 232.

¹⁴⁰ *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 862 (1982) (White, J., concurring).

¹⁴¹ There was also no real argument that the red-blue coloration affects the cost of the medicine. Rebecca Tushnet has suggested to me that this non-brand informational role arguably “affects the . . . quality” of the generic medicines. *Id.* Perhaps, but I have always understood quality differently to refer first to consistency across units of production and second to characteristics of each of the products. For me, these non-brand informational roles do not fit well into the “affects the quality” language.

¹⁴² *Warner Bros., Inc. v. Gay Toys, Inc.*, 724 F.2d 327, 331 (2d Cir. 1983).

distinction and his associated factors.¹⁴³ A product feature is “essential” only if there are no alternative designs that would serve the same purpose.¹⁴⁴ It reinforced the sense that a product feature could be copied only if such copying was a competitive necessity, where necessity carried the strictest possible meaning.

In 1995, the Court returned to the issue of functionality in *Qualitex Co. v. Jacobson Products Co.*¹⁴⁵ The issue before the Court was whether a color uniformly applied to a product—here, the color green-gold applied uniformly to dry cleaning pads—could be registered and receive protection as a trademark. Although a definition of functionality was immaterial to the resolution of the case, the Court gave us one, or perhaps two or three, nonetheless. First, it recited the *Inwood Labs.* definition: “[i]n general terms, a product feature is functional,’ and cannot serve as a trademark, ‘if it is essential to the use or purpose of the article or if it affects the cost or quality of the article”¹⁴⁶ Second, to that definition, the Court appended the phrase “that is, if exclusive use of the feature would put competitors at a significant non-reputation-related disadvantage.”¹⁴⁷ Third, before offering those two definitions, the Court cited parenthetically, but with approval *Pagliero’s* definition that a product feature is functional if it is an “important ingredient in the commercial success of the product.”¹⁴⁸

Even if we simply ignore the Court’s parenthetical citation of *Pagliero’s* standard, as courts have, *Qualitex* presents something of a puzzle. As a starting point, it elevates the “essential to the use or purpose” from dicta in an opinion’s footnote to dicta in an opinion’s text. While this has no formal legal significance—the definition remains dicta whether in footnote or text—the repetition of the standard, together with its movement from footnote to text, turned the “essential to the use or purpose” language into the near-universal phrasing of the functionality limitation. But the relation

¹⁴³ *Brandir Int’l, Inc. v. Cascade Pac. Lumber Co.*, 834 F.2d 1142, 1148 (2d Cir. 1987) (“[T]he fact that a design feature performs a function does not make it essential to the performance of that function; it is instead the absence of alternative constructions performing the same function that renders the feature functional.”).

¹⁴⁴ *Id.*

¹⁴⁵ 514 U.S. 159 (1995). The Court mentioned functionality as a limit on trademark protection in *Two Pesos, Inc. v. Taco Cabana, Inc.*, and recited the standard the Fifth Circuit applied. 505 U.S. 763, 775 (1992) (“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.”).

¹⁴⁶ *Qualitex Co.*, 514 U.S. at 165.

¹⁴⁷ *Id.*

¹⁴⁸ *Id.* (quoting *Inwood Labs., Inc.*, 456 U.S. at 863 (White, J., concurring)). The Court cited Justice White’s concurrence in *Inwood Labs.* for the standard. As discussed, Justice White was quoting the standard from Judge Friendly’s opinion in *Ives II*, and Judge Friendly quoted *Pagliero* for that standard.

between the “essential to the use or purpose” language and the “significant non-reputation-related disadvantage” language was unclear. Was the “significant non-reputation-related disadvantage” language just a restatement or rephrasing of the “essential to the use or purpose” language? Was the “significant non-reputation-related disadvantage” language an alternative definition that must also be satisfied in every case? Was the “significant non-reputation-related disadvantage” language an alternative definition that applied only in a limited subset of functionality decisions, such as those involving aesthetic functionality? The lower courts divided on these issues.¹⁴⁹

Moreover, although the *Qualitex* Court used the word “essential,” it is not clear, just as in *Inwood Labs* itself, that the Court meant that term quite as literally as some lower courts had taken it. In the very next sentence in its opinion, the Court explained how the standard would apply to uniform product colors and wrote:

Although sometimes color plays an important role (unrelated to source identification) in making a product more desirable, sometimes it does not. And, this latter fact—the fact that sometimes color is not essential to a product’s use or purpose and does not affect cost or quality—indicates that the doctrine of “functionality” does not create an absolute bar to the use of color alone as a mark.¹⁵⁰

In this explanation, the Court seems to equate “essential” with “play[ing] an important role (unrelated to source identification).”¹⁵¹ This suggests that, just as in *Inwood*, the *Qualitex* Court did not intend that “essential” be taken literally.

Finally, in 2001, the Court moved beyond dicta to address the legal definition of functionality in a case in which that definition was material to resolution of the case in *TrafFix Devices, Inc. v. Marketing Displays, Inc.*¹⁵² The *TrafFix* case concerned whether MDI’s dual-spring design on its highway-sign stands was functional for purposes of trademark law. It was undisputed that the dual-spring design improved the functionality of the stand. It allowed a highway sign, such as “Road Construction Ahead,” placed on the stand to bend down as the dual springs flexed when the wind picked up and then spring back to an upright position when the wind died

¹⁴⁹ *Compare* Eppendorf-Netheler-Hinz GmbH v. Ritter GmbH, 289 F.3d 351, 357-359 (5th Cir.) (treating the language as re-phrasing a single unified standard), *cert. denied*, 537 U.S. 1071 (2002), *with* Abercrombie & Fitch Stores, Inc. v. Am. Eagle Outfitters, Inc., 280 F.3d 619, 641 (6th Cir. 2002) (treating the language as creating two different standards, one for mechanical utility, the other for aesthetic functionality).

¹⁵⁰ *Qualitex Co.*, 514 U.S. at 165.

¹⁵¹ *Id.*

¹⁵² 532 U.S. 23 (2001).

down, rather than blow down the road. Yet, the Sixth Circuit employed Judge Rich's de facto–de jure distinction to hold that the dual springs, while functional in fact, were not essential to the stand's improved functionality, and thus not functional in law. According to the Sixth Circuit, the dual springs were not essential to the stand's function because alternative designs, such as “a hidden dual-spring mechanism or a tri or quad-spring mechanism,”¹⁵³ were available. The Court reversed. In doing so, the Court, inter alia, wrote: “The dual-spring design is not an arbitrary flourish in the configuration of MDI's product; it is the reason the device works. Other designs need not be attempted.”¹⁵⁴

Read literally, the Court's language appears to reject the de facto–de jure distinction and embrace the proposition that de facto functionality establishes de jure functionality.¹⁵⁵ It rejects the availability of alternative designs as a basis for finding that a product feature is not functional.¹⁵⁶ And it seems to relegate non-functional product features to “arbitrary flourish[es]” that are entirely unrelated to function.¹⁵⁷ Read literally, *TrafFix* represents a return to the common law approach that prevailed before *Morton-Norwich*.

After *TrafFix* was decided, some federal circuits, such as the Fifth, embraced *TrafFix* as written.¹⁵⁸ Not all did, however.¹⁵⁹ The Federal Circuit, for example, just a year after *TrafFix* was decided, rejected the notion that *TrafFix* had anything meaningful to say

¹⁵³ *Mktg. Displays, Inc. v. Traffix Devices, Inc.*, 200 F.3d 929, 940 (6th Cir. 1999), *rev'd*, 532 U.S. 23 (2001).

¹⁵⁴ *TrafFix Devices, Inc.*, 532 U.S. at 34.

¹⁵⁵ *Id.* (“[The dual-spring design] is the reason the device works.”).

¹⁵⁶ *Id.* (“[Alternative] designs need not be attempted.”)

¹⁵⁷ *Id.* (“The dual-spring design is not an arbitrary flourish in the configuration of MDI's product.”).

¹⁵⁸ See *Eppendorf-Netheler-Hinz GMBH v. Ritter GMBH*, 289 F.3d 351, 357-59 (5th Cir.) (rejecting the alternative design rubric for finding non-functionality, concluding that the design elements are what make the product work, and stating that the design elements are “not arbitrary or ornamental features”), *cert. denied*, 537 U.S. 1071 (2002); *Antioch Co. v. Western Trimming Corp.*, 347 F.3d 150, 155-56 (6th Cir. 2003) (acknowledging that the *TrafFix* decision abolished the competitive necessity test and a consideration of design alternatives in the traditional functionality analysis, though leaving open the possibility that alternative designs might be an appropriate consideration in aesthetic functionality cases); *Dippin' Dots, Inc. v. Frosty Bites Distrib., LLC*, 369 F.3d 1197, 1203 (11th Cir. 2004) (same); *Eco Mfg. LLC v. Honeywell Int'l, Inc.*, 357 F.3d 649, 654-55 (7th Cir. 2003) (“*TrafFix* rejected an equation of functionality with necessity; it is enough that the design be useful.”).

¹⁵⁹ See *Valu Eng'g, Inc. v. Rexnord Corp.*, 278 F.3d 1268, 1274-76 (Fed. Cir. 2002); *Talking Rain Beverage Co. v. S. Beach Beverage Co.*, 349 F.3d 601, 603 (9th Cir. 2003) (retaining the alternative design rubric).

about functionality at all.¹⁶⁰ According to the Federal Circuit, the *de facto*–*de jure* distinction remained in place.¹⁶¹ The availability of alternative designs must still be considered.¹⁶² And the notion that trade dress protection should be limited to “arbitrary flourish[es]” entirely unrelated to function was not even discussed. Cleverly, the Federal Circuit then went on to hold that the trade dress before it was functional under its own preexisting rules. By doing so, the Federal Circuit ensured that neither party in the case would have the necessary incentive to file a certiorari petition. The panel thereby bound later Federal Circuit panels to its desired rules while simultaneously avoiding Court review that might have corrected its (mis)treatment of *TrafFix*.¹⁶³

Other circuits initially embraced *TrafFix* as written, but, over time, found themselves drifting back to *Morton-Norwich*’s alternative designs touchstone.¹⁶⁴ In 2003, the Seventh Circuit, for

¹⁶⁰ *Valu Eng’g. Inc. v. Rexnord Corp.*, 278 F.3d 1268, 1276 (Fed. Cir. 2002) (“We do not understand the Supreme Court’s decision in *TrafFix* to have altered the *Morton-Norwich* analysis.”).

¹⁶¹ *Id.* at 1274 (“Our decisions distinguish *de facto* functional features, which may be entitled to trademark protection, from *de jure* functional features, which are not.”); *id.* at 1276 (“We do not understand the Supreme Court’s decision in *TrafFix* to have altered [this] analysis.”).

¹⁶² *Id.* at 1276 (“[W]e 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.”).

¹⁶³ A different Federal Circuit panel used the same approach when it rejected the Court’s approach to the nonobviousness inquiry in the patent law context just after the Federal Circuit was formed in the early 1980s. *See Stratoflex, Inc. v. Aeroquip Corp.*, 713 F.2d 1530, 1539-40 (Fed. Cir. 1983) (ridiculing and rejecting the Court’s approach to secondary considerations and combination patents but finding the invention obvious and thereby evading Court review). I previously explained how this approach works:

In “reversing” [the Court’s nonobviousness approach in] *Sakraida*, for example, the [Federal Circuit] *Stratoflex* panel held that even under its substantially diminished nonobviousness requirement, the patented invention was obvious. By holding the patented invention obvious, the panel ensured that neither the plaintiff nor the defendant had an incentive to petition the Court for review: the defendant because it won; the plaintiff because it could not persuasively argue that its patent would have been valid if only the panel had applied the Court’s more stringent nonobviousness standards. Safely insulated from Court review, the *Stratoflex* panel decision remained on the books and became binding on later Federal Circuit panels. [Same comment about imputing motive to the panel of the Federal Circuit, although this block quote obviously was already published].

Glynn S. Lunney, Jr., *Patent Law, the Federal Circuit, and the Supreme Court: A Quiet Revolution*, 11 Sup. Ct. Econ. Rev. 1, 25 (2004).

¹⁶⁴ *Compare, e.g., Eco Mfg. LLC v. Honeywell Int’l, Inc.*, 357 F.3d 649, 654-55 (7th Cir. 2003) (“*TrafFix* rejected an equation of functionality with necessity; it is enough that the design be useful.”), *with Bodum USA, Inc. v. A Top New Casting Inc.*, 927 F.3d 486,

example, held that the availability of alternative designs to a round thermostat was not sufficient to establish that the shape was nonfunctional.¹⁶⁵ In its opinion, the court specifically rejected the plaintiffs' argument that because there were alternate designs available, a round shape was not essential and was not therefore functional. "*TrafFix*," the court explained, "rejected an equation of functionality with necessity; it is enough that the design be useful."¹⁶⁶ Ten years after *TrafFix*, in 2011, the Seventh Circuit was still holding that line.¹⁶⁷ However, by 2019, a Seventh Circuit panel had reinstated the alternative design touchstone.¹⁶⁸ In upholding a finding that the design of a French press coffeemaker was not functional, the Seventh Circuit reasoned that while the claimed features (a handle, feet, a lid) were functional in fact, alternate designs were available for each feature.¹⁶⁹ As a result, the particular designs and their combination were deemed not functional for purposes of trademark law.¹⁷⁰ The Ninth Circuit followed a similar progression.¹⁷¹

While the repeated citation of the *Inwood/Qualitex* definition of functionality makes the functionality issue appeared largely settled, sharp disagreements persist under the surface. For example, both the Second and Ninth Circuit recently considered whether particular color schemes for dental products were functional.¹⁷² The dental products differed in the two cases—in the Second Circuit, it was a system for mixing and delivering adhesives;¹⁷³ in the Ninth Circuit, it was a denture attachment system.¹⁷⁴ But both products

492–93 (7th Cir.) (reinstating the alternative design rubric), *cert. denied*, 589 U.S. 1121 (2019).

¹⁶⁵ *Eco Mfg. LLC*, 357 F.3d at 654–55.

¹⁶⁶ *Id.* at 654–55.

¹⁶⁷ See *Georgia–Pac. Consumer Prods. LP v. Kimberly–Clark Corp.*, 647 F.3d 723, 731 (7th Cir. 2011) (“[W]e do not doubt that there are many other available functional designs for toilet paper (indeed, market-leader Charmin proves there are), but if the Quilted Diamond Design is a solution to a problem, . . . it is functional.”).

¹⁶⁸ See *Bodum USA, Inc.*, 927 F.3d at 492–93 (upholding a finding of nonfunctionality because alternative designs exist).

¹⁶⁹ *Id.* at 493–94.

¹⁷⁰ *Id.* at 494.

¹⁷¹ Compare *Talking Rain Beverage Co. v. S. Beach Beverage Co.*, 349 F.3d 601, 604–05 (9th Cir. 2003) (rejecting the argument that a water bottle for biking was non-functional because there were alternative designs available); with *Blumenthal Distrib., Inc. v. Herman Miller, Inc.*, 963 F.3d 859, 868 (9th Cir. 2020) (holding that existence of alternative designs for office chairs sufficient to uphold jury’s finding of nonfunctionality).

¹⁷² See *Sulzer Mixpac AG v. A&N Trading Co.*, 988 F.3d 174 (2d Cir. 2021), *cert. denied*, 142 S. Ct. 1359 (2022); *Zest Anchors, LLC v. Geryon Ventures, LLC*, No. 22-55704, 2023 WL 2783175 (9th Cir. 2023).

¹⁷³ *Sulzer Mixpac AG*, 988 F.3d at 177.

¹⁷⁴ *Zest Anchors*, 2023 WL 2783175 at *1.

used color schemes to convey non-trademark information. In the Second Circuit, the color scheme indicated the diameter of the tip used to deliver the adhesive.¹⁷⁵ In the Ninth Circuit, the color scheme indicated the retention strength of the attachment device.¹⁷⁶ Yet, despite the seemingly similar facts, the courts reached opposite outcomes. The Second Circuit reversed the trial court and held the color scheme functional as a matter of law.¹⁷⁷ The Ninth Circuit reversed the trial court and held that the color scheme was not functional as a matter of law.¹⁷⁸ To the Ninth Circuit, that the defendant could use some other color scheme to convey the non-trademark information was decisive. To the Second, it was irrelevant.

Despite the sharp disagreement in outcome, the Second and Ninth Circuit opinions, at least, shared a common underlying approach to the issue—one that relied on precedent and policy. In 2021, the Third Circuit brought a radically different approach—the literalist approach—to the interpretation of the Lanham Act. Instead of starting with precedent or policy, the court’s analysis started and pretty much ended with the statutory language.¹⁷⁹ Congress prohibited the protection of functional aspects or features of a product in the Lanham Act, but did not define the term “functional.”¹⁸⁰ Therefore, the court looked to the word’s ordinary or dictionary meaning:

A feature’s design is functional if it is “designed or developed chiefly from the point of view of use: UTILITARIAN.” *Functional* (def. 2a), *Webster’s Third New International Dictionary* (1966). So something is functional as long as it is “practical, utilitarian”—in a word, useful. *Functional* (def. 2d), *Oxford English Dictionary* (2d ed. 1989). The word requires nothing more.¹⁸¹

Under this definition, the existence of alternative designs becomes irrelevant. If a product feature adds to the utility of the product, if it “gives a product an edge in usefulness, then it is functional.”¹⁸² On

¹⁷⁵ *Sulzer Mixpac AG*, 988 F.3d at 183.

¹⁷⁶ *Zest Anchors*, 2023 WL 2783175 at *1.

¹⁷⁷ *Sulzer Mixpac AG*, 988 F.3d at 183-84.

¹⁷⁸ *Zest Anchors*, 2023 WL 2783175 at *2 (“[T]he Color Marks do not have utilitarian functionality because although colors in general may be necessary to denote retention strength, other colors could be used just as effectively.”).

¹⁷⁹ *Ezaki Glico Kabushiki Kaisha v. Lotte Int’l Am. Corp.*, 986 F.3d 250, 256 (3d Cir.) (“Since the Lanham Act does not define functionality, we start with its ordinary meaning.”), *cert. denied*, 142 S. Ct. 420 (2021).

¹⁸⁰ *Id.*

¹⁸¹ *Id.*

¹⁸² *Id.* at 257.

the other hand, a feature is nonfunctional if the only role it serves is source identification.¹⁸³

In its original opinion, issued on October 8, 2020, this is where the Third Circuit's definition of functionality ended.¹⁸⁴ But after an outcry from the trademark bar and a petition for rehearing, the Third Circuit added three paragraphs to its opinion.¹⁸⁵ In these three paragraphs, the Third Circuit attempted to reconcile its definition of functionality with existing precedent. For example, with respect to the green-gold uniform coloration of dry-cleaning pads, the court wrote: "[T]hough ironing-board pads need 'to use *some* color . . . to avoid noticeable stains,' there is no functional reason to use green-gold in particular."¹⁸⁶ Through these added paragraphs, the court seemed to leave room for alternative designs to play a role in the functionality analysis. It may also have watered down the otherwise revolutionary potential of its decision. Nevertheless, the court still held that the design of the product at issue—a stick-like cookie mostly covered by chocolate except for a space at the end of each cookie for gripping—was functional.¹⁸⁷ And the court held that the design was functional despite the widespread availability of alternative designs for chocolate-covered cookies.¹⁸⁸

In 2023, the Third Circuit reaffirmed its commitment to a broad and flexible functionality limitation.¹⁸⁹ In holding the shape and color of watermelon-flavored chews to be functional, the Third Circuit wrote: "A design is functional if it is useful for anything beyond branding."¹⁹⁰ The design or feature "need only be useful, not essential."¹⁹¹ "Functionality is not a high bar."¹⁹² In fact, "the functionality bar is low."¹⁹³

Thus, there remains sharp disagreement as to precisely when product features are functional for purposes of trademark and unfair competition law. In an attempt to help resolve this disagreement, in the next section, we critically reexamine the purposes of trademark and unfair competition law and ask whether trademark law's primary purpose is: (i) to promote fairness; or (ii) to

¹⁸³ *Id.* ("[A] design is not functional if all it does is identify its maker.")

¹⁸⁴ *Ezaki Glico Kabushiki Kaisha v. Lotte Int'l Am. Corp.*, 977 F.3d 261 (3d Cir. 2020), *vacated*, 985 F.3d 1069 (3d Cir.), *cert. denied*, 142 S. Ct. 420 (2021).

¹⁸⁵ *Ezaki Glico Kabushiki Kaisha*, 986 F.3d at 257.

¹⁸⁶ *Id.* (quoting *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 166 (1995)).

¹⁸⁷ *Id.* at 259.

¹⁸⁸ *Id.* at 260 ("Every aspect of Pocky is useful. The nine other designs do not make it less so.").

¹⁸⁹ *PIM Brands Inc. v. Haribo of Am., Inc.*, 81 F.4th 317 (3d Cir. 2023).

¹⁹⁰ *Id.* at 321.

¹⁹¹ *Id.* (quoting *Ezaki Glico Kabushiki Kaisha*, 986 F.3d at 258).

¹⁹² *Id.*

¹⁹³ *Id.* at 322.

promote competition. Before we can return to first principles to illuminate the path forward, we must first determine what trademark and unfair competition law's first principles are.

III. TRADEMARK LAW'S FIRST PRINCIPLE: ENSURING COMPETITION

According to the Senate Report accompanying the enactment of the Lanham Act in 1946, trademark law serves two purposes.¹⁹⁴ First, it ensures that “the public . . . may be confident that, in purchasing a product bearing a particular trade-mark which it favorably knows, it will get the product which it asks for and wants to get.”¹⁹⁵ Second, it protects the goodwill of the trademark owner from “misappropriation by pirates and cheats.”¹⁹⁶ As the Senate Report explained, the first principle of trademark law is “to foster,” not competition, but “fair competition.”¹⁹⁷ However, a critical reexamination of the language and structure of the functionality limitation within the Lanham Act suggests a need to rethink this conventional wisdom.

A. What Takes Precedence: Ensuring Competition or Ensuring Fair Competition?

To establish a claim for trademark infringement, a plaintiff must “must show both that (1) it owns a valid and protectable mark, and that (2) [the defendant’s] use of the mark creates a likelihood of consumer confusion.”¹⁹⁸ As the quoted language states, these elements are independent and must both be shown. To prevail, it is not enough to show ownership of a valid mark without also showing a likelihood of confusion. Nor is it enough to show a likelihood of confusion without also showing ownership of a valid mark.¹⁹⁹

With respect to the first element, to demonstrate ownership of a valid mark, a plaintiff must show: (i) that it has used the mark in

¹⁹⁴ See S. Rep. No. 79-1333 (1946), as reprinted in 1946 U.S.C.C.A.N. 1274.

¹⁹⁵ *Id.* at 3.

¹⁹⁶ *Id.*

¹⁹⁷ *Id.* at 15 (explaining that trademark and unfair competition law’s purposes are to make “actionable the deceptive and misleading use of marks” and “to protect persons engaged in . . . commerce against unfair competition.”).

¹⁹⁸ *RMX Media, LLC v. IP Application Dev. LLC*, 986 F.3d 361, 369 (4th Cir. 2021); see also *Westmont Living, Inc. v. Ret. Unlimited, Inc.*, 132 F.4th 288, 295 (4th Cir. 2025) (quoting *Variety Stores, Inc. v. Wal-Mart Stores, Inc.*, 888 F.3d 651, 660 (4th Cir. 2018)); *Vans, Inc. v. MSCHF Prod. Studio, Inc.*, 88 F.4th 125, 135–36 (2d Cir. 2023) (same); *SportFuel, Inc. v. PepsiCo, Inc.*, 932 F.3d 589, 595 (7th Cir. 2019).

¹⁹⁹ See, e.g., *Int’l Jensen, Inc. v. Metrosound U.S.A., Inc.*, 4 F.3d 819, 825 (9th Cir. 1993) (“Regardless of whether a trademark or trade dress is nonfunctional and distinctive, the plaintiff must still show the defendant’s use of the same or similar trademark or trade dress is likely to confuse consumers.”).

commerce and has priority of use; (ii) that the mark is distinctive, in the trademark sense; and (iii) that the mark is not functional.²⁰⁰ Again, these elements are independent and must each be shown. A showing of any one of the three does not, of itself, demonstrate any other. For example, a company may show that a mark is distinctive—that it serves to identify who made the goods at issue and is thus “source identifying”—either by showing that mark tells us nothing about the associated goods or services, or if the mark describes the associated goods or services, by showing that a secondary meaning—a trademark meaning—has developed.²⁰¹ But distinctiveness, whether inherent or acquired, cannot overcome a finding that a mark is functional.²⁰²

If a plaintiff has successfully registered a product feature as a trademark on the Principal Register, the certificate of registration is *prima facie* evidence of the registrant’s ownership, validity, and exclusive right to use the registered trademark in connection with the associated goods or services.²⁰³ And after five years, such a registration may become incontestable.²⁰⁴ Obtaining such a registration may therefore shift the initial burden of proof on the functionality issue.²⁰⁵ Nevertheless, even for an incontestably registered trademark, functionality, if found, will bar the protection of the registered product feature(s) and justify cancellation of the associated registration.²⁰⁶

Thus, under the statute, functionality has primacy. By the Act’s express terms, a functional product feature shall not receive protection even if that feature is distinctive and even if a competitor’s imitation of that feature creates a likelihood of confusion. Moreover, the functionality limitation is absolute, not contingent. Compare, for example, the language Congress used to set forth the fair use defense for incontestably registered trademarks in the Act with the language Congress used for the functionality limitation in the same section.²⁰⁷ For fair use, Congress provided a defense where:

²⁰⁰ Lanham Act §§ 1, 2, 15 U.S.C. §§ 1051 (requiring use to obtain registration), 1052(e), (f) (requiring distinctiveness and nonfunctionality to obtain registration).

²⁰¹ See *id.* § 1052(e)(1), (e)(2), (e)(4), (f) (allowing proof of secondary meaning to overcome bars in Section 2(e) for marks that are descriptive, deceptively misdescriptive, geographically descriptive, and “primarily merely a surname”).

²⁰² See *id.* § 1052(e)(5), (f).

²⁰³ *Id.* §§ 1057(b), 1115(a).

²⁰⁴ *Id.* §§ 1064, 1065, 1115(b).

²⁰⁵ See *id.* § 1125(a)(3) (placing burden of proof on plaintiff to show that unregistered product features are nonfunctional).

²⁰⁶ *Id.* §§ 1064(3), 1115(b)(8).

²⁰⁷ Compare *id.* § 1115(b)(4) (defining fair use defense), with *id.* § 1115(b)(8) (defining functionality limitation).

the use of the name, term, or device charged to be an infringement is a use, *otherwise than as a mark, . . . of a term or device which is descriptive of and used fairly and in good faith only* to describe the goods or services of such party, or their geographic origin.²⁰⁸

As this sentence reflects, the statutory language setting forth the fair use defense is riddled with qualifications and contingencies. To qualify as a fair use, the use must be (i) “otherwise than as a mark,” (ii) “of a term . . . which is descriptive of,” (iii) “the goods and services” of the owner, “or their geographic origin,” (iv) “used fairly and in good faith,” and (v) “only to describe” the defendant’s goods or services.²⁰⁹ In contrast, in the same statutory section, Congress set forth the functionality limitation to incontestably registered trademarks in plain, unadorned, straightforward language: “[T]he mark is functional.”²¹⁰ No qualifications. No contingencies. If a product feature is functional, then it shall not be protected under the Lanham Act. Even if a company somehow managed to obtain an incontestable registration of a product feature as a trademark, that registration will not stand in the face of a finding that the product feature at issue is functional.

The statutory language and structure turn the conventional wisdom on its head. Logically, if trademark law’s primary concern were preventing unfair competition, then functionality would not trump distinctiveness, and it would not trump likelihood of confusion. But in the statutory framework, it does. The statutory language and framework establish that, for trademark law, ensuring competition is more important than ensuring fair competition.

Before *Morton-Norwich*, courts understood competition’s primacy. In *Kellogg*, for example, the Court held that the shape of the shredded wheat cereal was functional and thus could be freely copied.²¹¹ Although the Court recognized a duty to use reasonable efforts to minimize consumer confusion,²¹² the Court rejected the plaintiff’s argument that “all possibility of deception or confusion would be removed if Kellogg Company should refrain from using the name ‘Shredded Wheat’ and adopt some form other than the pillow-

²⁰⁸ *Id.* § 1115(b)(4) (emphasis added).

²⁰⁹ *Id.*

²¹⁰ *Id.* § 1115(b)(8).

²¹¹ *Kellogg Co. v. Nat’l Biscuit Co.*, 305 U.S. 111, 120-122 (1938).

²¹² *Id.* at 120 (“The question remains whether Kellogg Company in exercising its right to use the name ‘Shredded Wheat’ and the pillow-shaped biscuit, is doing so fairly. Fairness requires that it be done in a manner which reasonably distinguishes its product from that of plaintiff.”).

shape.”²¹³ Ensuring competition was more important than ensuring fair competition.

B. Hierarchy, Not Balancing

The statutory language and structure go further, however. They establish not only that ensuring competition is trademark and unfair competition law’s primary purpose, but also that the relationship is one of hierarchy, not balancing. Under the statute, it does not matter how strong a showing of distinctiveness or likelihood of confusion a plaintiff can make. If the product feature(s) at issue are found to be functional, then those product feature(s) shall remain unprotected and may be freely copied. Thus, ensuring competition is not only more important to trademark law than ensuring fair competition, but hierarchically so.

In *Morton-Norwich*, Judge Rich took it for granted that the relationship between (i) ensuring competition and (ii) ensuring fair competition was one of balancing the two.²¹⁴ He wrote:

Given, then, that we must strike a balance between the “right to copy” and the right to protect one’s method of trade identification, what weights do we set upon each side of the scale?²¹⁵

Since his decision, other courts have agreed with the need for such balance. Some have stated it directly, as Judge Rich did.²¹⁶ Others have replaced hierarchy with balance implicitly by focusing on whether a given product feature serves primarily as source identification or primarily as product feature.²¹⁷

²¹³ *Id.* at 121-122.

²¹⁴ *In re Morton-Norwich Prods., Inc.*, 671 F.2d 1332, 1340 (C.C.P.A. 1982).

²¹⁵ *Id.* (citations omitted).

²¹⁶ *See, e.g.*, *Christian Louboutin S.A. v. Yves Saint Laurent Am. Holding, Inc.*, 696 F.3d 206, 222 (2d Cir. 2012) (“In making this determination, courts must carefully weigh ‘the competitive benefits of protecting the source-identifying aspects’ of a mark against the ‘competitive costs of precluding competitors from using the feature.’”) (quoting *Fabrication Enters., Inc. v. Hygenic Corp.*, 64 F.3d 53, 59 (2d Cir. 1995)); *Landscape Forms, Inc. v. Columbia Cascade Co.*, 113 F.3d 373, 377 (2d Cir. 1997) (“This analysis requires courts to balance the policy of protecting consumers from confusion against that in favor of free competition.”).

²¹⁷ *See, e.g.*, *United States Golf Ass’n v. St. Andrews Sys.*, 749 F.2d 1028, 1033 (3d Cir. 1984) (stating that “the essence of the question” of functionality “is whether a particular feature of a product or service is substantially related to its value *as a product or service*, *i.e.*, if the feature is part of the ‘function’ served, or whether the primary value of a particular feature is the identification of the provider”) (emphasis in original); *LeSportsac, Inc. v. K Mart Corp.*, 754 F.2d 71, 78 (2d Cir. 1985) (“Are consumers likely to purchase a LeSportsac bag rather than that of a competitor principally because they find LeSportsac’s particular combination of design features aesthetically pleasing, or will they buy principally because the product features serve to identify or distinguish the goods as genuine LeSportsac products?”).

But these interests cannot be balanced because their respective weights do not fall on the same scale. While the law and economics approach suggests that we can reduce every interest to a dollar-and-cents valuation and so balance any competing interests, that sort of crude reductionism often misses the point entirely. In first-year Torts, for example, students learn that the privilege of defending your property does not allow an individual to use a potentially lethal spring gun to defend vacant property.²¹⁸ While a comparative fault balancing framework has come to dominate tort law, we do not apply it here. We do not balance the monetary value of the property against the monetary value of the trespasser's life. The relationship between the two is not balance, but hierarchy: Life>Property.²¹⁹ Similarly, also in first-year Torts, we do not reduce recovery for a plaintiff's own negligence when the defendant's tortious conduct is intentional.²²⁰ Again, while a comparative fault framework has become the norm, we do not apply it to intentional torts. The relationship between negligence and intentional wrongdoing is again not balance, but hierarchy: Intentional wrongdoing is morally different from negligent wrongdoing.

Of course, for either rule, we can imagine exceptional cases, where, for example, the value of the property at issue seems to far outweigh the value of the life at issue.²²¹ Or where the intent on one side is fuzzy and the negligence on the other is clear. But exceptional

²¹⁸ See, e.g., *Katko v. Briney*, 183 N.W.2d 657, 660-62 (Iowa 1971) (upholding civil liability for setting a spring-gun trap).

²¹⁹ Restatement (First) of Torts § 85 (A.M.I. 1934) ("The value of human life and limb, not only to the individual concerned but also to society, so outweighs the interest of a possessor of land in excluding from it those whom he is not willing to admit thereto that a possessor of land has, as is stated in s 79, no privilege to use force intended or likely to cause death or serious harm against another whom the possessor sees about to enter his premises or meddle with his chattel, unless the intrusion threatens death or serious bodily harm to the occupiers or users of the premises.").

²²⁰ See, e.g., *State v. Roache*, 920 N.W.2d 93, 103 (Iowa 2018) ("An intentional wrongdoer cannot raise the victim's comparative fault as a defense." (citations omitted)); *McLain v. Training & Dev. Corp.*, 572 A.2d 494, 497 (Me. 1990) ("We have never recognized contributory or comparative negligence as a defense to the intentional tort of assault and battery and we decline to do so now."); *Fitzgerald v. Young*, 670 P.2d 1324, 1326 (Idaho Ct. App. 1983) ("It is a well-settled rule that the negligence of a plaintiff is not a defense available to a defendant who has committed an intentional tort."). See also Restatement (Second) of Torts § 481 (A.L.I. 1965) ("The plaintiff's contributory negligence does not bar recovery against a defendant for a harm caused by conduct of the defendant which is wrongful because it is intended to cause harm to some legally protected interest of the plaintiff or a third person.").

²²¹ See Richard A. Posner, *Killing or Wounding to Protect a Property Interest*, 14 J.L. & Econ. 201, 202, 214 (1971) (arguing for a standard "that permits the courts to weigh such considerations as the value of the property at stake, its location . . . , what kind of warning was given, the deadliness of the device . . . , the character or the conflicting activities, the trespasser's care or negligence and the cost of avoiding interference by other means . . .").

cases are, by definition, exceptional.²²² They do not provide a basis for the rule. Creating an exception imposes economic costs, in the form of the transaction costs and error costs. But it's not just those costs. Putting human life on the same scale as property, in this context, degrades the value of human life. Equating intentional and negligent conduct ignores the moral difference between the two. In both cases, the two interests cannot be balanced because the interests they represent do not fall on the same scale. In tort law, the relationship between the interests at stake in these two examples is therefore one of hierarchy, not balance.

So too the relationship between competition and fair competition. Ensuring competition achieves far more than the mere economic value of reducing rent-seeking expenditures and deadweight welfare losses. Ensuring competition reduces monopoly profits (or rents). In a monopolistic market, one firm controls a product's price and sets that price to maximize, as monopoly rents, its share of the surplus associated with the product—the product's market value in excess of its marginal cost. In contrast, in a competitive market, many firms compete, each earning a reasonable or competitive return on their investment. The associated product surplus goes to consumers as consumer surplus. By redistributing the surplus from one firm to many consumers, ensuring competition can reduce income inequality and wealth concentration. It thereby tends to reduce the chance of a representative democracy becoming a billionaire-dominated oligarchy. In addition, a competition-focused trademark law ensures a level playing field for new entrants and for small and medium-sized entities ("SMEs"). It ensures that established and dominant firms cannot leverage their "reputations" to foreclose entry or to bully entrepreneurs or SMEs. Ensuring equal opportunity in the marketplace has a value beyond the economic revenue such entrepreneurs or SMEs may generate. The values that ensuring competition serves are simply not the same as ensuring that a popular trademark owner earns more money.

²²² As an example of a court relying on an exceptional case to dictate the rule, consider the reasoning of the Seventh Circuit on why consumer preference alone cannot be the standard for functionality:

It would always be possible to show that *some* consumers like the item's appearance; then the corner jewelry store could emulate the distinctive Tiffany blue box, which would lose its ability to identify origin. "Beauty lies in the eye of the beholder" therefore cannot by itself establish functionality of trade dress.

Eco Mfg. LLC v. Honeywell Intern., Inc., 357 F.3d 649, 654 (7th Cir. 2003) (emphasis in original). There are two problems with the court's analysis. First, little would be lost if courts recognized that Tiffany did not have exclusive rights to a particular shade of blue in jewelry packaging. Thus, the horrible the court posits is not really that horrible. Second, any rule that protects Tiffany's exclusive rights to the color blue also establishes a basis for dubious claims such as the one at issue in *Eco Mfg.* where Honeywell claimed the exclusive right to the circle for use in thermostats. The welfare losses from enabling such dubious claims to be litigated far outweigh the welfare gains, if any such gains exist, from protecting the color blue for Tiffany.

Prioritizing competition is also essential to balance the anticompetitive tilt otherwise inherent in trademark litigation.²²³ A defendant will seldom have much to gain from trademark litigation. If the defendant prevails, the defendant can enter or remain in the market. But because of non-mutual collateral estoppel, so can everyone else. Moreover, everyone else can enter the market without bearing the expense of the litigation that paved the way—an expense that the defendant alone must bear. With such entry, the associated market will become competitive. With competition, prices in the market fall. As a result, much of what had been economic rent or producer surplus goes to consumers in the form of lower and newly competitive prices. A successful trademark defense will thus seldom offer trademark defendants the opportunity to recoup their litigation expenses.

We should therefore expect too few trademark defendants to fight for their right to compete, even where they are likely to prevail. As Justice Scalia has noted: “Competition is deterred, however, not merely by successful suit but by the plausible threat of successful suit”²²⁴ Being able to enter a competitive market may offer so little economic gain that it does not cover the high cost of trademark litigation even where the chance of a successful defense is near certain. Congress has recognized this tendency to under-litigate in pursuit of competition in other contexts and has provided special incentives to encourage such litigation. Antitrust law, for example, provides for mandatory treble damages and an award of reasonable attorneys’ fees to a successful plaintiff. Patent law provides a six-month duopoly for a generic pharmaceutical company that successfully challenges a pharmaceutical patent that would otherwise bar generic entry. While Congress did not provide such a special incentive to trade dress defendants, it did make the functional limitation absolute as a means of encouraging trade dress defendants’ vigorous defense of competition. Courts should not water down the hierarchical primacy and absolute nature of functionality through balance.

Moreover, although competition is readily deterred by a plausible threat of litigation, monopoly is not. Where successful trademark litigation would enable a plaintiff to exclude others from a market, and thus create monopoly and the associated economic rents, we should expect trademark plaintiffs to over-enforce whatever rights they are given. While competitive returns will

²²³ See Glynn Lunney, *Trademark’s Judicial De-Evolution: Why Courts Get Trademark Cases Wrong Repeatedly*, 106 Calif. L. Rev. 1195, 1236-56 (2018).

²²⁴ *Wal-Mart Stores, Inc. v. Samara Bros.*, 529 U.S. 205, 214 (2000); see also *Trade-Marks: Hearings Before the Subcomm. of the Senate Comm. on Patents*, 78th Cong. 71-72 (1944) (statement of Mr. Moyer, Special Assistant to the Att’y Gen., Antitrust Div., Dep’t of Just.) (“[T]he possibility that a competitor will be faced with a lawsuit or litigation . . . is sufficient, particularly if the competitor is a small man, to keep him out of the field.”).

seldom cover the high cost of trademark litigation, monopoly profits often will. In addition, from a plaintiff's perspective, whether competition is fair or unfair, both reduce their revenue and rents. From a plaintiff's perspective, both need to be stopped. Thus, we should also expect trademark plaintiffs to seek to expand their rights by repeatedly suing defendants for acts of competition that are, under current law, fair. As I have explained elsewhere, over time, trademark owners will use, and indeed have used, systematic litigation to expand the scope of their rights and convert activity that was once legally fair competition into unfair competition.²²⁵

Striking a fair balance, as Judge Rich suggested, between ensuring competition and ensuring fair competition would leave this asymmetry in litigation incentives in place. Given this asymmetry, a balanced approach in the abstract would become imbalanced in practice. Given this asymmetry, attempting to balance competition against fair competition would turn, and indeed has turned, the protection of product features as trademarks into an anticompetitive tool. Perhaps that is why it's easy to identify cases involving the protection of words and insignia as a trademark where a finding of trademark infringement made consumers unambiguously better off, but nearly impossible to identify even one case involving the protection of product features where a similar finding made consumers unambiguously better off.²²⁶

In the end, though, the ultimate answer to this question of balancing or hierarchy is simple: Congress has resolved the issue. According to the statute, a finding of functionality bars a claim for trademark infringement regardless of how strong a showing of distinctiveness or likelihood of confusion a plaintiff makes. That is not balance. That is hierarchy. Ensuring that markets are competitive is more important, categorically, than ensuring that competition is fair. The task for courts, therefore, is not to decide whether balancing or hierarchy is the correct relationship, or to decide whether ensuring competition or ensuring fair competition is the priority, but to implement the choices Congress has made. To that task, we now turn.

IV. ENSURING COMPETITION AS FIRST PRIORITY

While many courts, including the Court of Customs and Patent Appeals in *Morton-Norwich*, have recognized that functionality plays a central role in ensuring competitive markets, they fail to define "competition" expressly. They repeatedly ask whether protecting a given product feature as a trademark would "hinder

²²⁵ See Lunney, *supra* note 223.

²²⁶ Having worked in trademark law for thirty-five years, I have yet to see a single case where the protection of product features unambiguously makes consumers better off.

competition,”²²⁷ or coming at the issue from the opposite direction, whether copying the product feature at issue is “essential to effective competition”²²⁸ or a “competitive necessity.”²²⁹ Yet, despite the repeated invocations of competition as the relevant issue, most courts fail to define what they mean by competition. To implement Congress’s decision to make competition trademark and unfair competition law’s highest priority, our first task is to define what we mean by “competition.”

A. Competition, Choice, and Market Definition

In discussing competition in the context of trademark law, a common mistake is to equate choice with competition.²³⁰ The belief seems to be that as long as trademark law ensures that consumers can readily distinguish between the products two companies are offering, that law necessarily ensures competition. But that belief is false. Consumers can readily distinguish between BORDEN milk and BAYER aspirin, but that does not mean that those two products compete. The purpose of competition is to ensure competitive prices.²³¹ To ensure competitive prices, we need multiple sellers that consumers can readily distinguish between, all offering products in the same market.²³²

While choice is necessary for competition, it is not sufficient. The choice must be between products of different sellers in the same market. This in turn raises the issue of market definition and how we determine if two products are in the same market. The answer is simple: cross-elasticity of demand. Two products have a sufficiently high cross-elasticity of demand to be in the same market if enough consumers, in response to a “small but significant and non-transitory” price increase on one product, will actually switch to the other so that the price increase is rendered unprofitable. As I explained more than twenty-five years ago:

Product markets are, in turn, defined by asking whether a “small but significant” price increase, of five or perhaps ten percent, on the first product, would lead so many first

²²⁷ See, e.g., *Truck Equip. Serv. Co. v. Fruehauf Corp.*, 536 F.2d 1210, 1218 (8th Cir.) (noting that the “question in each case is whether protection against imitation will hinder the competitor in competition.”), cert. denied, 429 U.S. 861 (1976); *Fotomat Corp. v. Cochran*, 437 F. Supp. 1231, 1235 (D. Kan. 1977) (same).

²²⁸ *In re Morton-Norwich Prods., Inc.*, 671 F.2d 1332, 1340 (C.C.P.A. 1982).

²²⁹ *Id.* at 1339 (noting that “‘superiority’ [in function] is determined in light of competitive necessity to copy”).

²³⁰ See, e.g., S. Rep. No. 79-1333, *supra* note 194, at 4 (“Trademarks, indeed, are the essence of competition, because they make possible a choice between competing articles by enabling the buyer to distinguish one from the other.”).

²³¹ See Smith, *supra* note 26.

²³² Lunney, *Trademark Monopolies*, *supra* note 13, at 424-25.

product consumers to switch to some other product that the price increase would prove unprofitable. If enough consumers would switch to render such a price increase unprofitable, then the products to which consumers would turn are included within the relevant market as competing products. If consumers would not switch, then no “competing” product exists and the producer’s goods constitute a distinct product market. In such a case, the producer is a monopolist.²³³

Moreover, the question is not whether consumers could switch, or whether two products are in some sense objectively similar, or whether a consumer could “make do” with the second product.²³⁴ “Proper market definition must focus on actual consumer buying decisions.”²³⁵

Some issues of market definition are trivially easy. BORDEN milk and BAYER aspirin do not compete. They do not, even remotely, satisfy the same consumer desires. As a result, it is obvious that a small price increase on either one will not lead consumers to buy the other instead. Other issues of market definition are more troublesome. Do COKE and PEPSI sodas compete? Our gut reaction is to say: “Of course, they’re both colas.” And it is likely that consumers will switch more readily to PEPSI soda than to milk or orange juice if COKE soda were unavailable. But my own sense from polling students for more than thirty years now is that most COKE soda drinkers will not switch to PEPSI soda in response to a small, but significant, say five to ten percent, price increase in COKE soda. So, if we are speaking of competition in its precise, legal and economic sense, referring to the sort of competition that ensures competitive prices, COKE and PEPSI sodas probably do not compete.

In the functionality context, when courts ask whether there are alternative designs or whether a product feature is “essential to competition,” if the purpose of that inquiry is to ensure that products are priced competitively, rather than monopolistically, then courts must do so in the context of a realistic definition of the relevant market. Sometimes courts do so. For example, the Second Circuit, in a case seeking protection of a baroque silverware design as a trademark, affirmed the trial court’s finding that the relevant product market was not silverware generally, but baroque silverware in particular.²³⁶ Similarly, the Ninth Circuit, in a case

²³³ *Id.* at 424.

²³⁴ *Id.* at 425.

²³⁵ *Id.*

²³⁶ *Wallace Int’l Silversmiths, Inc. v. Godinger Silver Art Co.*, 916 F.2d 76, 80 (2d Cir. 1990) (“Judge Haight found in the instant matter that there is a substantial market for baroque silverware and that effective competition in that market requires ‘use [of]

involving a multi-function pocket tool, required alternative designs to “offer *exactly* the same features” as the plaintiff’s design,²³⁷ implicitly defining the relevant market to be the plaintiff’s exact design.

Yet, in other cases, courts define the relevant markets far more broadly. The Second Circuit, for example, directed the district court to evaluate the functionality of the RIBBON Rack bicycle rack—a one-piece undulating bicycle rack—not in terms of undulating bicycle racks specifically, but in terms of bicycle racks generally.²³⁸ In doing so, the court implicitly defined the relevant market as bicycle racks generally. Similarly, the Court of Customs and Patent Appeals, in addressing whether the appearance of a SUPERMAN action figure was functional, implicitly defined the relevant market as action figures generally, rather than as SUPERMAN action figures.²³⁹

As between the first two cases, defining the relevant market narrowly, and the latter two cases, defining the relevant market broadly, my opinion is that the first two cases define the relevant markets more accurately in terms of the likely cross-elasticity of demand. As the Trademark Trial and Appeal Board (“TTAB”) found in the SUPERMAN case:

It is our opinion that the designs of the three dolls involved in this appeal are quintessentially utilitarian. A child who wants to playact with dolls an adventure involving the character “Superman” or the character “Batman” or the character “Joker” would simply not be satisfied with any doll that was not a replica of the appropriate character.²⁴⁰

While I share the TTAB’s views, and those of the first two cases, that the relevant markets should be defined narrowly, the more important point is that the relevant market definition in each case was dispositive. Define the market narrowly, and the product features at issue are functional. Define the market broadly, and the product features at issue are not functional.

Yet, in none of these cases did either party introduce any sort of econometric analysis tending to establish the relevant cross-elasticities of demand, whether between baroque silverware and other silverware patterns, or between traditional bicycle racks and the new undulating, one-piece rack. Nor would I advocate the

essentially the same scrolls and flowers’ as is found on Wallace’s silverware.”), *cert. denied*, 499 U.S. 976 (1991).

²³⁷ *Leatherman Tool Group, Inc. v. Cooper Indus., Inc.*, 199 F.3d 1009, 1013-14 (9th Cir. 1999) (emphasis in original).

²³⁸ *Brandir Int’l, Inc. v. Cascade Pac. Lumber Co.*, 834 F.2d 1142, 1148 (2d Cir. 1987).

²³⁹ *In re DC Comics, Inc.*, 689 F.2d 1042, 1045 (C.C.P.A. 1982) (ruling that dolls generally and not SUPERMAN dolls are the class by which functionality is determined).

²⁴⁰ *In re DC Comics, Inc.*, 689 F.2d at 1047 (Rich, J., concurring).

introduction of such studies into trademark litigation. We do that in antitrust law, and, honestly, it's a mess.²⁴¹

Instead, courts should return to the common law's definition of functionality. Whether two products have a high or low cross-elasticity of demand depends on consumer preferences. Any product feature: (i) that consumers value and (ii) that one product has but a second product does not, may prevent two products from competing—may prevent consumers from switching to the other product in response to a “small but significant” price increase on the first product. Competition is maximized and market prices are minimized by ensuring that competitors may copy any product feature, “slavishly down to the minutest detail,” that consumers value for its own sake.

The obvious counterargument here is that my proposed standard is the *Pagliero* standard—a product feature is functional if it is an “important ingredient in the commercial success”—and that the *Pagliero* standard has been decisively and persuasively rejected.²⁴² Perhaps. But with respect to “decisively,” consider three points. First, the proposed standard is not just the *Pagliero* standard. Before 1982, it was also the standard the Court applied in *William R. Warner & Co. v. Eli Lilly & Co.*, the standard other circuits, including the Second and the Eighth applied, and the standard that the Restatement (First) of Torts adopted.²⁴³ Second, in 1982, *Pagliero* was the standard the Supreme Court held governed functionality in *Inwood Labs*. As discussed above, while courts routinely recite the “essential to the use or purpose” dicta

²⁴¹ For a discussion of the role of economic studies of cross-elasticity in antitrust litigation, see Mark A. Lemley & Mark P. McKenna, *Is Pepsi Really a Substitute for Coke? Market Definition in Antitrust and IP*, 100 Geo. L.J. 2055 (2012).

²⁴² See, e.g., *LeSportsac, Inc. v. K Mart Corp.*, 754 F.2d 71, 77 (2d Cir. 1985) (noting that the *Pagliero* standard has been rejected by the Ninth Circuit and criticized as overinclusive); *Sno-Wizard Mfg., Inc. v. Eisemann Prods. Co.*, 791 F.2d 423, 426 n.3 (5th Cir. 1986) (same).

²⁴³ See, e.g., *William R. Warner & Co. v. Eli Lilly & Co.*, 265 U.S. 526, 531 (1924) (finding that defendant could imitate exactly chocolate flavoring of medication because it “serves a substantial and desirable use”); *Industria Arredamenti Fratelli Saporiti v. Charles Craig, Ltd.*, 725 F.2d 18, 19 (2d Cir. 1984); *Int’l Order of Job’s Daughters v. Lindeburg & Co.*, 633 F.2d 912, 917 (9th Cir. 1980), *cert. denied*, 452 U.S. 941 (1981); *Norwich Pharmacal Co. v. Sterling Drug, Inc.*, 271 F.2d 569, 572 (2d Cir. 1959) (finding color pink for a stomach remedy could be functional because it was “designed to present a pleasing appearance to the customer and to the sufferer”), *cert. denied*, 362 U.S. 919 (1960); *Pagliero v. Wallace China Co.*, 198 F.2d 339, 343 (9th Cir. 1952) (holding that decorative design on china was functional because consumers found the design attractive); *J.C. Penney Co. v. H.D. Lee Mercantile Co.*, 120 F.2d 949, 954 (8th Cir. 1941) (“A feature of goods is functional . . . if it affects their purpose, action or performance; or the facility or economy of processing, handling or using them.”) (quoting Restatement (First) of Torts § 742 (A.L.I. 1938)); *Crescent Tool Co. v. Kilborn & Bishop Co.*, 247 F. 299, 300 (2d Cir. 1917); *Smith v. Krause*, 160 F. 270, 271 (C.C.S.D.N.Y. 1908) (refusing to protect the words ‘Merrie Christmas,’ woven into a ribbon as a trademark because “the fact that it has ‘Merrie Christmas’ inscribed upon it adds a value to it over the value of a plain ribbon”).

from footnote 10 of that decision, the Court's actual holding was that the district court's findings of functionality were not clearly erroneous.²⁴⁴ For that standard to apply, the district court must have applied the correct legal standard. The legal standard the district court applied—the one the Court necessarily held was correct—was *Pagliero's* “important ingredient in the commercial success” standard. Third, along with other phrasings of the functionality standard, the Court in *Qualitex* also cited the *Pagliero* standard with approval. Thus, while language in some circuit court decisions may have rejected *Pagliero*, the Court has embraced it. Perhaps it is time that we start paying attention to that fact.

As for the persuasiveness of that rejection, that too is very much in doubt. The first criticism of *Pagliero* is that even a traditional trademark, such as an arbitrary or fanciful word mark, would be functional under the *Pagliero* standard.²⁴⁵ The trademark of a successful brand is—or more accurately, becomes—an important ingredient in the associated product's commercial success. Taken literally, the first criticism argues, the standard seems to find every valuable trademark functional and thus is guilty of overreach. The second criticism of *Pagliero* is that:

[I]t provides a disincentive for development of imaginative and attractive design. The more appealing the design, the less protection it would receive.²⁴⁶

If *Pagliero* were adopted, our aesthetic environment would become “more mechanized and banal,” as we “discourage[d] use of a spark of originality which could transform an ordinary product into one of grace.”²⁴⁷

As a personal aside, I would begin by noting that, for me, the disincentive claim is simply wrong. I find the mid-century modern aesthetic that developed under *Pagliero* in the 1950s far more attractive than the Memphis design aesthetic that developed in the 1980s.

But putting my personal feelings to one side, the central problem with both criticisms is that the *Pagliero* decision itself considered and addressed both concerns. With respect to the first, the *Pagliero* opinion distinguished between product features that were valuable solely because they conveyed information as to the product's source and product features that had value, or also had value, for any other

²⁴⁴ See *supra* text [and] accompanying notes 132–136.

²⁴⁵ See *Vuitton Et Fils S.A. v. J. Young Enters., Inc.*, 644 F.2d 769, 774 (9th Cir. 1981) (“However, a trademark is always functional in the sense that it helps to sell goods by identifying their manufacturer.”); *LeSportsac, Inc.*, 754 F.2d at 77 (“Trade dress associated with a product that has accumulated goodwill, such as the LeSportsac line, will almost always be ‘an important ingredient’ in the ‘saleability’ of the product.”).

²⁴⁶ *Keene Corp. v. Paraflex Indus., Inc.*, 653 F.2d 822, 825 (3d Cir. 1981).

²⁴⁷ *Id.*

reason.²⁴⁸ As a result, where the sole function of a product feature was to serve as a trademark, that would not make the feature “functional” even if that source identification function was an important ingredient in the product’s commercial success. As the *Pagliero* court explained: “‘Functional’ in this sense might be said to connote other than a trade-mark purpose.”²⁴⁹ Thus, the word “Coke” on a bottle of cola, while undoubtedly an important ingredient in the product’s commercial appeal, would not be functional because that commercial appeal is due to its role as source identifier. Unlike many other products, there is no market where consumers knowingly buy colas bearing the COKE mark, but the cola inside is made by some other company.

As to the second criticism, *Pagliero* addressed this argument as well:

Of course, [the defendant] can also compete by developing designs even more aesthetically satisfying, but the possibility that an alternative product might be developed has never been considered a barrier to permitting imitation competition in other types of cases. The law encourages competition not only in creativeness but in economy of manufacture and distribution as well.²⁵⁰

There may be some optimal level of product differentiation in the marketplace, but courts are unlikely to be better at identifying that level than the market itself. Therefore, the best avenue for courts is to ensure competition with respect to every product feature that consumers desire or value for its own sake rather than, or in addition to, whatever value the feature may have as source identification.

Moreover, because competition has primacy, if a product feature serves a dual role—if it has value both for source identification and for some other reason—then it is not a question of balancing to determine which role is primary. As discussed, in the statutory framework, functionality bars trademark protection even for highly distinctive product features. Hierarchy, not balance, is the statutory mandate. As a result, regardless of whatever value a product feature may have as source identifier, it is nevertheless functional so long as some consumers materially value the product feature for reasons other than source identification.²⁵¹ Moreover, whether consumers

²⁴⁸ *Pagliero*, 198 F.2d at 343 (“‘Functional’ in this sense might be said to connote other than a trade-mark purpose.”); see also *Aromatique, Inc. v. Gold Seal, Inc.*, 28 F.3d 863, 873 (8th Cir. 1994) (same).

²⁴⁹ *Pagliero*, 198 F.2d at 343.

²⁵⁰ *Id.* at 344.

²⁵¹ See *PIM Brands Inc. v. Haribo of Am. Inc.*, 81 F.4th 317, 322 (3d Cir. 2023) (“And not all consumers have to see the trade dress as serving a function beyond identifying the

value that product feature for its mechanical functionality, for its aesthetics, or for the message or information the feature conveys other than information regarding who made or sponsored the product is irrelevant. So long as consumers value the product feature for its own sake, rather than for, or in addition to, any source-identification value the feature may offer, the product feature is functional for purposes of trademark law. By allowing competitors to copy every such feature “down to the minutest detail,” trademark law ensures competition without the need for judges and juries to attempt the perilous task of market definition. It also ensures competition by reducing the extent to which judges or juries second-guess competitors as to what features consumers want or how the presence or absence of particular product features may influence consumer purchasing decisions.

This leads us to the hard case I posited in the introduction: Given a choice between a market with unfair competition or a market with no competition, trademark law should choose a market with unfair competition. That is the straightforward and logical conclusion from Congress’s decision to elevate functionality over distinctiveness and likelihood of confusion in the statutory framework. To an exploration of that hard case, we now turn.

B. The Hard Choice: Unfair Competition or No Competition

Until 1975, unauthorized sports merchandise, such as t-shirts bearing a team’s colors and trademarks, was both commonplace and not a violation of trademark law. Consumers received the benefits of competition—greater variety and lower prices—and could readily distinguish between officially authorized apparel, sold at the stadium store, and unlicensed apparel, sold everywhere else. But in 1975, the Fifth Circuit rewrote trademark law to require the permission of the sports franchise, the trademark owner, before such merchandise could be sold.²⁵² Unauthorized sports merchandise still exists, but is a violation of trademark law and so is lower quality and is not sold at mainstream retailers.

Thirty years later, in an attempt to re-introduce competition into the markets for such merchandise, Smack Apparel argued that a University’s team colors were functional for the purpose of t-shirts and other apparel. As the Fifth Circuit explained:

Smack contends that it will be placed at a significant non-reputation-related disadvantage if it “is unable to satisfy consumer demand for game day clothing that allows fans to

product’s source. It is enough that . . . a significant number of consumers would see it that way.”).

²⁵² Boston Prof’l Hockey Ass’n v. Dallas Cap & Emblem Mfg., Inc., 510 F.2d 1004, 1012-13 (5th Cir.), *cert. denied*, 423 U.S. 868 (1975).

conform to the crowd, or satisfy consumer demand for game day clothing that matches other items of clothing worn by the consumer.”²⁵³

In short, because consumers desired clothing in their team’s colors, Smack argued that those colors defined the relevant market. If Smack could not copy them, it would not be able to enter the market for clothing bearing LSU’s team colors.

Smack is almost certainly correct that the relevant market at issue is for t-shirts in the team colors, rather than t-shirts generally. While it is true that “[t]he t-shirts would function just as well as articles of clothing without the colors and designs,”²⁵⁴ that is irrelevant for defining the relevant market and ensuring competition. Two products are part of the same market and compete only if consumers will and actually do switch to the second product in response to a “small but significant” price increase on the price of the first. That consumers can readily distinguish between LSU and Texas A&M merchandise means that consumers have choice. But choice does not establish competition. Nor is it enough that t-shirts bearing either team’s colors clothe the body. That is not the only purpose for which consumers are buying these goods. Consumers buy a t-shirt with one set of colors or the other because they want to align themselves with one team or the other. To define the relevant product market, the question becomes whether enough consumers would actually switch and buy A&M t-shirts instead were LSU, as the exclusive licensor of LSU merchandise, to raise prices on LSU t-shirts from twenty dollars to twenty-one dollars, or vice versa. Frankly, the notion that that would happen is laughable in either direction.

If competition is to ensure competitive prices, as Adam Smith long ago posited, the relevant market is LSU t-shirts, not t-shirts generally, and to compete in that market, Smack must copy LSU’s colors. Nevertheless, the Fifth Circuit held that Smack could not enter the market because, under *Qualitex’s* alternative phrasing of the functionality standard, the color scheme was not functional. Any disadvantage Smack faced from having to sell t-shirts in some other color scheme was a reputation-related disadvantage, rather than a “non-reputation-related disadvantage.”²⁵⁵ It is the same disadvantage, the Fifth Circuit seemed to suggest, that an upstart cola company faces when trademark law prohibits it from calling its product “Koke.”²⁵⁶ Moreover, consumers want those colors because of the

²⁵³ Bd. of Supervisors for Louisiana State Univ. Agric. & Mech. Coll. v. Smack Apparel Co., 550 F.3d 465, 488 (5th Cir. 2008), *cert. denied*, 556 U.S. 1268 (2009).

²⁵⁴ *Id.* at 486.

²⁵⁵ *Id.* at 488.

²⁵⁶ *Id.*; see also Coca-Cola Co. v. Koke Co. of Am., 254 U.S. 143 (1920) (enjoining another cola company’s use of KOKE as its trademark).

investment LSU has made in its football team. Finding those colors to be functional “would penalize companies for developing brands with cachet to distinguish themselves from competitors, which is the very purpose of trademark law.”²⁵⁷

Before confronting the choice between ensuring competition without fairness and ensuring fairness without competition, two preliminary issues are worth noting. First, by inverting the Court’s logic, from “if significant non-reputation related disadvantage, then functional,” to “if significant reputation related disadvantage, then non-functional,” the Fifth Circuit improperly reversed the hierarchy Congress established between distinctiveness and functionality. If a product feature has value both as source-identifier and for other reasons, the Supreme Court’s “if-then” framework properly defines the feature as functional. The statute dictates that functionality trumps distinctiveness. By flipping the test, the Fifth Circuit held that for product features with both trademark and non-trademark value, distinctiveness trumps functionality. That result is contrary to the statutory framework Congress established. Second, the Court’s phrase “reputation-related” is potentially overbroad, as dicta often is. Marketers try to imbue their brands with all sorts of positive connotations. Buy our brand and you will be environmentally conscious. Buy our brand and you will be popular. Buy our brand and you will honor your mom’s Italian heritage. Trademark law does not and should not protect all of these associations. It protects information only as to source—who made the good—or sponsorship.²⁵⁸ To the extent the phrase “reputation related”—or similar phrases, such as “cachet,” “goodwill,” or “prestige”—suggests that trademark law protects all messages delivered by a brand or otherwise protects information beyond who made or licensed the product at issue, these phrases are overbroad. Not everything “reputation related” is trademark protected.

When consumers knowingly and intentionally buy unauthorized imitations, that is the best evidence available that the product features offer consumers value unrelated to source or sponsorship.²⁵⁹ Whatever that value is, and however we label it,

²⁵⁷ Jay Franco & Sons, Inc. v. Franek, 615 F.3d 855, 857 (7th Cir. 2010).

²⁵⁸ See *Smith v. Chanel, Inc.*, 402 F.2d 562, 566 (9th Cir. 1968) (“[T]he traditionally accepted premise that the only legally relevant function of a trademark is to impart information as to the source or sponsorship of the product.”). In *Smith v. Chanel, Inc.*, Chanel argued that “protection should also be extended to the trademark’s commercially more important function of embodying consumer good will created through extensive, skillful, and costly advertising.” *Id.* The Ninth Circuit rejected the argument: “The courts . . . have generally confined legal protection to the trademark’s source identification function for reasons grounded in the public policy favoring a free, competitive economy.” *Id.*

²⁵⁹ But see *Blumenthal Distrib., Inc. v. Herman Miller, Inc.*, 963 F.3d 859, 869 (9th Cir. 2020) (rejecting suggestion that trademarks are functional when “the trademarks ‘constitute[] the actual benefit the consumer wishes to purchase’ because it ‘lies in the face of existing caselaw’”) (quoting *Au-Tomotive Gold, Inc. v. Volkswagen of Am., Inc.*,

whether cachet, reputation, prestige, goodwill, or otherwise, so long as the value does not derive from who made or licensed the product, that value is not protected by trademark law. As a result, if consumers desire to, and intentionally, buy look-alikes knowing that they were neither made by nor licensed by the trademark owner, it is not for trademark law, or the trademark owner, to say that those consumers' desires are illegitimate. That there is a market for look-alike LOUIS VUITTON handbags, but not for taste-alike cola served in a COCA-COLA bottle demonstrates that the design of the LOUIS VUITTON handbag is functional in a way that the design of the COCA-COLA bottle is not. Moreover, the likelihood that some or even most consumers will be confused does not change our conclusion. In the statutory framework, functionality trumps likelihood of confusion. So long as some consumers are not confused and demonstrate that they value the feature for a non-trademark reason, by buying the product knowing it was neither made nor licensed by the trademark owner, the product feature at issue is functional.

In any event, putting these concerns to one side and assuming that the Fifth Circuit faced a choice between ensuring competition without fairness and ensuring fairness without competition, the Fifth Circuit chose ensuring fairness without competition. But this is not the choice Congress made in the statute. Even if a product feature is distinctive and even if its imitation would create a likelihood of confusion, trademark law will nonetheless not protect the feature if it is functional. In the statutory framework, ensuring competition is more important than ensuring fairness.

As for the concern that allowing Smack to imitate LSU's color scheme will somehow punish or otherwise deter successful brands, the standard for functionality proposed is not some untested or theoretical academic ideal. It is the standard courts followed for more than a hundred years. In the many years before 1982, successful and famous brands developed. Sports teams had fans. Attractive designs were innovated. The parade of horrors courts have offered to justify narrowing the functionality standard plays on unfounded fears.

V. DE FACTO FUNCTIONAL IS DE JURE FUNCTIONAL

In my experience, most of legal practice, at least outside of criminal law, amounts to little more than moving food from one pig's trough to another's—moving money from the pockets of one rich person or large corporation to the pockets of some other rich person or large corporation. It is rare that a legal field such as trademark

457 F.3d 1062, 1073 (9th Cir. 2006)) (alteration in original). It is hypocritical, at best, for decisions that do not respect the past to expect respect from the future.

law can make a difference beyond that. An effective functionality doctrine, however, offers one such opportunity. Not by moving money from LSU to Smack Apparel, though that is the misleading way in which standing rules tend to frame trademark disputes. But to introduce competition into more markets and thus move money from the pockets of monopolists into the pockets of consumers.

To achieve that goal—to ensure competition—courts should rule that *de facto* functional is *de jure* functional. If consumers materially value a product feature for its own sake—for reasons other than, or in addition to, its value for identifying source or sponsorship—the feature is functional, and competitors may freely copy it “down to the minutest detail.” By adopting such a rule, trademark law will ensure that the benefits of competition spread to more markets. By adopting such a rule, trademark law will serve its primary purpose of ensuring competition. Only once trademark law has ensured competition can it address the necessarily subordinate concern of whether that competition is fair or unfair. And if push comes to shove, and a trademark case presents a choice between (i) a market with unfair competition and (ii) a market with no competition, trademark law should choose competition at the expense of fairness. Unfair competition is better than no competition at all.
