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RECENT DEVELOPMENTS IN TRADEMARK FUNCTIONALITY IN THE UNITED STATES

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- **Abstract:** The United States Trademark Act makes unenforceable marks that are “functional”. However, it does not define functionality. Because the Supreme Court decisions on functionality are few in number and ambiguous in meaning, the courts have differed sharply in their approaches to functionality, and their approach is constantly changing
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In United States law, there are two types of functionality that bar trademark protection: (1) utilitarian functionality and (2) aesthetic functionality. A good example of utilitarian functionality is one considered by the Supreme Court, which held that a two-spring support (which bent rather than fell with the wind) was functional for a portable traffic sign. The classic example of aesthetic functionality is a red, heart-shaped box for Valentine gift candy. The box is physically no better than any other type of candy box, but no other box would make the same symbolic expression of love. The doctrine of functionality was developed by judicial precedent. In 1998, the United States Trademark Act of 1946 was amended to specifically prohibit the registration of functional acts. § 2 of the Trademark Act, as amended, provides in part:

“No trademark by which the goods of the applicant may be distinguished from the goods of others shall be refused registration on the principal register on account of its nature unless it—

...

(e)...

(S) comprises any matter that, as a whole, is functional”.

However, the Trademark Act does not define functionality, so the actual scope of the functionality principle depends on court interpretations. Before discussing current judicial definitions of functionality, I would like to provide some background on trademark law in the United States and on the judicial system that interprets and enforces the law. Under the English common law that was inherited by the American colonies when they became independent in 1776, trademark protection was based upon judicial precedents, not on statutes. Federal statutory protection for trademarks began in with an 1881 law, revised by the federal Trademark Act of 1905, which was radically changed by the federal Trademark Act of 1946. Common law protection of trademarks has continued under state law, and common law rules have been embodied in statutes adopted in many states.

Unlike the law in most countries, in the United States, both federal and state law protect unregistered as well as registered trademarks. However, protection of federally-registered trademarks is stronger. Under fed-

eral law, in the case of trade dress, the burden of proof of functionality is on the alleged infringer in the case of a registered trademark, but upon the trademark owner in the case of an unregistered trademark. Those wishing to pursue United States trademark law further, may wish to download the excellent trademark law casebook by Professor Barton Beebe¹.

The United States has a federal court system; each state has its own court system. The nature of the court systems greatly complicates the interpretation of trademark law. The federal court system has three levels: 94 district courts, 13 courts of appeals and one Supreme Court. Decisions of the Supreme Court are precedents binding on all lower courts. There are 12 circuit courts of appeals. Decisions of each of these courts are precedents binding only on federal courts within its region. For instance, the Court of Appeals for the Second Circuit has jurisdiction over the territory of New York and two other eastern states, while the Court of Appeals of the Ninth Circuit has jurisdiction over the territory of California and 11 other western states.

There is also a “United States Court of Appeals for the Federal Circuit,” which was created in 1982 as the successor to the United States Court of Customs and Patent Appeals. One of the primary reasons for the creation of the Court of Appeals for the Federal Circuit was a perception that the interpretations of patent law were quite different in the various Federal courts of appeals and that parties involved in patent disputes were abusing the system by engaging in “forum shopping.” To solve this problem, the Court of Appeals for the Federal Circuit was given exclusive jurisdiction over all appeals in patent cases, subject only to possible review by the Supreme Court, which however, only very rarely grants review in patent cases.

However, the pattern of differing precedents interpreting federal law in various regions continues for trademark cases, because the Court of Appeals for the Federal Circuit was not given exclusive jurisdiction over appeals in these cases. Rather, in trademark cases, the Court

¹ Barton Beebe. Trademark Law, an Open Source Casebook, available at: <http://tmcasbook.org/>

only has non-exclusive jurisdiction over appeals from Decisions of the Trademark Trial and Appeals Board, an administrative tribunal within the Patent and Trademark Office. However, decisions of the Board also may be attacked by a suit brought in a federal district court. Decisions of the Federal Circuit in trademark cases are precedents binding on the Patent and Trademark Office, including its Trademark Trial and Appeal Board, but not on other federal courts. Sometimes the Federal Circuit gets a trademark issue attached to an appeal from a patent decision of a Federal District Court. In such a case the Federal Circuit attempts to apply the precedents of the Circuit where the District Court is located. Such Federal Circuit Decisions have no precedential force.

Decisions of state courts interpreting state trademark law are subject to review for constitutionality by the Supreme Court, but are not subject to substantive review by any federal court.

The United States Supreme Court receives a total of about 5000 petitions for review of all types of cases each year, but grants only a small fraction of these petitions — it hears only about 70 cases each year. A grant of review is more likely if there is a difference in the precedents of the various federal circuits. Nevertheless, because the Supreme Court only rarely agrees to review trademark disputes, many differences between the interpretations of the Trademark Act among various federal circuit courts persist for years, or even decades. In particular, in the since the Supreme Court was created in 1790, it has considered only four cases involving trademark functionality. The “shredded wheat” case², decided in 1938, held (under the law prior to the Trademark Act of 1946) that no trademark rights could be claimed in the form of breakfast cereal produced under the teachings of an expired patent. The *Inwood* case³, decided in 1982, held, “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. The *Qualitex* case⁴, decided in 1995, held that a mark was not aesthetically functional if alternatives existed, but was functional if: “exclusive use of the feature would put competitors at a significant non-reputation related disadvantage”; and the *TrafFix* case⁵, decided in 2001, which stated, “Because the du-

al-spring design is functional, it is unnecessary for competitors to explore designs to hide the springs,” and went on to reaffirm the *Inwood* test.

Two questions were left without clear answers by the decisions interpreting the 1946 Act. First, if and when it was appropriate to consider alternatives in evaluating utilitarian functionality, and second, whether the features of a product should be considered as a whole or considered individually in determining functionality. The federal appeals courts are divided on these two issues.

The Federal Circuit, though bound by these three Supreme Court decisions interpreting the Trademark Act of 1946 (as amended), has relied heavily on the holding of a decision made in 1982 by its predecessor court, the United States Court of Customs and Patent Appeals. This case, *Morton-Norwich*⁶, concerned a spray bottle for household cleaning liquids. The Court of Customs and Patent Appeals evaluated the various parts of the bottle separately for functionality, and applied a four-part test for functionality, in which the availability of alternatives was weighed along with other factors. This test was adopted by the Federal Circuit in *Valu Engineering*⁷:

“To determine whether a particular product design is de jure functional, we have applied the “Morton-Norwich factors”: (1) the existence of a utility patent disclosing the utilitarian advantages of the design; (2) advertising materials in which the originator of the design touts the design’s utilitarian advantages; (3) the availability to competitors of functionally equivalent designs; and (4) facts indicating that the design results in a comparatively simple or cheap method of manufacturing the product”.

The present paper discusses the differences among the federal appellate courts in considering two aspects of the *Morton-Norwich* approach, the consideration of alternative designs, and the consideration of the functionality of a combination of features. In an excellent article⁸, published in 2020, lawyer James J. Aquilina provided a detailed and helpful discussion of discussed the current state of the role of alternative designs in assessing trademark functionality in each of the federal circuits.

2 *Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111 (1938). — URL: <https://www.loc.gov/item/usrep305111/>

3 *Inwood Laboratories Inc. v. Ives Laboratories, Inc.*, 456 U.S. 844 (1982). — URL: <https://www.loc.gov/item/usrep456844/>

4 *Qualitex Co. v. Jacobson Products Co.*, 514 U.S. 159 (1995). — URL: <https://www.supremecourt.gov/opinions/boundvolumes/514bv.pdf>

5 *TrafFix Devices v. Mktg. Displays* — 532 U.S. 23, 121 S. Ct. 1255 (2001). — URL: <https://www.supremecourt.gov/opinions/boundvolumes/532bv.pdf>

6 *In re Morton-Norwich Products, Inc.*, 671 F.2d 1332 (CCPA 1982). — URL: <https://h2o.law.harvard.edu/cases/4790>

7 *Valu Engineering, Inc. v. Rexnord Corp.*, 278 F.3d 1268 (Fed. Cir. 2002). — URL: <https://caselaw.findlaw.com/us-federal-circuit/1332844.html>

8 James J. Aquilina. *Non-Functional Requirement for Trade Dress: Does Your Circuit Allow Evidence of Alternative Designs?* — URL: <https://www.quarles.com/content/uploads/2020/05/Non-Functional-Requirement-for-Trade-Dress.pdf>

Mr. Aquilina summarized the situation in mid-March 2020 as follows:

“Not all circuits have definitively addressed whether evidence of the availability of alternative designs may be considered in the trade dress functionality analysis. Of the circuits that have, only the Sixth Circuit (which was reversed in the seminal TrafFix case) refuses altogether to consider alternative designs. The circuits that will consider alternative designs generally take two different approaches, and will either: (1) consider alternative designs from the outset as part of the Morton-Norwich multifactor functionality test (Fourth, Seventh, Ninth, and Federal Circuits); or (2) consider alternative designs as the second step of a two-part test only if the trade dress is determined to be non-functional under the traditional Inwood Labs test (Third and Fifth Circuits).”

I will focus on new positions taken by the courts since Mr. Aquilina prepared his article and also on a topic he did not cover, whether functionality should be considered with respect to the overall combination of elements in a product or with respect to each individual element separately (as in *Morton-Norwich*).

The Second Circuit, which previously had rejected the Morton-Norwich approach to utilitarian functionality in dicta in the “red-soled shoe” *Louboutin* case⁹ turned this dicta into holding in *Sulzer*¹⁰, which concern color-coding of dentist supplies.

With respect to alternative designs the Third Circuit, in October 2020, adopted a decision in the *Ezaki Glico* case¹¹ that appeared to exclude consideration of alternative designs altogether: “the existence of other workable designs is not enough to make a design non-functional.” This decision alarmed trademark lawyers. The International Trademark Association submitted an amicus (“friend of the court”) brief, urging the Third Circuit to reconsider its decision¹². The court did reconsider its decision and issued a new decision with a number of changes, including the following language: “The existence of other workable designs is relevant ev-

idence but not independently enough to make a design non-functional”¹³.

In *CTB v. Hog Slat*, the Fourth Circuit moved away from the weighing of alternative designs as one of four factors¹⁴. This case was a suit by the holder of a registered trademark for the trade dress of a pan chicken feeder against a defendant selling an almost exact copy of the chicken feeder. The color of the bottom of the feeder attracted chickens; the shape of the top of the feeder prevented chickens from getting trapped in the feeder. The Fourth Circuit affirmed a summary judgement for the defendant. The court, relying on the fact that features with these functions (although differing in form) were claimed in a utility patent issued by plaintiff, held that the third Morton-Norwich factor — the availability of alternatives was irrelevant in the light of *TrafFix*. The court distinguished and limited the holding in *McAirlaids*¹⁵, which Mr. Aquilina had cited in classifying the Fourth Circuit as using the Morton-Norwich approach.

The Seventh Circuit, in *Flexible Steel Lacing*, likewise distinguished *McAirlaids*, and, in so doing, appeared to move away from the Morton-Norwich approach¹⁶.

As mentioned above, the Aquilina article did not analyze the other important aspect of Morton-Norwich, namely the suggestion that a collection of non-functional features could not, as a collection, amount to functionality. In contrast, in the oft-cited *Leatherman* case, the Ninth Circuit stated:

“Nor can the fact that there are many other multifunction tools with a variety of appearances (including the second Toolzall) preclude Cooper from faithful copying of the PST. While it is appropriate to look to possible alternatives when judging whether a design is functional, the evidence here was unequivocal that none of the alternatives offered the same functionality as the PST. Even though many of the tools likely are highly functional and useful, none of them offer exactly the same features as the PST. For example, a particular alternative design might be substantially larger than the PST. As such, it might actually be preferred by a customer seeking a heavier-duty tool to

9 *Christian Louboutin S.A. v. Yves Saint Laurent America Holding, Inc.*, 696 F.3d 206 (2012). — URL: <https://h2o.law.harvard.edu/cases/4776>.

10 *Sulzer Mixpac AG v. A&N Trading Co.*, 988 F.3d 174 (2d Cir. 2021). — URL: <https://www.courthousenews.com/wp-content/uploads/2021/02/candycolors.pdf>

11 *Ezaki Glico Kabushiki Kaisha v. Lotte Int’l Am. Corp.*, 977 F.3d 261 (3d Cir. Oct. 8, 2020). — URL: <https://www2.ca3.uscourts.gov/opinarch/193010p.pdf>

12 <https://www.inta.org/wp-content/uploads/public-files/advocacy/amicus-briefs/Lotte-Document.pdf>

13 *Ezaki Glico Kabushiki Kaisha v. Lotte International America Corp.*, 986 F.3d 250 (3rd Cir. 2021). — URL: <https://www2.ca3.uscourts.gov/opinarch/193010p.pdf>

14 *CTB, Inc. v. Hog Slat, Inc.* 954 F.3d 647 (4th Cir. 2020). — URL: <https://www.ca4.uscourts.gov/opinions/191391.P.pdf>

15 *McAirlaids, Inc. v. Kimberly-Clark Corp.*, 756 F.3d 307 (4th Cir. 2014). — URL: <https://www.ca4.uscourts.gov/Opinions/132044.P.pdf>

16 *Flexible Steel Lacing Co. v. Conveyor Accessories, Inc.*, 955 F.3d 632 (7th Cir. 2020). — URL: <https://www.govinfo.gov/content/pkg/USCOURTS-ca7-19-02035/pdf/USCOURTS-ca7-19-02035-0.pdf>

*keep in the car. A customer looking for a tool to carry in a pocket every day, though, might prefer the compactness of the PST. Leatherman does not have the right to preclude competition in any particular subset of the overall market*¹⁷.

In conclusion, I would note that the differences among the approaches of the federal appellate courts to trademark functionality are far from being resolved. Indeed the addition of the prestigious Second Circuit Court of Appeals to the list of courts rejecting the *Morton-Norwich* approach, the differences are becoming more pronounced. Further the differences on other aspects of trademark law are also continuing. It is clear that the Supreme Court is highly unlikely find time to resolve these differences. These differences could be resolved by giving the Federal Circuit jurisdiction over all trademark appeals just as it now has jurisdiction over all patent appeals. However doing so would entrench the *Morton-Norwich* approach and quash the very legitimate objections that various federal circuits have to this approach. While the United States system may seem disorganized to an outside observer, often some courts of appeals will find a reasonable solution to a difficult legal problem, paving the way for the Supreme Court eventually to follow this solution.

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¹⁷ Leatherman Tool Grp., Inc., v. Cooper Indus., Inc., 199 F.3d 1009 (9th Cir. 1999). — URL: <https://law.resource.org/pub/us/case/reporter/F3/199/199.F3d.1009.98-35415.98-35147.html>