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2001 Panel in Trademark Law – I’ll See Your Two Discussion on Current Issues Pesos and Raise You . . . Two Pesos, Wal-Mart . . . and TrafFix: Where is U.S. Supreme Court Jurisprudence Heading, and How Will it Affect Trademark Practitioners?

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2001 Panel Discussion on Current Issues in Trademark Law – I’ll See Your *Two Pesos* and Raise You . . . *Two Pesos*, *Wal-Mart* . . . and *Traffix*: Where is U.S. Supreme Court Jurisprudence Heading, and How Will it Affect Trademark Practitioners?

Moderator: Hugh Hansen^{*}
Panelists: Glenn Mitchell^{**}
Inna Fayenson^{***}
Perry Saidman^{****}

MR. GALBRAITH: Good evening. I’m Kevin Galbraith, incoming Editor-in-Chief of the *Fordham Intellectual Property, Media & Entertainment Law Journal*. On behalf of the entire *Journal*, welcome to tonight’s panel discussion, which we are proud to co-sponsor with the Trademark Law Committee of the New York State Bar Association.¹

Through discussion amongst the panelists and attendees, we seek to shed light on the evolving jurisprudence in trade dress and to explore how it might affect practitioners.

Thank you all for coming.

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¹ This discussion was held on April 2, 2001, in the McNally Amphitheatre at Fordham University School of Law. Footnotes were provided by the *Fordham Intellectual Property, Media and Entertainment Law Journal*.

It is now my pleasure to introduce John Feerick, Dean of Fordham University School of Law.

DEAN FEERICK: Thank you very much.

I just want to say how pleased our school is to have this opportunity to co-sponsor a program on current issues in the field of trademark law with the State Bar's Trademark Law Committee, and I want to acknowledge our gratitude to Peter Sloane and the members of the Committee for the opportunity to do this.

If there is one challenge that is out there, that a program like this deals with, it is to have more discussions involving the academic community and the practicing bar. It is something that there has been a lot of discussions going on about among bar leaders and law school deans across the country. I think it is wonderful here in New York that the State Bar and its various committees are doing programs in the law schools, and I am very grateful on behalf of our school to the leadership of the Trademark Law Committee, in particular.

I want to express my gratitude to all the panelists, to the moderator, Professor Hugh Hansen of our faculty, and I want to thank the students of the Law School for their own energy that makes possible programs such as the one tonight.

I know you will have a very interesting discussion on Supreme Court jurisprudence dealing with trademark, which brings me back to my own days as a practicing lawyer, some thirty years ago, when I had some trademark litigation matters, and worked pretty hard to settle them all.

So all the best for a very good program and thank you so much for being here.

MR. GALBRAITH: Thank you, Dean Feerick, and thank you to all the panelists. We are very happy to have you here. You are a distinguished group, and I know we will have an interesting discussion.

Hugh Hansen, this evening's moderator, is a Professor of Law at Fordham University, where he has been teaching since 1978. For the past nine years, Professor Hansen has hosted an annual conference on the state of international intellectual property law and policy here at Fordham. The website for the conference is

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www.fordhamipconference.com. The *Journal* is grateful for Professor Hansen's guidance.

With that, let's begin. Professor Hansen.

PROFESSOR HANSEN: Thank you, Kevin, and congratulations to you and the other members of the *Journal* for putting together another very good program with excellent panelists. I am certainly honored to have been asked to be a part of it.

Kevin asked me to just start off with a little bit of an introduction to the topic.

I think trade dress protection is an interesting aspect of intellectual property law. Intellectual property law is generally interesting and through various developments has attracted the attention of the public, business and the Supreme Court. The Court is taking more intellectual property cases than ever before in its history.

Historically, trademark law has been a backwater, or more charitably, a boutique area of the law. Not many lawyers practiced it and few law schools taught it. The consuming public was not aware of marks and brands as such. Personal knowledge of the seller was sufficient in our small-town economy to protect and inform the consumer. Trademark law then, as it does now, reflected the nature of the market place and the needs of consumers and sellers.²

Early trademark law was rigid protecting only "technical marks."³ Consumers were not thought to see source identification in anything but fanciful and arbitrary marks.⁴ The seller who objected to another seller's confusing marketing was often left to the law of unfair competition,⁵ where justice would be done on an *ad hoc* basis. Common law courts required intent to deceive or passing off, not expecting likelihood of confusion, unless the defendant had taken actions to achieve confusion.

² See generally 1 MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION, § 5:2 (4th ed. 1996) (discussing the development of trademark in Anglo-American common law).

³ See generally 1 MCCARTHY, *supra* note 2, § 5:3 (discussing the history of United States trademark legislation).

⁴ See generally *id.*

⁵ See generally *id.* at § 5:2.

As markets became regional and then national, and new products were introduced into the marketplace, advertising was needed to inform the consumer about who was producing a product and its quality. As people became more aware of brands and the need to search for source identifiers for non-locally produced products, trademark law expanded the subject matter it protected. For instance, courts created the doctrine of “suggestive” marks as a way to prevent likelihood of confusion without the need for the plaintiff to prove intent to deceive.⁶

As consumer awareness and sophistication about the nature of marks and brands increased, courts continued to expand what would be protected as a source identifier by trademark law. As a result, today, there is little need for the law of unfair competition since full protection is available against junior users under trademark law,⁷ unlike the law in the United Kingdom,⁸ Germany,⁹ and other countries where unfair competition law remains important.

The area of trade dress protection mirrors the growth of trademark law in general. Originally, trade dress protection was left to the law of unfair competition. Courts did not see consumers as easily treating trade dress, usually packaging, as a source identifier, just as they had not seen consumers treating non-technical marks as source indicators. Thus, courts required plaintiffs to prove secondary meaning before finding protectable trade dress.¹⁰

Trade dress protection is more controversial than protection for marks as it affects the discretion of how competitors present their product to the public, not just what they may call themselves or their products. In addition, the Supreme Court in the 1930s, 1940s, 1950s, and 1960s was suspicious of intellectual property law in general, and trademark law in particular. The Warren Court

⁶ See generally *id.* at § 11:4 (discussing the nature of inherently distinctive marks).

⁷ See generally *id.* at § 1:8 (discussing unfair competition and its relationship to trademark).

⁸ See generally 3 MCCARTHY, *supra* note 2, § 29:35 (discussing European Trademark Law and Policy).

⁹ See generally *id.*

¹⁰ See generally 1 MCCARTHY, *supra* note 2, § 1.8.

indicated its hostility in *Sears*¹¹ and *Compco*¹² where it broadly held there was federal preemption of state trademark protection for three-dimensional marks and state law was preempted whenever there would be public confusion.¹³ This was consistent with the Court's belief that intellectual property law – and specifically trademark law – was anti-competitive, a monopoly of sorts that should be limited.¹⁴

This negative approach has since been rejected by the U.S. Department of Justice (the “DOJ”) and by the courts, in part as a result of the growth and influence of the Chicago School of Law and Economics analysis.¹⁵ Modern approaches to law and economics view trademarks as a cornerstone of competition in the marketplace, and competition concerns should be dealt with by fine-tuning trademark law not by broadly limiting what may be protected.

With this new approach, trade dress was viewed not as inherently antithetical to sound policy, but rather something that should be protected when it serves as a source identifier.¹⁶ If trade dress does serve as a source identifier and it is not protected, there will be consumer confusion and the owner's goodwill will be subject to free riding by competitors. So we see growth in protection of trade dress,¹⁷ especially packaging trade dress,¹⁸ which is considered less anticompetitive.

¹¹ *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225 (1964).

¹² *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234 (1964).

¹³ *See Sears, Roebuck*, 376 U.S. at 231-232, *Compco*, 376 U.S. at 238.

¹⁴ *See Sears, Roebuck*, 376 U.S. at 230, *Compco*, 376 U.S. at 238.

¹⁵ *See generally* 1 THE NEW PALGRAVE DICTIONARY OF ECONOMICS AND THE LAW 227 (1998)

The distinctive approach associated with [the Chicago School of Law and Economics is a] willingness of members of the school to accept as a working hypothesis that humans act rationally when making choices, including making choices about how to respond to the legal system, that market determined outcomes are consistent with social welfare, and that government intervention in market processes is in most cases unlikely to advance social welfare.

Id.

¹⁶ *See generally* 1 MCCARTHY, *supra* note 2, §§ 3:8-9 (discussing the role of source identification in trademark law).

¹⁷ *See generally* 2 MCCARTHY, *supra* note 2, Section III, Ch. 7 (discussing the nature and evolution of trade dress in product and container shapes).

In line with this new approach, some courts removed the requirement that trade dress needed secondary meaning to be protected. The Supreme Court adopted this position in *Two Pesos*¹⁹ in 1992. Justice White treated the issue as an easy one, without any indication of the reasons for past suspicion of trade dress protection. Trade dress should be treated no differently from any other source indicator. Trade dress was capable of being inherently distinctive and did not *per se* need secondary meaning. Unlike in *Sears* and *Compco*, there was no concern in *Two Pesos* about the anti-competitive effects of trademark protection.

The Court again addressed trade dress protection in *Qualitex*²⁰ in 1995, where it held that the single color of a product could be protected under trademark law. Justice Breyer's opinion in *Qualitex* reads like an ode to the value of trademarks. He sets forth the various reasons why protection of trademarks is beneficial and rejects an approach that excludes *per se* certain things from the subject matter of trademark.²¹ Everything should be subject to trademark protection, and then, if there is a competitive problem, courts should use the functionality defense on an *ad hoc* basis to resolve any possible anticompetitive effects of protection.²² Trademark protection is, so to speak, the default drive and anticompetitive concerns should be addressed on a micro basis in fact-specific situations where applicable.²³

There is dicta in *Qualitex* that a single color can never be inherently distinctive. This derives not because of any anticompetitive concerns about protection but because Justice Breyer says, incorrectly in my view, that color only describes the product and, thus, can never be inherently distinctive.²⁴ In fact, a single color can be inherently distinctive. A red top of a bolt, for instance, would undeniably be an inherently distinctive way of identifying one's brand of bolts.

¹⁸ See generally 1 MCCARTHY, *supra* note 2, §§ 7:53-54 (discussing the nature and evolution of state and federal protection of trade dress in product shape).

¹⁹ See *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763 (1992).

²⁰ See *Qualitex Co. v. Jacobson Products Co.*, 514 U.S. 159 (1995).

²¹ See *id.* at 172-73.

²² See *id.* at 169-70.

²³ See *id.*

²⁴ See *id.* at 162-63.

The Court's concern with the possible anticompetitive effects of trade dress can be seen in two recent "product-design" cases. *Wal-Mart*²⁵ presented the issue of how to determine whether a product configuration or design can be inherently distinctive. *TrafFix*,²⁶ presented the issue of whether a utility patent prevented any trade dress protection for the product design after the patent expired. In both, the facts presented weak cases for protection and this may have influenced the Court.

Wal-Mart involved a clothes maker's designs of children's clothes that contained certain consistent features. The clothes maker wanted protection for a family of products, thereby increasing the concern for anticompetitive effects of protection. The basic look of the clothes was attractive, so much so that Wal-Mart ordered a copy-cat design for its children's clothing line.

Wal-Mart was an unfortunate case to present the trade dress issue to the Court since (i) it seemed doubtful that, in fact, consumers saw the design as a source indicator, and (ii) it looked like additional protection because Wal-Mart was also held liable for copyright infringement and was subject to an injunction and damages regardless of the outcome of the trade dress issue. The district court judge obviously viewed Wal-Mart as a bad guy and issued a very broad injunction.²⁷ The Second Circuit affirmed the holding of liability but narrowed the injunction.²⁸ The Supreme Court granted *certiorari* on the issue of what test should be used to determine whether the product design trade dress was inherently distinctive.

There were many *amicus curiae* including the DOJ and the International Trademark Association ("INTA"). The plaintiff and all the *amici* proposed tests to determine whether the design was inherently distinctive. The DOJ and INTA urged the Court to adopt a test used by the Federal Circuit first devised when it was

²⁵ *Wal-Mart Stores, Inc. v. Samara Brothers, Inc.*, 529 U.S. 205 (2000).

²⁶ *TrafFix Devices, Inc. v. Marketing Displays, Inc.*, 121 S. Ct. 1255 (2001).

²⁷ *See Samara Brothers, Inc. v. Judy-Philippine, Inc.*, 969 F. Supp. 895 (S.D.N.Y. 1997).

²⁸ *See Samara Brothers, Inc. v. Wal-Mart Stores, Inc.*, 165 F.3d 120 (2d Cir. 1998).

the Court of Customs and Patent Appeals.²⁹ Only Wal-Mart argued that product design trade dress should always require secondary meaning.³⁰

The Supreme Court, showing its independence did not follow the DOJ, whose *amicus* arguments it normally examines very carefully in intellectual property (“IP”) cases; INTA;³¹ the Federal Circuit, which, after all, is “the IP court;” or any other court that considered the issue. Instead, the Court determined that in all situations product design trade dress requires proof of secondary meaning to be protected.

The Court was concerned about the anticompetitive consequences of protecting product designs that do not actually serve as source indicators. This might have been one of those situations yet two respected courts, the Southern District of New York and the Second Circuit, both held that the clothing designs were inherently distinctive. In oral argument, the Court asked the Deputy Solicitor General why this design was inherently distinctive. He replied that the DOJ was not taking a position on whether the design was inherently distinctive, and instead was only concerned with what test should be used.³²

Unlike Wal-Mart, the threat of a lawsuit might stop some competitors from using a particular trade dress because of the transaction costs involved in defending a lawsuit, leaving the public without competition for a design that does not serve as a source indicator. In short, the first company to use a design that became popular could use claims of trade dress protection to suppress competition. It was not surprising that, on the facts of this case, the Court would have these concerns. Moreover, the Court did not have to worry about large retailers such as Wal-Mart

²⁹ See Brief for the United States as *Amicus Curiae* for Petitioner at 17-18, *Wal-Mart Stores, Inc. v. Samara Brothers, Inc.*, 529 U.S. 205 (2000) (No. 99-150).

³⁰ See Brief for Petitioner at 10, *Wal-Mart Stores, Inc. v. Samara Brothers, Inc.*, 529 U.S. 205 (2000) (No. 99-150).

³¹ See Brief of the International Trademark Association in Support of Neither Party, *Wal-Mart Stores, Inc. v. Samara Brothers, Inc.*, 529 U.S. 205 (2000) (No. 99-150).

³² See generally Transcript of Proceedings at 17-18, *Wal-Mart Stores, Inc. v. Samara Brothers, Inc.*, 529 U.S. 205 (2000) (No. 99-150); 2000 U.S. TRANS LEXIS 20.

stealing designs on attractive clothing as copyright law was available to provide protection.

TrafFix, decided this Term, presented another fact pattern for neutrally bringing the issue of trade dress before the Court. The plaintiff had a utility patent on a road sign with protection for the configuration of the legs supporting the stand. After the patent expired, it sued a competitor that copied the configuration. It claimed that there was secondary meaning in the design, and thus a likelihood of consumer confusion when the defendant used the design. This was highly unlikely for two reasons. First, secondary meaning was doubtful. Second, the buyers of the signs were not members of the public but rather sophisticated people in construction. The case was presented to the Court as an expired patent holder using trademark law to extend its patent.

The District Court had dismissed the case holding that trade dress was not permissible *per se* because of the expired utility patent.³³ The Sixth Circuit reversed³⁴ and the Supreme Court granted *certiorari*.³⁵

This time, the Solicitor General's Office of the DOJ, which had been relying on the U.S. Patent and Trademark Office ("PTO") in past IP cases, did not use the PTO but rather used the Antitrust Division. This only makes sense if the Solicitor General's Office had already determined that the anticompetitive aspects outweighed any intellectual property concerns – something difficult for the lay lawyers in the Solicitor General's Office who had little background in either area of the law. Perhaps, it was because the Solicitor General's Office felt burned after *Wal-Mart* when its views were ignored by a Court that signaled its concern with anticompetitive effects of product design protection.

They came up with the idea that it should be a *per se* test:³⁶ If there has been a utility patent, trade dress protection is never

³³ *Marketing Displays, Inc. v. TrafFix Devices, Inc.*, 967 F. Supp. 953 (E.D. Mich. 1997).

³⁴ *Marketing Displays, Inc. v. TrafFix Devices, Inc.*, 200 F.3d 929 (6th Cir. 1999).

³⁵ *TrafFix Devices, Inc. v. Marketing Displays, Inc.*, 530 U.S. 1260 (2001).

³⁶ See Brief for the United States as *Amicus Curiae* Supporting Petitioner at 12-13&19-20, *TrafFix Devices, Inc. v. Marketing Displays, Inc.*, 530 U.S. 1260 (2001) (No. 99-1571).

available – a throwback to the 1950s and 1960s Warren Court analysis.

Fortunately, the Court did not adopt the Solicitor General's argument, however it did show that it is very concerned about this protection for product configuration. The Court rejected the mainstream test for so-called "functionality" that provides protection for trade dress that is a source indicator unless such protection prevents "effective competition." – a test Judge Posner created in the Seventh Circuit³⁷ and which has since been adopted elsewhere. Likewise, it rejected the Federal Circuit's idea of *de jure* functionality and *de facto* functionality,³⁸ which also indicates that trade dress may serve a utilitarian function and still be protected. Rather, it went back to dictum in *Inwood Laboratories*³⁹ – that if trade dress affects the cost or quality of a product it may not be protected.

The Court indicated a hostility to product design trade dress protection not seen before. It also indicated it might adopt the DOJ's *per se* test:

[I]f in fact the federal courts applying our standard give *de facto* patent utility protection to trade dress, we will consider the issue we are reserving now whether it is a *per se* rule, that once something has been granted a utility patent, it will be barred forever from being protectable trade dress.⁴⁰

So, it appears that product configuration trade dress faces a tough road when there has been a utility patent granted.

We will leave it now to the panelists to tell us in more detail what has happened and what will happen, and then we will open the floor to discussion with the audience and among the panelists.

³⁷ See Judith Beth Prowda, *The Trouble with Trade Dress Protection of Product Design*, 61 ALB. L. REV. 1309, 1345-1355 (1998) (discussing the "Seventh Circuit Rule" and its evolution).

³⁸ See generally *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 U.S. 844 (1982).

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

⁴⁰ See *Bonito Boats*, 489 U.S. at 164-67.

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Glenn Mitchell from Stroock & Stroock & Lavan will be our first speaker. He is going to discuss the issue of distinctiveness from Two Pesos to the Wal-Mart cases.

MR. MITCHELL: Thank you.

We all know that there are countless products that we recognize just by the packaging or the shape of the product itself, even when we cannot see the label, when we are too far away to see the label: anything from the classic Coca-Cola bottle; to the Rolls-Royce grille; to a different kind of grill, the Weber barbecue kettle, which is recognizable – at least to those of us who grew up in the suburbs; or the Pepperidge Farm Goldfish for those of us who have had kids or have been kids. As such, these items do indicate their source and, therefore, function as trademarks.⁴¹ They represent the goodwill of the manufacturers, allowing consumers to automatically distinguish the Goldfish crackers from crackers made by other companies, or the Rolls-Royce from a Jaguar or another car.

Generally, as with most of these products, the association is built up over time through the popularity of sales, through advertising and other media attention. Until about nine years ago, when the Supreme Court decided *Two Pesos*, ushering in what I will call “the Golden Age of Trade Dress,” many courts, notably the Second Circuit, required rigorous proof of this association – known as secondary meaning – before they would grant protection to trade dress.⁴²

Two Pesos, as Professor Hansen mentioned, was a case that involved competing Mexican restaurants, in which the junior user copied many of the design aspects of the plaintiff’s Mexican restaurants,⁴³ going above and beyond simply having a sombrero on the wall, which I think would be considered functional, or at least necessary to give the flavor of a Mexican restaurant.

⁴¹ See 1 MCCARTHY, *supra* note 2, § 4:12 (discussing the evolution of modern “trademark”); see also Glenn Mitchell, *In Samara Brothers, Supreme Court Brings Second Circuit Full Circle on the Protectibility of Product Design as Trade Dress*, 9 NYSBA BRIGHT IDEAS 2 (Fall 2000) (containing a detailed discussion of Mr. Mitchell’s views on this subject matter).

⁴² See generally Willajeanne F. McLean, *The Birth, Death, and Renaissance of the Doctrine of Secondary Meaning in the Making*, 42 AM. U. L. REV. 737, 753-57 (1993).

⁴³ See *Two Pesos*, 505 U.S. at 765-66.

Two Pesos came to the attention of the Supreme Court due to a split in the circuits, with the Second Circuit requiring secondary meaning, while other circuits, notably the Fifth Circuit, allowed protection of inherently distinctive trade dress.⁴⁴

The reasoning in *Two Pesos* was that the Lanham Act⁴⁵ protects any “word, term, name, symbol, or device,”⁴⁶ and does not make any distinctions between or among those different categories.⁴⁷ Therefore, since trademarks can be protected if they are inherently distinctive and automatically identify a source, then so can trade dress.

Two Pesos came up to the Supreme Court only on the issue of whether inherently distinctive trade dress could be protected, not, “How do we determine inherently distinctive trade dress?”⁴⁸ All the Court said in that regard was that the jury instructions, which followed the *Abercrombie & Fitch* standard⁴⁹ that trade dress, like trademarks, can be “arbitrary, descriptive, or generic,” were appropriate instructions in that case.⁵⁰

Over time, however, the different courts that went on to interpret *Two Pesos* had to decide how to define trade dress, and many courts found that the *Abercrombie* standard just did not cut it.⁵¹ It is very difficult to describe the look of packaging or the look of a product as descriptive or suggestive. Some courts use the Federal Circuit’s *Seabrook* standard,⁵² which inquires whether the trade dress was a “common basic shape or design, whether it was unique or unusual in a particular field, whether it was a mere refinement of a commonly adopted and well-known form of ornamentation for a particular class of goods, viewed by the public as a dress or

⁴⁴ See *Two Pesos*, 505 U.S. at 767, referencing *Chevron Chem. Co. v. Voluntary Purchasing Groups, Inc.*, 659 F.2d 695, 702 (5th Cir. 1981) and *Vibrant Sales, Inc. v. New Body Boutique, Inc.*, 652 F.2d 299 (2d Cir. 1981).

⁴⁵ 15 U.S.C. §§ 1051-1129 (1997 and 1999 Supplement). Also referred to as the Trademark Act of 1946. See also *Two Pesos*, 505 U.S. at 768-69.

⁴⁶ 15 U.S.C. § 1125(a)(1)(A) (1997 and 1999 Supplement).

⁴⁷ See *Two Pesos*, 505 U.S. at 768-69.

⁴⁸ See generally *Two Pesos*, 505 U.S. at 767.

⁴⁹ See *Two Pesos*, 505 U.S. at 768; *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 9 (2d Cir. 1976).

⁵⁰ See *Two Pesos*, 505 U.S. at 770.

⁵¹ See generally Michelle A. Shpetner, Note, *Determining a Proper Test for Inherent Distinctiveness in Trade Dress*, 8 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 949, 981-1001 (1998).

⁵² See *Seabrook Foods, Inc. v. Bar-well Foods, Inc.*, 568 F.2d 1342 (C.C.P.A. 1977).

ornamentation for the goods.”⁵³

Now, this sounds good, but how does one apply it? Ultimately, and since I go first, I get to say this ahead of my colleagues, the courts, faced with inherent distinctiveness, decided that they “knew it when they saw it.”

That is not to say that there are not standards. Some commentators have come up with ways of going about looking at trade dress, including looking at the industry to determine whether a design was something that was used as an indicator of source.⁵⁴

An example that I like to use is guitars. The musicians among us that see guitars often know by the headstock whether it is a Fender, a Gibson, a Kramer, or some other brand, and we can tell that from far away. The designers, while they want to make the guitar look and sound good – purely aesthetic or functional considerations – also want to have that identification there. The first guys that did it, that probably was not inherently distinctive. They did it, they carved it, and ultimately it became their signature. But now that is a part of the industry, if you see a new guitar with a new and different headstock, you are going to say, “I wonder who makes those.” So, there are ways that through development of industry customs and consumer reaction thereto, product design factors can be inherently distinctive.

The big problem that the courts faced as they went along, was the difference between packaging and product design.⁵⁵ Most courts agree that packaging is generally created partly to be eye-catching, and partly to be source-identifying.⁵⁶ Some courts also recognized that products are not all looked at in the same way as packaging, and that the standard of proving inherent distinctiveness is much tougher.⁵⁷

Some of the courts said: “No, the Supreme Court simply did not make any distinctions; they said we must follow *Abercrombie*.”⁵⁸

⁵³ See *id.* at 1344.

⁵⁴ See *supra* note 51; see also Glenn Mitchell, Rose Auslander, *Trade Dress Protection: Will a Statutorily Unified Standard Result in a Functionally Superior Solution?*, 88 TRADEMARK REP. 472, 500 (1998).

⁵⁵ See *supra* note 51.

⁵⁶ See *id.*

⁵⁷ See *id.*

⁵⁸ See *id.*

Other courts, notably the Second and Third Circuits, have recognized the inadequacies of applying a single standard both to packaging and product configuration, saying “[w]e have to face reality. Yes, inherently distinctive product design is protectable, but the test to determine whether consumers actually view a product design as an indicator of source without secondary meaning is much tougher.”⁵⁹ In fact, their tests set the bar very, very high, so high that virtually no product designs could pass, but theoretically some could.

That brings us to *Wal-Mart*. As Professor Hansen said, this was a case that involved a small children’s clothing company named Samara Brothers, that had a line of baby clothes featuring certain relatively consistent design elements: They had lace around the top, many of them had appliqués sewn on to them. It was a line of clothes and there was testimony that there was a “Samara look.” Wal-Mart saw it, Wal-Mart liked it, Wal-Mart decided they could sell a whole lot of these a whole lot cheaper, and contracted with somebody to do just that.

At the district court level, Wal-Mart lost on all grounds.⁶⁰ The jury found against it on copyright infringement and trade dress infringement grounds,⁶¹ finding that the line of goods was inherently distinctive, and although it is not really clear from the history, there were enough facts there that I think they could have found secondary meaning as well. Nevertheless, what happened was that the jury said this was “Big Bad Wal-Mart” and they were copying, and we have all been taught from a young age that copying is just plain bad.

In fact, I think Judge Chin, in his decision denying Wal-Mart’s request for judgment notwithstanding the verdict, agreed with Wal-Mart that there was no protectable trade dress, but Judge Chin had respect for the jury, felt it was enough of a case to get to the jury, and let the verdict stand.⁶²

⁵⁹ *See id.*

⁶⁰ *See Samara Brothers, Inc. v. Judy-Philippine, Inc.*, 969 F. Supp. 895 (S.D.N.Y. 1997).

⁶¹ *See id.* at 896-97.

⁶² *See id.* at 895.

On appeal, the Second Circuit affirmed, with a dissent by Judge Newman,⁶³ who I think was the one judge on the whole case that really got it right. Judge Newman found that the trade dress at issue just did not meet the standard of inherent distinctiveness.⁶⁴ He also cautioned against leaving too much for the jury.⁶⁵ As a plaintiff's lawyer, if I had that case, I would want it before a jury. I would want to show copying.

But when I read the trade-dress jury instructions in *Wal-Mart* – and I have been practicing in this area for over a decade – even I found them confusing. Judge Newman said that in these kinds of cases, complex antitrust cases or copyright or trademark cases, courts should be very careful to make sure that the jury is finding fact and not deciding mixed questions of fact and law.⁶⁶

The Supreme Court reversed, as Professor Hansen said, and in fact the question for *certiorari* did not even anticipate the possibility that product configuration trade dress could not be inherently distinctive. The question was: “What do you have to show?”⁶⁷

Wal-Mart, nevertheless, argued in their briefs that no product configuration trade dress is protectable,⁶⁸ and the Supreme Court agreed.⁶⁹ In order to do that, I think they had to turn the reasoning of *Two Pesos* on its head. Whereas *Two Pesos* said: “We can't not protect inherently distinctive trade dress because the Lanham Act⁷⁰ does not allow us to make that distinction,”⁷¹ in *Wal-Mart* Justice Scalia said, “We can decide that product configuration trade dress cannot be inherently distinctive because the Lanham Act does not say we cannot.”⁷²

⁶³ See *Samara Brothers, Inc. v. Wal-Mart Stores, Inc.*, 165 F.3d 120, 133 (2d Cir. 1998).

⁶⁴ See *Samara Brothers*, at 165 F.3d at 133-137.

⁶⁵ See *id.* at 135-137.

⁶⁶ See *id.*

⁶⁷ See *Wal-Mart*, 529 U.S. at 207.

⁶⁸ See Brief for Petitioner at 10, *Wal-Mart Stores, Inc. v. Samara Brothers, Inc.*, 529 U.S. 205 (2000) (No. 99-150).

⁶⁹ See *Wal-Mart*, 529 U.S. at 212.

⁷⁰ 15 U.S.C. §§ 1051-1129 (1997 and 1999 Supplement). Also referred to as the Trademark Act of 1946.

⁷¹ See *Two Pesos*, 505 U.S. at 774 (“It would be a different matter if there were textual basis in § 43(a) for treating inherently distinctive verbal or symbolic trademarks differently from inherently distinctive trade dress but there is none”).

⁷² See *Wal-Mart*, 529 U.S. at 210.

So I think they got it backwards for a couple of reasons.

As Professor Hansen said, the Court may have found comfort in the fact that there was a copyright judgment below, and the Court held that where you do have situations of trade dress that would otherwise be distinctive, copyright protection or design patents are available.⁷³ As a practical matter, that is often not true. First, although copyright protects works of authorship, including visual and sculptural works, it does not protect things that are defined as useful items, no matter how distinctive, creative or innovative.

Second, for the small guy who is coming up with the innovative products and does not have the legal sophistication or the wherewithal to start applying for design patents on every new item that may or may not be successful, that is just not realistic.

So, in the guise of trying to prevent anticompetitive strike suits, and, at least on its face, in fact trying to protect the little guy, I think the Supreme Court is actually going to make it much more difficult for new entrants into the market to gain a foothold by coming up with some way of distinguishing their products by design from those of other producers. The example used in the decision was the cocktail shaker shaped like a penguin.⁷⁴ Yes, it was designed to be an attractive item. It was also designed as a way to distinguish this cocktail shaker that I am selling from all other cocktail shakers.

Also, the Supreme Court in *Wal-Mart*, I think, really flouted congressional intent. In 1982, *Two Pesos* was decided. Courts assumed that inherently distinctive trade dress, including product configuration, was protectable.⁷⁵ Congress did not see fit to change that. In 1998, they introduced legislation that would have codified the standard for trade dress.⁷⁶ That never came to a vote.⁷⁷ Now, with *Two Pesos*, maybe that legislation will come back.

⁷³ See *id.* at 214.

⁷⁴ See *Wal-Mart*, 529 U.S. at 213.

⁷⁵ See *supra* note 51.

⁷⁶ See H.R. 3163, 105th Cong. (2d Sess. 1988) (extension of remarks of Hon. Howard Coble); see also Mitchell, *supra* note 41.

⁷⁷ See H.R. 3163, § 2(g), 105th Cong. (2d Sess. 1988); see also Mitchell, *supra* note 41.

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Finally, I want to explore one other aspect. Many people might look at *Wal-Mart* and say, “You know what? We haven’t got a claim here anymore.” However, there is an old adage that where there is a wrong, there is a remedy. In the dark days before *Two Pesos* was decided, the Second Circuit, or at least district courts within the Second Circuit, when faced with predatory conduct, such as copying a distinctive novelty telephone design and the like, embraced the concept of “secondary meaning in the making.”⁷⁸ That doctrine held that if a junior user came in and copied some product before it had the chance to become famous and to develop secondary meaning – such conduct was wrongful and the junior user would be enjoined.⁷⁹

The Second Circuit and Federal Circuit ultimately rejected that doctrine,⁸⁰ and then it was mooted by *Two Pesos*. Nevertheless, in a similar situation, courts will likely find some way to redress the wrong, just as the jury in *Wal-Mart* sensed that there was something that just smelled bad and threw the book at Wal-Mart.

Another way that the courts might go forward on this would be to resurrect the presumption that when there is copying, that is a sign that there is in fact secondary meaning, that the junior user would not have copied if there were not secondary meaning.

In either of these cases, courts doing equity by finding a remedy would be creating bad law. The courts should somehow get back to protecting inherently distinctive product design and leave the rest up to the House of Representatives and the Senate.

Thank you.

PROFESSOR HANSEN: Thank you, Glenn.

Our next speaker is Inna Fayenson from Kronish Lieb Weiner & Hellman, who will talk to us about the functionality doctrine.

MS. FAYENSON: Thank you, Professor Hansen. My topic tonight is functionality, or the requirement of non-functionality for trade dress protection. But the more general thesis of my talk is that, looking at the *Two Pesos/Wal-Mart/TrafFix* line of decisions,

⁷⁸ See, e.g., *supra* note 42 at 760; *Cicena, Ltd. v. Columbia Telecommunications Group*, 900 F.2d 1546 (Fed. Cir. 1990) (applying Second Circuit law).

⁷⁹ See *supra* note 42.

⁸⁰ See *id.*

what we see is a Supreme Court really struggling with product configuration trade dress, so that, and as I think the other panelists agree, the Court comes to the right decisions on the facts, but reading the opinions closely, we see that the Court's reasoning is all over the place. The Court mixes and matches doctrines and justifications and distinguishes its own precedents just to get to the ultimate decision on the facts. The result, in my view, is that by doing so, the Court in the last couple of years has created even more uncertainty in the area of trade dress. The one message that is clear from the *Wal-Mart* and *TrafFix* decisions is that the Court is cutting back on trade dress protection. But unfortunately, there is no coherence to the Court's method of doing so.

In fairness to the Supreme Court, what I think this illustrates is that we do not have a coherent, satisfying, theoretical foundation for protecting product configuration trade dress and for defining the proper boundaries of that protection. Since I am coming from the practitioner's perspective, what this means is that we are not going to have meaningful predictability, which is extremely important in the real world, until either someone comes up with a satisfactory coherent theory, or someone – Congress, I suppose – makes an explicit policy decision setting the standards for protecting product configuration trade dress.

Just to clarify, when I am talking about a lack of predictability, I don't mean that every product design case is unpredictable, what I mean is that after *Two Pesos/Wal-mart/TrafFix*, there will be many difficult cases, where things get tricky, in some instances precisely because of the decisions in these cases. Allow me to illustrate what I mean by a difficult case. I did not bring a road sign⁸¹ with me, because I thought it would be too heavy and because I think that is an easy case. Here is my visual aid. It is a handbag. I think it is a nice handbag. By the way, it is not made by a client, so I can say anything I want to about it. I am a consumer for these purposes.

This bag has a square bottom. Its sides, when the bag is flat, are trapezoid. It is fairly different from other handbags. I could quite easily argue that this particular shape in this type of fabric is

⁸¹ See *TrafFix Devices*, 121 S. Ct. at 1258 (2001) (involving road signs that were connected to their base legs by two springs in order to remain upright despite adverse wind conditions).

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distinctive for a handbag and should be protectable trade dress. I don't know whether people recognize it or not, though I would be curious to know. In any event, this is an illustration of what I think is a difficult trade dress case, both on a policy level and in terms of applying what we can decipher to be the current law. First, let me state explicitly the policy considerations I have in mind.

The ultimate difficult policy issue is this: Should this design be protected under trademark law? Or, if it should be protected from copying at all, should it be under a design patent, or possibly a modified form of design patent protection, such as some sort of a *sui generis* protection? At this point, we have neither a coherent theory that could point to an answer, nor an explicit value judgment by Congress.

I also want to point out two theoretical difficulties with product configuration trade dress protection that have a very real effect in this area.

First, trademark law is designed to protect reasonable consumer expectations, in terms of whether something is a source identifier or not.⁸² But there is a real circularity problem, so that if the law protects something, the consumers can reasonably come to expect that to be a source identifier. If, on the other hand, let's take the *Wal-Mart v. Samara Brothers* decision as an example, if anyone can copy it – the children's clothing design or the shape of this handbag – then it is not going to be reasonable for consumers to expect that look to be a source identifier.

The second problem inherent in the decision of whether a product configuration should be protected as trade dress, is that if we have a new design that is different, one that is original and probably attractive, that design defines its own category of goods. Again, I am going to use my handbag to illustrate. A lot of the trade dress/trademark over-protection concerns revolve around inhibiting competition. The functionality doctrine is supposed to alleviate these concerns. And, as I am going to get into the different tests for functionality, one is this: Are there enough available alternative designs so that protecting this handbag design

⁸² See generally 1 MCCARTHY, *supra* note 2, § 5:2 (discussing the development of trademark in Anglo-American common law).

under trademark law will not have an anticompetitive effect?⁸³

Well, here is the question: What is the relevant product or the relevant product category? Is it handbags generally, in which case there are a lot of alternative designs available; or is it this particular type of handbag that someone came up with and consumers have come to like. Is that a separate category?

I believe that these problems – the circularity of consumer expectations and definition of relevant product categories – are in the background of every product design trade dress analysis. These are my overarching themes.

Now, on functionality specifically, or really the requirement that trade dress be non-functional in order to merit protection under trademark law, that requirement is critically important, and it is meant to address two theoretical concerns. Both of these concerns have to do with competition.

One concern is that by over-extending trademark protection we may foreclose competition. That is, in a way, just a general policy concern: Competition in the marketplace is good and we want to be very careful about foreclosing it. The reason we do allow, and the courts have allowed, trade dress protection is because that protection also encourages competition, and fair competition at that,⁸⁴ where the roots of trademark law lie in preventing free riding on somebody else's goodwill⁸⁵ and protecting consumer expectations in terms of who the producer of the good is.⁸⁶ The doctrine of functionality is important in addressing this concern because it assures, at least in theory, that the types of features or designs that are necessary for effective competition – in other words functional features – are not protected under trademark law, meaning that no single producer can monopolize them.

The second reason functionality has been considered extremely important is because it can define the boundaries between trademark protection and patent law protection.⁸⁷ It all comes back

⁸³ See generally Inna Fayenson, *How Will High Court Rule?: Trade Dress Inherent Distinctiveness Is at Issue*, N.Y. L.J. Jan. 8, 2000 at S4.

⁸⁴ See *supra* note 83.

⁸⁵ See *id.*

⁸⁶ See *id.*

⁸⁷ See U.S. CONST. art. 1, § 8, cl. 8; 35 U.S.C. §§ 1-376 (1984); 15 U.S.C. §§ 1051-1127 (1997 and 1999 Supplement). Also referred to as the Trademark Act of 1946.

to the guiding principle that competition is very important and competition is what we want to encourage. But the Constitution, by virtue of the Intellectual Property Clause, specifically enabled Congress to enact the patent and the copyright statutes⁸⁸ because there were good reasons to do that. We wanted to encourage innovation or creativity and were willing to foreclose competition in order to encourage those other good things, but only for a limited time. In fact, the “limited time” is a Constitutional requirement that comes from the Intellectual Property Clause itself which gave Congress the authority “to promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.”⁸⁹

The Constitutional dimension of the problem with protecting something under trademark law is the lack of a time limit.⁹⁰ Trademark protection may continue for so long as the trademark is in use.⁹¹ Hence, the potential conflict between the patent law regime, under which protection is available only for a limited time, as mandated by the Patent Clause, and potentially perpetual trademark protection.

Those arguments were certainly presented to the Supreme Court in *TrafFix*⁹² because not only was there a theoretical possibility of trademark protection without end, but also because the case actually involved an expired utility patent.⁹³

TrafFix is a decision about functionality. We know that because of the general competition concern and the Constitutional fear of trademark protection treading on patent ground, functionality or, conversely, the non-functionality requirement, is extremely important in the area of trade dress law.⁹⁴ The question is: After

⁸⁸ See U.S. CONST. art. 1, § 8, cl. 8.

⁸⁹ See *id.*

⁹⁰ See generally Perry J. Saidman, *Kan TrafFix Kops Katch the Karavan Kopy Kats? or Beyond Functionality: Design Patents are the Key to Unlocking the Trade Dress/Patent Conundrum*, 82 J. PAT. & TRADEMARK OFF. SOC'Y. 839, 842-43 (2000) (discussing the ramifications of trademark law's lack of time limit in the trade dress context).

⁹¹ *Id.*

⁹² See *TrafFix*, 121 S. Ct. at 1263.

⁹³ See *id.* at 1258.

⁹⁴ See Inna Fayenson, *'TrafFix' Clarifies Some Issues, Raises Others*, N.Y. L.J. Apr. 19, 2001 at 1.

TrafFix, do we have the answer to the question of how to figure out whether something is functional for trade dress purposes? My answer is that after *TrafFix* we know sometimes, sort of, in some cases.

TrafFix was, I think, a very easy case to decide on functionality grounds. It involved, as Professor Hansen said, the design of temporary roadside sign stands. A design involving two springs. A design that was at one point patented. As was recited in the patent application, and in the course of patent prosecution, that design worked very well because it permitted the signs to withstand gusts of wind.⁹⁵

So what happened after the patent expired? A competitor copied the design and the holder of the now-expired patent, Marketing Displays, sued alleging trade dress infringement. Now, in describing the trade dress that Marketing Displays alleged should be protected, they talk not only about the two springs, but there really wasn't much more to the trade dress. The Supreme Court goes through the alleged trade dress and, in essence, says, "Well, what else is there? There are legs, there is a stand, there is a place to put the sign. I mean, what kind of trade dress is that?"

The issue that was specifically before the Supreme Court in *TrafFix* was: What effect should an expired utility patent have on the issue of functionality and protectability of that same design under trade dress law?⁹⁶

Certainly, *TrafFix*, the defendant below, and some of the amicus briefs, argued that if you previously had a patent, once the patent expires, that previously protected invention/innovation is in the public domain, that that is an essential part of the "patent bargain."⁹⁷ In fact, this is something that the Supreme Court held quite a while ago, in 1938, in the *Kellogg* case.⁹⁸ That case involved Shredded Wheat, the cereal, not the previously patented machinery that was used to make it, that wasn't in issue, but the pillow shape of the cereal.⁹⁹ In *Kellogg*, the Supreme Court came out and said very clearly: After expiration of a patent, it is in the

⁹⁵ See *TrafFix*, 121 S. Ct. at 1258.

⁹⁶ See *id.*

⁹⁷ See *TrafFix*, 121 S. Ct. at 1263.

⁹⁸ See *Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111 (1938).

⁹⁹ See *Kellogg*, 305 U.S. at 111 (1938).

public domain, the public has a right to copy it.¹⁰⁰

Sixty-three years later, the Supreme Court in *TrafFix* did not say that.¹⁰¹ What they did say is that the utility patent is of great importance in determining whether a feature that has been proposed for trade dress protection is functional.¹⁰² In other words, existence of an expired utility patent is not dispositive of the issue but it “adds great weight to the presumption” of functionality.¹⁰³

Basically, I think the practical rule, this is my paraphrasing of it, from the *TrafFix* decision is: Anything you say in the course of applying, procuring, or enforcing a utility patent can and will be used against you to demonstrate functionality in trade dress.

The other part of the *TrafFix* decision, however, the part that I think is more interesting, and is of much more general applicability, is deciphering what the test for functionality should be. Forget about whether there was ever a patent or not.

In a way, it starts with a footnote, as a lot of good stuff in Supreme Court opinions used to. There was a Supreme Court decision, *Inwood Laboratories*,¹⁰⁴ that had nothing to do with functionality, that was not in issue at all, but in a footnote the Court articulated what became the test for functionality in trade dress cases, by saying that a product feature is functional if it is essential to the use or purpose of the article, or if it affects the cost or quality of the article.¹⁰⁵

¹⁰⁰ “It is self evident that on the expiration of the patent the monopoly granted by it ceases to exist, and the right to make the thing formerly covered by the patent becomes public property. It is upon this condition that the patent is granted.” *Kellogg*, 305 U.S. at 120 quoting *Singer Mfg. Co. v. June Mfg. Co.*, 163 U.S. 169, 185 (1896).

¹⁰¹ The *Kellogg* case was decided before the enactment of the Lanham Act and is, therefore, not controlling precedent.

¹⁰² “Where the expired patent claimed the features in question, one who seeks to establish trade dress protection must carry the heavy burden of showing that the feature is not functional, for instance by showing that it is merely ornamental, incidental, or arbitrary aspect of the device.” See *TrafFix*, 121 S. Ct. at 1261.

¹⁰³ See *id.*

¹⁰⁴ 456 U.S. 844 (1982) (At trial, the district court found that the color of prescription medication pills is functional because people, at times, rely on color to identify different types of medicine.)

¹⁰⁵ See *Inwood*, 456 U.S. at 850, n.10 (1982) (“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.” (citations omitted)).

About thirteen years later, in the *Qualitex* case,¹⁰⁶ which considered whether color could serve as a trademark, the Court repeated the *Inwood Laboratories* test to talk about functionality, but then what they added – I think by way of explanation or elaboration – was a feature is functional “if the exclusive use of the feature would put competitors at a significant non-reputation-related disadvantage.”¹⁰⁷ Since then, and taking off from that language, the courts would consider whether there are alternative designs available for purposes of determining trade dress functionality. That is what the Sixth Circuit in *TrafFix* did. It took this portion of the functionality test so far as to say that hindering competition “somewhat” is not enough, that the competitors’ non-reputation related disadvantage must be significant¹⁰⁸ and concluded that the dual spring design is not necessarily functional because there are possible alternatives. The net result of this reasoning was that the Sixth Circuit allowed Marketing Displays’ roadside stand design to be protected as trade dress.

The Supreme Court, obviously, thought that was wrong, but it had to somehow address the possible alternative design analysis. So what the Supreme Court in *TrafFix* did was to say : “Well, no, it’s very clear what the test for functionality should be in a case like this,” and it is not the test applied by the Sixth Circuit.¹⁰⁹ First, according to the Supreme Court in *TrafFix*, we have the kind of utilitarian functionality test, which is the original *Inwood Laboratories*¹¹⁰ test, from a case that had nothing to do with functionality; and that is, whether the feature is essential to the use or purpose of the article or affects its cost or quality.¹¹¹ That is the basic functionality test. I will call it the first filter. It is only if something gets through the first filter – meaning that the feature is not functional under this test – that, according to *TrafFix*, you go

¹⁰⁶ See *Qualitex Co. v. Jacobson Products Co.*, 514 U.S. 159 (1995).

¹⁰⁷ *Id.* at 165.

¹⁰⁸ See *Marketing Displays, Inc. v. TrafFix Devices, Inc.*, 200 F.3d 929, 940 (6th Cir. 1999).

¹⁰⁹ 532 U.S. at 1261.

In finding for MDI on the trade dress issue the Court of Appeals gave insufficient recognition to the importance of the expired utility patents, and their evidentiary significance, in establishing the functionality of the device. The error likely was caused by its misinterpretation of trade dress principles in other respects.

Id.

¹¹⁰ *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 U.S. 844 (1982).

¹¹¹ See *TrafFix*, 532 U.S. at 1261.

on to the second test, which examines the competitive advantage or disadvantage.¹¹²

One of the more confusing things the Supreme Court said in *TrafFix*, however, is that the second test – the competitive necessity test – only applies in cases of aesthetic functionality,¹¹³ which is a doctrine that has floated around, has always been problematic, and was put to rest, or so we thought.¹¹⁴ The Court did not look at it for a while, even though I think in the *Wal-Mart v. Samara* case there were some indications that the Court at least thought about it.¹¹⁵ It seems to me that if the Court had been serious about re-establishing aesthetic functionality as a trade dress concept, *Wal-Mart* was a much more appropriate case for doing that.

Instead, the Supreme Court in *TrafFix*, in a case that involved road signs and a dual-spring design, revived, or so it seems, what is known as the aesthetic functionality doctrine.¹¹⁶ The reason they did so, I think, is because they were trying to somehow distinguish or reconcile a prior case, *Qualitex*, without really considering the implications.

So the bottom line after *TrafFix* is this: We know that a dual-spring design that enables a roadside sign to withstand gusts of wind, and that was previously protected by a utility patent, is functional and, therefore, is not protectable as trade dress. But do we know how, under what circumstances, would a design like my bag be protected? Is this design aesthetically functional? I do not know. We can examine whether alternative designs are available, which is the test for aesthetic functionality, not just whether it is pleasing. But then we come back to one of the problems I

¹¹² See *id.* at 1262 (“Where the design is functional under the Inwood formulation there is no need to proceed further to consider if there is a competitive necessity for the future.”).

¹¹³ See *id.*

¹¹⁴ In general, the theory behind the aesthetic functionality doctrine is that designs that do not have a utilitarian function may, nevertheless, be functional for trademark law purposes, and hence not protectable, because their “function” is to be aesthetically pleasing. See, e.g., *Pagliari v. Wallace China Co.*, 198 F.2d 339 (9th Cir. 1952); see generally 1 MCCARTHY, *supra* note 2, §§ 7:79-7.:83 (4th ed. 1996).

¹¹⁵ 529 U.S. at 213 (“Consumers should not be deprived of the benefits of competition with regard to the utilitarian and esthetic purposes that product design ordinarily serves by a rule of law that facilitates plausible threats of suit against new entrants based upon alleged inherent distinctiveness.”).

¹¹⁶ See *Fayenson*, *supra* note 94.

mentioned in the beginning: Whether alternative designs are available depends on how you define the product, the relevant product category.

Ultimately, my point is that we have had a couple of Supreme Court decisions that seem to be very clear on where they are coming out.¹¹⁷ In *Wal-Mart* we have a bright-line rule: You must have secondary meaning.¹¹⁸ In *TrafFix*, here is the test for utilitarian functionality,¹¹⁹ here is the test for aesthetic functionality.¹²⁰

At the end of the day, though, we have not gained a whole lot of predictability, at least in the difficult cases. The only way I think we can attain predictability is if there is a policy decision that is made on whether something like this bag should be protected or not.

Thank you.

PROFESSOR HANSEN: Thank you, Inna.

Our next speaker is Perry J. Saidman of the Saidman DesignLaw Group in Washington, D.C., who will address what the Court avoided in *TrafFix*, the patent spin.

MR. SAIDMAN: It is a pleasure to be here. I am honored to be on this panel. I am particularly honored that I am the only patent lawyer on the panel, but please don't hold that against me. I was brought in to give you the patent spin on what happened in *TrafFix* and what the Court is doing with trade dress.

I have brought slides to keep you awake. You know, it is much easier to give a forty-five minute talk than figure out what you need to say in only fifteen or twenty minutes. So, in view of the limited time, I think I am going to just dispense with the family slides and cut to the chase.

[Slide] When you are talking about designs, I think you've got to see the designs. Here is the famous *tertium quid* of the *Two*

¹¹⁷ See *id.*

¹¹⁸ See *Wal-Mart*, 529 U.S. at 216 (“We hold that, in an action for infringement of unregistered trade dress under § 43(a) of the Lanham Act, a product’s design is distinctive, and therefore protectible, only upon a showing of secondary meaning.”).

¹¹⁹ See *TrafFix*, 121 S. Ct. at 1261-62.

¹²⁰ See *id.*

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Pesos case. The “good guy’s” restaurant is on the left and the “bad guy’s” is on the right.

[Slide] Here are some of the designs involved in the *Wal-Mart* case. Again, the “good guy’s” clothing is on the left, the “bad guy’s” is on the right. Here is the flower dress, and here is the famous strawberry dress.

[Slide] In *TrafFix*, we have the plaintiff’s, “good guy’s,” the original sign on the left, and the virtually identical defendant’s design on the right, both having the closely-spaced springs at the bottom. You have seen these. There are probably twenty right out here on 62nd Street.

[Slide] On the next slide you’ve got the plaintiff’s design on the left and the expired utility patent on the right that has the springs spaced further apart than the actual commercial model on the left.¹²¹

Now, the most fascinating issue in *TrafFix* was the one that the Supreme Court completely dodged.

[Slide] The U.S. Constitution says that: “Congress has the power to promote the Progress of Science and the Useful Arts by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries.”¹²² This is the basis for patent law.

The limited time right now, as most of you know, is twenty years for a utility patent¹²³ and fourteen years for a design patent.¹²⁴ When a patent expires, the subject matter falls into the public domain, free to be made, used, or sold by anyone. As was pointed out by the previous speakers, trade dress rights can last forever, as long as the owner is using the mark.

So the killer question, the one the Supreme Court dodged, is: “Is it constitutional to grant exclusive trade dress rights for an unlimited duration under the federal Lanham Act, the Trademark Act,¹²⁵ for a design that is the subject of an expired patent?”

¹²¹ See Saidman, *supra* note 90 (containing pictures of the signs at issue).

¹²² U.S. CONST. art. I § 8.

¹²³ 35 U.S.C. § 154 (1984).

¹²⁴ *Id.* § 173 (1984).

¹²⁵ 15 U.S.C. §§ 1051-1129 (1997 and 1999 Supplement). Also referred to as the

My answer to that question is, “No,” despite the fact that no court has ever so held. And I believe that the answer to that question is completely independent of the functionality doctrine, and has more to do with the bargain made between the designer and the public. The bargain is this: “We’ll give you your patent, you can have a monopoly for fourteen or twenty years, but when it is over, it’s over. The public will then be able to make free use of your product design.”

I think few of us on the panel would argue with the tremendous expansion of rights resulting from Court enforcement of Section of 43(a)¹²⁶ over the past thirty years to include, as has been pointed out, not only packaging of products, but also product configuration, or what the Court has come to call “product design.”

Now, in my view, the Supreme Court’s decisions in *Wal-Mart*¹²⁷ and *TrafFix*¹²⁸ are in reaction to the overreaching of creative lawyers using “good guy/bad guy” emotional appeals to courts for their desperate clients whose products have been copied at a time when copyright and patent protection are not available, either because the product is not copyrightable, it is too late to apply for a patent, or, as in the *TrafFix* case, the patent has expired. This happens a lot, as we will see.

Most courts, even here in the Southern District of New York, give in to this emotional appeal.¹²⁹ The reason they do that is because no one is arguing on behalf of the public interest, the public’s right to copy product designs whose patents have expired. The fees of skilled and creative lawyers are paid by protectionists who want to be able to monopolize their product design as long as possible. I am one of those lawyers.

Besides, it is unpopular to argue that someone who has copied another’s design has a perfect right to do so. It is like the ACLU defending the Nazis’ right to march in Skokie.

So the lower courts, in enforcing Section 43(a) rights very, very broadly, have ignored some old right-to-copy precedent by the

Trademark Act of 1946.

¹²⁶ Lanham Act § 43(a) codified as amended at 15 U.S.C. § 1125 (1997 and 1999 Supplement).

¹²⁷ See *Wal-Mart*, 529 U.S. at 205.

¹²⁸ See *TrafFix*, 121 S. Ct. at 1255.

¹²⁹ See Saidman, *supra* note 90.

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Supreme Court. In *Wal-Mart* and *TrafFix*, what I see is the Court reacting by greatly narrowing, if not killing, Section 43(a) rights and, as Professor Hansen pointed out, giving a warning in the last paragraph of the *TrafFix* opinion, that it is going to revisit the constitutional issue if the lower courts do not restrict trade dress rights.¹³⁰

In this very brief time I am going to review a handful of the cases in this area, I'm going to talk a little bit about increasingly important design patents, and conclude with my prediction on where the courts might be headed.

[Slide] The most significant right-to-copy case is the 1938 decision of *Kellogg v. National Biscuit*.¹³¹ In the *Kellogg* case Nabisco had utility patents on the famous Shredded Wheat biscuit and the machines for making it.¹³² Nabisco also had a design patent on the shape of the biscuit.¹³³ Now, all of these patents had expired by the time Nabisco sued to enjoin Kellogg's sale of pillow-shaped biscuits of Shredded Wheat.

Let's see what Justice Brandeis had to say:

A design patent was taken out to cover the pillow-shaped form. Hence, upon expiration of the patents, the form as well as the name was dedicated to the public. Kellogg Company is undoubtedly sharing in the goodwill of the article known as 'Shredded Wheat;' and thus is sharing in a market which was created by the skill and judgment of [Nabisco] and has been widely extended by vast expenditures in advertising. But that is not unfair. Sharing in the goodwill of an article unprotected by patent is the exercise of a right possessed by all, and in the free exercise of which the consuming public is deeply interested.¹³⁴

Now, this case was decided long before the Federal Lanham Act was passed, so it is not directly on point, but it does set out what I feel are the controlling principles.

¹³⁰ See *TrafFix*, 121 S. Ct. at 1263.

¹³¹ See *Kellogg*, 305 U.S. at 111.

¹³² See e.g., U.S. Patent No. 548,086 (issued Oct. 15, 1895).

¹³³ See U.S. Design Patent No. 24,688 (issued Sept. 17, 1895).

¹³⁴ *Kellogg*, 305 U.S. at 122.

There are a lot of cases exactly like this from that era and before and afterwards. How have the lower courts dealt with this issue?

[Slide] A typical case is *Krueger International v. Nightingale, Inc.*¹³⁵ from the Southern District of New York. The plaintiff had obtained a design patent in 1978,¹³⁶ shown on the left, covering the very same chair design rights it was now asserting against Nightingale under Section 43(a).

[Slide] The defendant's chair is shown on the left in this slide next to the plaintiff's expired design patent. Judge Sotomayor did not see a problem in a design owner asserting trade dress rights in a product that was the subject of an expired design patent.¹³⁷

[Slide] The *Topps v. Verburg* case¹³⁸ did the same thing. After the plaintiff's design patent¹³⁹ on its diamond ring lollipop, shown at the top, expired, they got a trademark registration¹⁴⁰ on the same design, shown at the bottom, which the judge had no trouble enforcing against a competitor.¹⁴¹

Now, the U.S. Patent and Trademark Office ("USPTO") routinely issues trademark registrations covering product designs that are the subject of expired patents.¹⁴²

[Slide] Perhaps the most famous is where Honeywell obtained a trademark registration¹⁴³ on its round thermostat – the registration is on the bottom – which was the subject matter of its expired design patent, shown at the top.¹⁴⁴

[Slide] Here is a trademark registration that covers the configuration of the world's best-selling desk lamp, known as the Tizio.¹⁴⁵ This lamp was the subject of a utility patent, invented in

¹³⁵ 915 F. Supp. 595 (S.D.N.Y. 1996).

¹³⁶ U.S. Design Patent No. 246,813 (issued Jan. 3, 1978).

¹³⁷ See *Krueger*, 915 F. Supp. at 605.

¹³⁸ *Topps Co. v. Gerrit J. Verburg Co.*, 1996 U.S. Dist. LEXIS 18556, 41 U.S.P.Q.2d (BNA) 1412 (S.D.N.Y. Dec. 12, 1996).

¹³⁹ U.S. Patent No. Des.242,646 (issued Dec. 7, 1976).

¹⁴⁰ U.S. Trademark Reg. No. 1,846,873 (registered July 26, 1994).

¹⁴¹ See *Topps Co. v. Gerrit J. V.*, 1996 U.S. Dist. LEXIS 18556 (S.D.N.Y. Dec. 12, 1996).

¹⁴² See Saidman, *supra* note 90 at 847.

¹⁴³ U.S. Trademark Reg. No. 1,622,108 (registered Nov. 13, 1990).

¹⁴⁴ *In re Honeywell, Inc.*, 497 F.2d 1344; U.S. Patent No. Des.176,657 (issued Jan. 17, 1956).

¹⁴⁵ U.S. Trademark Reg. No. 1,442,994 (registered June 16, 1987).

1971 by Richard Sapper,¹⁴⁶ a well-known designer, and shortly after that, he licensed it to Artemide who produced the Tizio. The claim in this utility patent covers the structure of this lamp. This patent expired two weeks after the trademark registration issued.

This registration should never have been issued, due to the right-to-copy doctrine.¹⁴⁷ The right to copy without unduly restrictive monopolies fosters competition, and, hence, low prices for consumers, which is good. As you can see, the public's right to copy has been virtually ignored by the PTO and in many trade dress infringement cases, including at least half-a-dozen 1980s cases in which the configuration of this lamp was successfully litigated.¹⁴⁸

[Slide] You will forgive me, I think, but in view of what the Supreme Court is doing to Section 43(a) for product designs, which is demolishing it, I feel obligated to share with you, with trademark lawyers, my list of the Top Ten Reasons for Getting Design Patents.

Reason Number Ten: There is never a need to prove secondary meaning to get a design patent. It doesn't matter how many you sold. So design patents are ideal for brand new products.

Reason Number Nine: Functionality is almost never a problem with design patents. In the thousands of applications I have handled, I have never even had the patent examiner raise functionality as an issue.

Reason Number Eight: The standard of obviousness is rarely a problem with respect to newly designed products. I would say we get an obviousness rejection in only one out of ten design patent applications, and these are usually pretty easy to overcome.

Reason Number Seven: It is possible to get design patents very, very quickly. They have a new "rocket docket" system at the Patent Office that allows design patents to sail through.

¹⁴⁶ U.S. Patent No. 3,790,773 (issued Feb. 5, 1974).

¹⁴⁷ See Saidman, *supra* note 90 at 846.

¹⁴⁸ See, e.g., PAF S.r.l. v. Lisa Lighting Co., 712 F. Supp. 394 (S.D.N.Y. 1989); Artemide SpA v. Grandrich Corp., 1987 U.S. Dist. LEXIS 16742 (S.D.N.Y. Nov. 5, 1987); Artemide SpA v. Grandlite Design & Mfg. Co., 672 F. Supp. 698 (S.D.N.Y. 1987).

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[Slide] Here is one that we were able to get in five months from the time of filing.

[Slide] And we got better and better. Here is one we got in about four months.

[Slide] Three and a half months.

[Slide] And the *pièce de resistance*, this one issued within two months of its filing date. It is possible to get them quickly if you need them.

Reason Number Six: Design patents are good for fourteen years from the day they issue.¹⁴⁹ They do not require the payment of maintenance fees,¹⁵⁰ as utility patents do, or the filing of continued-use affidavits, as trademarks do.¹⁵¹

Reason Number Five: You have a great chance of obtaining a preliminary injunction (“PI”) in a design patent case. In a five-year period recently, 70 percent of the PI motions were granted.¹⁵² The judges can see with their own eyes that the design has been infringed.

Reason Number Four: The Court of Appeals for the Federal Circuit has exclusive nationwide jurisdiction over all patent cases.¹⁵³ This is in contrast to trademark law, where, as you know, the various circuits are about to do battle for the next ten years over the doctrine of functionality and what it means, thanks to *TrafFix*. The Federal Circuit’s rulings on issues like willful infringement,¹⁵⁴ which can get you triple damages and attorneys’ fees,¹⁵⁵ have greatly benefited design patent owners.

Reason Number Three: Design patents are very flexible. It is very easy to protect individual components of a design as well as the overall product. I’ve got some examples here.

¹⁴⁹ 35 U.S.C. § 173 (1984).

¹⁵⁰ 35 U.S.C. § 41(b) (1999).

¹⁵¹ 15 U.S.C. §§ 1051-1127 (1997 and 1999 Supplement). Also referred to as the Trademark Act of 1946.

¹⁵² See Perry J. Saidman, *Design Patents - the Whipping Boy Bites Back*, 73 J. PAT. & TRADEMARK OFF. SOC’Y 859, 866 (1991).

¹⁵³ 35 U.S.C. § 141(1984).

¹⁵⁴ *Underwater Devices Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380 (Fed. Cir. 1987).

¹⁵⁵ 35 U.S.C. §§ 284-287 (1984).

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[Slide] Here is the design patent by Bruce Burdick covering a new flatware design which consists of metal flatware and a plastic piece that is on the rear part of the flatware.¹⁵⁶ We were able to get a design patent not only on the combination but on the plastic handle by itself,¹⁵⁷ the metal knife,¹⁵⁸ the metal fork,¹⁵⁹ the metal spoon,¹⁶⁰ and the bumps that were on the plastic handles¹⁶¹ in combination, with the support knob that is below the flatware.¹⁶² And again, we were able to get a design patent on just that feature of the support knob that rests below the flatware.

[Slide] Now the fashion industry is beginning to use design patents. Here are a couple of design patents that issued just this year to Levi-Straus on jean designs.¹⁶³

[Slide] And design patents are even being used to protect packaging. Here is a design patent on the Aquafresh toothpaste box, which includes a hologram feature about the periphery.¹⁶⁴

The Number Two reason for getting design patents is that the test for infringement is quite broad. It goes back 130 years to a great case for design patent owners, *Gorham v. White*.¹⁶⁵

[Slide] If you look at these drawings, all you have to know is that the Supreme Court found both of the White designs,¹⁶⁶ on the left and on the right, to be infringements of the Gorham patent¹⁶⁷ in the middle. So, despite what you may have heard, design patents do have scope and the infringing design does not need to be identical to the patented design for infringement to be proved.

So what's the Number One reason for getting design patents? It is this: What choice has the Supreme Court given you?

¹⁵⁶ U.S. Design Patent No. 346,722 (issued May 10, 1994).

¹⁵⁷ U.S. Design Patent No. 345,486 (issued Mar. 29, 1994).

¹⁵⁸ U.S. Design Patent No. 345,284 (issued Mar. 22, 1994).

¹⁵⁹ U.S. Design Patent No. 358,741 (issued May 30, 1995).

¹⁶⁰ U.S. Design Patent No. 351,091 (issued Oct. 4, 1994).

¹⁶¹ U.S. Design Patent No. 355,565 (issued Feb. 21, 1995).

¹⁶² U.S. Design Patent No. 351,310 (issued Oct. 11, 1994).

¹⁶³ U.S. Design Patent Nos. 436,714 (issued Jan. 30, 2001); 437,102 (issued Feb. 6, 2001).

¹⁶⁴ U.S. Design Patent No. 420,910 (issued Feb. 22, 2000).

¹⁶⁵ 81 U.S. 511 (1871).

¹⁶⁶ U.S. Design Patent Nos. 2,551 (Jan. 15, 1867); 2,992 (Mar. 31, 1868).

¹⁶⁷ U.S. Design Patent No. 1,440 (Jul. 16, 1861).

Although a design patent will cost you \$2,000 or \$3,000, it is a bargain compared to the cost of going to court with your unregistered trade dress, trying to prove it has secondary meaning and that the design is not essential to the use or purpose of the article, does not affect the cost or quality of the article, and will not put competitors at a disadvantage if they are denied use of it. What is that going to cost?

So, suing under Section 43(a) is now, I think, somewhat of a crap shoot, and you may as well tell your client to head for Atlantic City.

Where will the Supreme Court and the lower courts go, now that the pendulum is decidedly swinging away from Section 43(a) protection for product design? I think, just like after *Two Pesos*, where the lower courts struggled for years to find a test for inherent distinctiveness, they are now going to struggle to apply the *Inwood* and *Qualitex* definitions of functionality. The definition of functionality from *Inwood* will be used as the standard for testing for utilitarian functionality, and the definition from *Qualitex* will be used as the test for aesthetic functionality, which rises like a phoenix from the ashes.

The existence of alternate designs, the Court said in *TrafFix*, will only be relevant in cases of aesthetic functionality.¹⁶⁸ And, while the *Inwood* test will be used with product designs protected by utility patents, the *Qualitex* test, I predict, will be used with product designs protected by design patents whose subject matter is, by definition, aesthetic or ornamental. We had a hint of this in the *Wal-Mart* case, where the Court spoke about unusual product designs making the product more appealing.¹⁶⁹

Now, is there any precedent, you might ask, for using aesthetic functionality to test whether a product design protected by a design patent may also have §43(a) trade dress protection? The only case I have found was right here in the Second Circuit, a 1984 decision from the Court of Appeals called *Saporiti v. Craig*.¹⁷⁰ It was a

¹⁶⁸ See *TrafFix*, 121 S. Ct. at 1261.

¹⁶⁹ See *Wal-Mart*, 529 U.S. at 213 (“Consumers are aware of the reality that, almost invariably, even the most unusual 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.”).

¹⁷⁰ See *Industria Arredamenti Fratelli Saporiti v. Charles Craig*, 725 F.2d 18 (2d Cir. 1984).

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Section 43(a) action based on a sofa design that was the subject of an expired design patent.¹⁷¹

Judge Clement Haynsworth, who was at one time nominated to sit on the Supreme Court, gave a definition of functionality that was a precursor to the *Inwood* definition: “A feature is clearly functional if it is an important ingredient in the commercial success of the product.”¹⁷² Haynsworth was very clear that functional was not the same as utilitarian and not the opposite of ornamental. In fact, he found the sofa design functional because it was “attractive to buyers.”¹⁷³

This is classic aesthetic functionality, and here it comes again. If you are confused about this, just imagine how the federal judges are going to deal with this. One might well ask: “If this becomes the test, what kind of product design will be protectable under Section 43(a)?”

[Slide] So what is the bottom line? The party is over for Section 43(a) trade dress protection for product design.

I have three pieces of advice: Number one, get design patents. Number two, get design patents. And number three of course speaks for itself [get design patents].

Thank you.

PROFESSOR HANSEN: Thank you very much, Perry. That was very interesting.

Now we want to open up the discussion to members of our audience either for comments or questions. Any questions, thoughts?

PARTICIPANT: I have a question for Mr. Saidman. Other than case law, do you feel that there is a policy justification for why the patent statute's limit on protection of design should trump those of the Lanham Act¹⁷⁴ and associated trademark statutes?

¹⁷¹ *See id.*

¹⁷² *See id.* at 19.

¹⁷³ *See id.* at 20.

¹⁷⁴ 15 U.S.C. §§ 1051-1129 (1997 and 1999 Supplement). Also referred to as the Trademark Act of 1946.

MR. SAIDMAN: Well, one could argue that the Lanham Act is based on the Commerce Clause¹⁷⁵ and it is trumped by Article 1, Clause 8, Section 8 of the Constitution,¹⁷⁶ which is the constitutional basis for passing the patent and the copyright acts. So you could argue that.

But really, the policy justification can be as simple as: it is more important to promote the progress of science and the useful arts than it is to prevent a little consumer confusion. This has to do with the fact that §43(a) is not a design protection law, it is a consumer protection law. This was articulated best, I think, by the 10th Circuit in the *Vornado v. Duracraft*¹⁷⁷ case. For other excellent discussions of the policy issues, see the dissents in *Ferrari v. Roberts*¹⁷⁸ from the 6th Circuit, and *Kohler v. Moen*¹⁷⁹ from the 7th Circuit.

Also remember that the Supreme Court stands as the last barrier against overuse of §43(a), because the Court likes competition, and exclusive rights like trade dress are anticompetitive. The Court wants people to be able to freely copy products that are in the public domain – that, I think, is the undercurrent of what is going on.

PROFESSOR HANSEN: Any comments on that from other panelists?

Just on the Constitutional issue, I do not think it is clear, and I do not think the Court wants to reach that issue, because then you would have all sorts of implications for other laws, and they do not usually want to bind the hand of Congress on what it can do. It is very, very difficult for the Court to say there is no power in the government to do something that the government wants to do.

It is one thing to say that the federal government has power and the states, therefore, do not. However, it is another thing entirely to say that nobody has it. Most justices, even if they think the policy is wrong, do not want to handcuff the government in that way. So, I think they would be reluctant to do it, and that is probably why they reserved the decision, and they may not have

¹⁷⁵ U.S. CONST. art. I, § 8, cl. 3.

¹⁷⁶ U.S. CONST. art. I, § 8, cl. 8.

¹⁷⁷ 58 F.3d 1498 (10th Cir. 1995).

¹⁷⁸ *Esercizio v. Roberts*, 944 F.2d 1235, 1248 (6th Cir. 1991).

¹⁷⁹ *Kohler Co. v. Moen, Inc.* 12 F.3d 632, 644 (7th Cir. 1993).

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the votes for it in any case.

But, to some degree, what is interesting is the practicality of another one of these cases reaching the Supreme Court, because how many people can afford litigation to get to the Supreme Court? The normal defendants in these cases cannot. Wal-Mart is not a normal defendant, and it can finance these things.

But I just ask the practitioners here, in your experience, certainly in copyright cases, your normal cases, you have a preliminary injunction and an appeal, and that's it. You never even get to a trial unless you combine the trial with the preliminary injunction hearing, right? What is your feeling about this type of litigation? Even if it does protect people, will they still be scared away from the thought of the litigation, and so the practical effect will be less than the theoretical effect?

MR. MITCHELL: I think that remains to be seen. Certainly the cases that get up to the Court are few and far between. There is the occasional petition for *certiorari*. There is some fear of the anticompetitive strike suits. Nevertheless, the law is slow-moving and conservative, and I think that the *Wal-Mart* case, whether it is on the designer side or the copier side, is going to help the big guy, because the small guy is not going to have the money to try to enforce his rights and prove secondary meaning, and the big guy can, nevertheless, always put enough into litigation, keep it going long enough, to win a war of attrition.

PROFESSOR HANSEN: Okay.

Yes? And please identify your affiliation, because we are publishing this, and we would like to give you proper credit.

PARTICIPANT: Victor Servey [phonetic]. I'm a patent attorney practicing in New York.

Do you ever see the day when Rule 11¹⁸⁰ sanctions would be imposed for trying to enforce a trademark based on an expired patent or a design patent or whatever?

MR. MITCHELL: There has been no *per se* rule, and I think if you've got enough skilled argument to come up with the reason, Rule 11 should not come into play. When I was discussing this

¹⁸⁰ Fed. R. Civ. Pro. R. 11.

case with a patent lawyer in my firm – he is writing an article from the patent side about *TrafFix*, I'm writing an article from the trademark side – his advice to patent lawyers was make sure you put in your patent application enough self-serving language that you can then argue that this is totally arbitrary.

On the *TrafFix* case he argued – I disagree, but he argued – that if you said: “Well, the springs can be in any position, just as long as there are two of them,” then he could argue that he could protect his own design of springs so long as there are other ways of doing it.

PROFESSOR HANSEN: I do not think there would be any Rule 11¹⁸¹ sanctions, certainly not on the basis of the Supreme Court decision. I don't think so.

MR. SERVEY: Basically, the way I see it, until the Constitutional question that Mr. Saidman brought up is answered, there is an incentive for using the threat of litigation to enforce your design rights into perpetuity.

PROFESSOR HANSEN: The reason that most people do not think there is a conflict between patent law and trademark law is they protect two different things. Patent law protects things which are non-obvious, useful, and novel, and they are meant as incentives to research and development and whatever. Trademark law is there to prevent consumer confusion, and also free riding on goodwill. These types of protection are different and not mutually exclusive. They can both be applied and there is nothing inherently wrong in saying a trademark should exist after a patent.

The problem is: When the trademark itself has a specific, truly functional, utilitarian advantage that competitors are now going to be denied after the fact, how do you balance the two? So, it is legitimate to say that one policy should prevail over the other. It is much more difficult to say the Constitution defines that policy.

I doubt very much that the Supreme Court is going to go that way, and I am not sure whether the Court will be presented with an opportunity to do so, considering the costs involved to litigants. But I guess we will see.

¹⁸¹ *Id.*

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In the back?

QUESTION: Marsha Ajhar with Abelman Frayne & Schwab here in New York.

First of all, I was happy when *Pagliari*¹⁸² was dead, and I am not at all sure that aesthetic functionality is the way to go. I didn't get it the first time around, so it is going to be curious to see what happens to it next time.

The second thought that I had was that harmonization seems to be a trend internationally. We are desperately trying to get the EU and different treaties going. A decision like *TrafFix*, and the aftermath, is going to cause heart attacks in Milan and other European cities where protecting design is critical.

I wonder what sort of observations or predictions you might have about possible ramifications internationally, because it seems like we're definitely the "Wild, Wild West" when it comes to protecting product designs.

MS. FAYENSON: Well, I guess one possibility, as Perry Saidman said, may be that more people will start utilizing design patent protection. I agree it is the more appropriate way to protect product design.

Could we end up with a *sui generis* design protection statute, like a lot of European countries do? I don't know. That is something that has been pending for how many years?

MR. SAIDMAN: For seventy or eighty years there have been laws in front of Congress.

MS. FAYENSON: Trying to get that enacted will be very difficult.

MR. SAIDMAN: Right. And this might well be the thing that forces Congress to take another look at that. The last time this was brought up was maybe ten years ago, just before Clinton was elected,¹⁸³ but the bill died because of a big lobby from the spare parts people and the insurance industry, who did not want a "cheap and dirty" design protection bill, which is the way they protect

¹⁸² *Pagliari v. Wallace China Co.*, 198 F.2d 339 (9th Cir. 1952).

¹⁸³ Design Innovation and Technology Act of 1991 (HR 1790); *See* Cong. Rec. 4/16/91, p. H2249, and 4/17/91, p. E1279 for introductory remarks.

designs in Europe it is like a copyright, and that does not exist here in the States.

PARTICIPANT: Has there been any mention of taking the term for a design patent and extending it? I mean, fourteen years¹⁸⁴ really does not seem very generous, compared to the twenty for utilitarian.¹⁸⁵ Any sort of groundswell for extension?

MS. FAYENSON: I would think that if there were a design protection statute, it would have a shorter life span. I am not sure that we should be looking at expanding the time frame for it. That is my thought. If we are talking about anything like the fashion industry, fourteen years is forever. Most designs become irrelevant after six months anyway.

PROFESSOR HANSEN: My suit might be fourteen years old actually.

MS. FAYENSON: I'm sorry. Well, some of them come back.

MR. MITCHELL: They all come back, vinyl pants even.

Also, I think that, as opposed to utility patents, with a design patent, one way you can also look at it is that you've got fourteen years, and a design patent is by definition a non-utilitarian item, so you are not dealing with a functionality issue. So that gives you your time to do what you can to get secondary meaning and to build that up.

MS. FAYENSON: Yes, but I actually think that is the really interesting question and the real problem. Should you be able to use design patent protection for those fourteen years. Let's imagine something that is not going out of style – to build up secondary meaning, and then say: "Well, here we go. Now I clearly have secondary meaning?"

The funny thing that the Supreme Court did in the *Wal-Mart*¹⁸⁶ case is it almost seemed to go that way, because in addressing the concern about protecting innovators who may come up with something inherently distinctive, even though the Court says: "We don't think that's really possible." Let's say they do; they can look to design patent or copyright for protection before they have

¹⁸⁴ 35 U.S.C. § 173 (1984).

¹⁸⁵ 35 U.S.C. § 154 (1984).

¹⁸⁶ See *Wal-Mart*, 529 U.S. at 205.

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secondary meaning. To me, that is just the Supreme Court getting it all mixed up.

That is the case I would actually like to see before the Supreme Court, something protected by design patent, clearly not functional, it acquires secondary meaning in a very clear, tangible, demonstrable way. Should it be protected under trade dress law?

MR. SAIDMAN: As an aside, the term for design patents is about to be bumped up by one year to fifteen years as the result of the U.S. assent to the Hague Agreement for the protection of designs.¹⁸⁷

PROFESSOR HANSEN: Looking at Perry's presentation, as a non-patent lawyer, it seemed to me that design patents are granted too easily and that the infringement standard is close to ridiculous. If the Supreme Court ever got a look at your presentation, design patents would be next up on their hit list.

MR. SAIDMAN: We haven't had a design patent case in the Supreme Court for 130 years, so shhh.

PROFESSOR HANSEN: I used to think they were hard to get and that it was good that they were hard to get. If those are easy to get, it actually seems anticompetitive to me, because it just wasn't readily apparent to me – the non-obviousness or novelty of those as standards. Are they still standards?

MR. SAIDMAN: Yes.

PROFESSOR HANSEN: Pretty watered-down, though, aren't they?

MR. SAIDMAN: Well, you know, how do you know when something is non-obvious or inherently distinctive?

PROFESSOR HANSEN: I know it when I see it.

MS. FAYENSON: But might not the same thing happen as happened in the business methods patent area, where people just focused on it, and there was so much around that the PTO started enforcing the non-obviousness?

¹⁸⁷ Hague Conference Preliminary Draft Convention on Jurisdiction and Foreign Judgments in Civil and Commercial Matters, 65 Fed. Reg. 61306-02 (Oct. 17, 2000).

MR. SAIDMAN: You know, the pendulums swing in all the areas of the law. When they get overused, something bites you and it swings back in the other direction.

PROFESSOR HANSEN: There was a hand over here?

PARTICIPANT: Bruce Lederman [phonetic]. I am a solo practitioner. I represent a number of small businesses that are always being accused of knocking off one thing or another.

I am wondering if the panel has any thoughts on this case involving sports teams, which I had and settled a couple of years ago and have thought about since. One case that came up is you have Michael Jordan playing in a red uniform that says "Chicago Bulls" and "Michael Jordan" on the back, and then somebody comes to you and says: "I have a good idea. Let's sell a red T-shirt that says '23.' We're not going to write 'Chicago Bulls,' we're not going to write 'Michael Jordan.' But there are a ton of kids out there who would just like a bright-red basketball shirt that says '23.'"

I am wondering, listening to some of the discussion on the more recent Supreme Court cases, if the panel has any thoughts on that.

MR. MITCHELL: One problem that you would have, the one place where Michael Jordan might get a chance to come up with an argument, would be on a right of publicity statute,¹⁸⁸ to say that he is so identified with number twenty-three. But he would have a problem with exclusivity because there are sports teams all over that have red uniforms that have twenty-three on them. So that one is tougher.

I did run into a case recently, though, where someone was selling T-shirts that replicated all the tattoos on Dennis Rodman's body, and he managed to get those enjoined. I don't know how anybody managed to sell them, but he managed to get them enjoined nonetheless.

PROFESSOR HANSEN: That would be an easy case. I think more people are aware of '23' than of all the tattoos on Rodman's body. It seems that '23' is an easy publicity case, and I think that would be enjoined in a second. The point of publicity cases is that

¹⁸⁸ See 4 MCCARTHY, *supra* note 2, § 28:17, n. 1; Sudakshina Sen, Comment, *Fluency of the Flesh: Perils of an Expanding Right of Publicity*, 59 ALB. L. REV. 739 (1995).

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you are using the good will someone generates with the public without payment or authorization. The point is the use of the good will, and it does not matter if you use the number of a race car associated with a driver,¹⁸⁹ a car associated with a T.V. show,¹⁹⁰ or “Here’s Johnny.” I would think a right of publicity, on these facts, would be fairly easy to litigate for the plaintiff. Furthermore, Michael Jordan is someone who has the resources and access to counsel that would enhance the chance of an action being brought.

MR. SAIDMAN: If you want to make red T-shirts with the number ‘23’ on them, I’ll be glad to represent you.

PARTICIPANT: Evan Katz, IP Network.

The discussion calls to mind the use of watching services¹⁹¹ for companies to make sure that dubious trademark registrations do not slip through, or perhaps even dubious design patents, to oppose or seek re-examination. I am curious if the panelists have advised their clients to have industry-wide watches on both the patent and the trademark side to try to nip in the bud overly broad trademark registrations or design patents?

I also wanted to know if the panel is aware of what is being done on the trademark side of the PTO concerning the following point: Namely, how in the world can non-engineering trademark engineers consider functionality issues in an *ex parte* trademark application setting without really pulling the patent people in, or perhaps punting it entirely over to an *inter partes* proceeding where the board might have a better shot?

MS. FAYENSON: First of all, in terms of trademark watching services, I almost always advise clients to do that. In trade dress registration, it is a little tougher because there are more judgment calls involved with just word trademarks as well, but that is something that we do routinely. Certainly the clients who can think about it and can afford it do that.

MR. MITCHELL: It is also tough. I have been involved in a couple of oppositions to registration of trade dress features, where

¹⁸⁹ See, e.g., *Lothar Motschenbacher v. R.J. Reynolds Tobacco Company*, 498 F.2d 821 (9th Cir. 1974).

¹⁹⁰ See, e.g., *Warner Bros., Inc. v. Gay Toys, Inc.*, 724 F.2d 327 (2d Cir. 1983).

¹⁹¹ See e.g., www.thomson-thomson.com, www.marksonline.com (last visited June 26, 2001).

my client, the opposer, claimed that: “This is not distinctive” or “This is generic,” and you start out and your client is gung-ho for protecting everyone’s right to use the design. Ultimately what happens is they get tired of paying your bills, the other side gets tired of fighting, and you, as often as not, wind up coming up with a settlement where the opposition is dropped for a royalty-free, basically a naked license.¹⁹²

MS. FAYENSON: That works sometimes.

MR. SAIDMAN: It works for the client, anyway.

MS. FAYENSON: But, in reality, it is possible, not always, to achieve both sides’ objectives, if they can really define where the confusion might come into play, if you’re going to be idealistic about it.

MR. KATZ: I think the cases underscore the point. Most of my clients when I was in private practice had watch services¹⁹³ for their trademarks only, but, given the reasonable cost of having a watch service across the entire industry to try to flag some of these before they come out, it can be a lot cheaper than litigating them up through any court system.

PARTICIPANT: My name is Stanley Garrett. I am a general practitioner spending some of my time counseling clients who want to be protected against what they call counterfeiters of their products that have legitimately acquired secondary meaning.

This *TrafFix* case obviously is of great concern because in one situation – and I would appreciate the panel’s advice – the feature that gives the product its uniqueness and its acceptance in the market, unlike the marketing device case, is invisible. You can’t see it, it is buried within the product, but it enables the product to achieve the distinctive look that the public now identifies with the source of the product.

So my question is: Does the fact that there is a utility patent on that invisible feature prevent my client from enforcing its rights against an infringer?

¹⁹² See 2 MCCARTHY, *supra* note 2, § 18:48 (discussing naked licensing).

¹⁹³ See *supra* note 191.

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MR. MITCHELL: That is essentially the *Kellogg* case. One aspect of the *Kellogg* case was the machine that made the Shredded Wheat biscuits in a certain shape came into the public domain, and since that device came into the public domain, the product of that device did. So I think it certainly is something you might have some problems with. Even though the thing that was patented is invisible, if the appearance was created by something that was patented, it is grounds for an argument.

MS. FAYENSON: But that it comes into the public domain is not necessarily the law. I am very interested in that situation, because maybe that is just the right case, where you do not see the functional feature at all, but it is the look that becomes distinctive and truly should be protectable under trademark law.

PROFESSOR HANSEN: Are you saying the look was dependent upon the utility patent, that the look derives directly from enforcement of the utility patent?

MR. GARRETT: We would argue that there are alternative ways to achieve the look. Indeed, we are making that argument in the Trademark Office. But it would seem to me, as I read *TrafFix*, that may not be the case.

PROFESSOR HANSEN: Everyone who uses your patent that has expired will get the same look automatically. Is that the scenario?

MR. GARRETT: They might be able to. That is right. They might be able to get that look after the patent expired.

PROFESSOR HANSEN: Well, that's problematic.

MR. GARRETT: And they might be able to get that look today by some alternative design.

MR. SAIDMAN: The Supreme Court has not gotten that far. And even if they adopted my radical view, which is doubtful, but if they did, I would say that the way to test it would be to look at the patent claims and see what subject matter is actually in the public domain, and that subject matter is free to be made by anyone.

Now, the issue is: Can it look like yours or must it look like someone else's? And if you cannot really see the functional components, then you might have a sliver of an argument that the exterior look is protectable and you can develop secondary

meaning in it, because it does not depend on the subject matter that is in the public domain by virtue of the expired claims.

MS. FAYENSON: Is the only function of that invisible feature to give the product that look, or does it do other stuff within the product?

MR. GARRETT: I think, in all fairness, it is probably the principal feature. It enables the product to be distinctive and achieve the secondary meaning.

MR. SAIDMAN: Well, then I change my mind. Good question, counselor.

PROFESSOR HANSEN: Any further questions? Well, I think that is the last word. I want to thank the panelists for their excellent and interesting presentations.

MR. GALBRAITH: Thank you again to all the panelists and attendees for participating.