

THE SEVENTH ANNUAL  
HONORABLE HELEN WILSON NIES  
MEMORIAL LECTURE  
IN INTELLECTUAL PROPERTY LAW  
THE TRADEMARK JURISPRUDENCE OF THE  
REHNQUIST COURT\*

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INTRODUCTION<sup>1</sup>

Welcome, and thank you all for coming to the Annual Nies Lecture in Intellectual Property Law. Our guest speaker is Professor Graeme Dinwoodie, who is the Norman & Edna Freehling Scholar, Associate Dean, and Program Director of Intellectual Property at Chicago-Kent College of Law.

A prominent international authority in intellectual property law, Professor Dinwoodie has an L.L.B. from the University of Glasgow, with first class honors, an L.L.M. from Harvard Law School, and a J.S.D. from Columbia University Law School. Professor Dinwoodie is here today to speak to us about the trademark jurisprudence of the U.S. Supreme Court. We are very happy and honored to have Professor Dinwoodie here as our distinguished lecturer in intellectual property law. Please help me welcome Professor Dinwoodie to Marquette University Law School.

PROFESSOR DINWOODIE'S REMARKS

Thank you, Irene, for that introduction. And thank you, especially to

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1. Marquette University Law School Professor Irene Calboli provided introductory remarks.

Irene and Eric, for the invitation to deliver this lecture. I had not realized that Marquette was so close to Chicago. I should have made it to Milwaukee before now, but I am glad to have done so for this event.

It is a privilege and an honor to comment on a topic of intellectual property law in a Lecture that recognizes the contribution of Judge Helen Nies. Although *Judge* Helen Nies is perhaps best known for her role in the development of patent law, Helen Nies *the lawyer* was for twenty years a prominent practitioner of trademark and unfair competition law. Of course, she was involved in trademark issues as a judge and commentator also. Many important trademark issues reached the courts upon which she sat, both the Court of Appeals for the Federal Circuit and the predecessor Court of Customs and Patent Appeals. And Judge Nies was an Adviser to the Restatement (Third) of Unfair Competition, which was published in 1995, shortly before her untimely death. Thus, although it might be surprising to deliver a lecture in Judge Nies' memory on a topic outside patent law, it is in fact quite fitting to focus on trademark law in a talk dedicated to Helen Nies.

I have taken as my topic for today's lecture "The Trademark Jurisprudence of the Rehnquist Court." In the past, any study of Supreme Court trademark jurisprudence that purported to identify trends of any significance would have to have analyzed a much lengthier period of activity. Although the Rehnquist Court has gradually reduced the number of cases it hears each year, trademark law is becoming a regular topic on the Court's docket. One can, thus, seriously attempt an analysis of the Rehnquist Court's trademark jurisprudence in a way that might not have been true of most earlier Supreme Courts.

Chief Justice Rehnquist has served as Chief Justice since the Fall 1986 term. In those seventeen years, the Supreme Court has issued opinions in—depending upon how one counts—between six to ten cases involving trademark or unfair competition law. In some respects, this might not be surprising. After all, the European Court of Justice has in the last fifteen months alone issued fifteen opinions on trademark law. Trademark law is becoming much more significant in our brand- and image-conscious economy. But the European Court of Justice has no choice; it has to hear the cases that are referred to it by national courts or appealed to it from the European Community Trademark Office and the Court of First Instance. The Supreme Court in contrast has chosen to hear these numerous cases.

Thus, the first question I will address is why has the Court taken this number of cases? Do the cases *taken* tell us anything about the way that the Court wishes to develop trademark and unfair competition law?

Then, I will turn to the opinions issued by the Court and seek to discern a commitment to a particular vision of trademark law, both in outcome and

methodology. I conclude that, although the Court has not employed a consistent methodological approach to resolving trademark problems, the opinions do suggest that there are certain values that dictate the outcomes in trademark cases before the Rehnquist Court. But pursuit of those values, and the nature of the Court's opinions, will, I suggest, raise difficult new questions for trademark law.

Finally, I will speculate briefly on what my conclusions mean for the one trademark case presently scheduled to be argued before the Court later this year, namely *KP Permanent Make-Up v. Lasting Impression, Inc.*<sup>2</sup> on appeal from the Ninth Circuit Court of Appeals.

### I. A SUMMARY OF THE CASES BEFORE THE COURT

I do not wish simply to march chronologically through the cases that the Court has decided. But it might be helpful if, just briefly, I identify the cases that I take to embody present Rehnquist Court jurisprudence on trademark and unfair competition law.

As I said, the Rehnquist Court was formed in 1986, a year after the Court had handed down its decision in *Park 'N Fly, Inc. v. Dollar Park and Fly, Inc.*<sup>3</sup> Since then, the Court has handed down the following decisions that might be regarded as relevant subjects of my lecture, in reverse chronological order:

- *Dastar Corp. v. Twentieth Century Fox Film Corp.*,<sup>4</sup> in 2003, held that Section 43(a) of the Lanham Act did not prevent the unaccredited copying and distribution of an uncopyrighted public domain work.
- *Moseley v. V Secret Catalogue, Inc.*<sup>5</sup> (also 2003, though two months earlier), in which the Court held that a plaintiff seeking relief under the federal dilution law enacted in 1995 and codified in Section 43(c) of the Lanham Act must show *actual* rather than a mere *likelihood* of dilution in order to make out a claim.
- *Cooper Industries, Inc. v. Leatherman Tool Group, Inc.*<sup>6</sup> (2001), a trade dress case which does not implicate any core trademark principles, but is really a part of the developing Supreme Court jurisprudence on punitive damages.

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2. 328 F.3d 1061, 66 U.S.P.Q.2d (BNA) 1509 (9th Cir. 2003).

3. 469 U.S. 189, 224 U.S.P.Q. (BNA) 327 (1985).

4. 539 U.S. 23, 66 U.S.P.Q.2d (BNA) 1641 (2003).

5. 537 U.S. 418, 65 U.S.P.Q.2d (BNA) 1801 (2003).

6. 532 U.S. 424, 58 U.S.P.Q.2d (BNA) 1641 (2001).

- *TrafFix Devices, Inc. v. Marketing Displays, Inc.*,<sup>7</sup> a 2001 decision reversing the Sixth Circuit Court of Appeals and holding, among other things that I will discuss later, that the functionality test should deny protection to product designs that are essential to the use or purpose of an article even if alternative designs might be available to achieve the same result.
- *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*<sup>8</sup> (2000), in which the Court held that product designs could not be inherently distinctive trademarks, but rather could be protected only upon proof of secondary meaning.
- *College Savings Bank v. Florida Prepaid Postsecondary Education Expense Board*<sup>9</sup> (1999), where sovereign immunity of a state institution under the Eleventh Amendment was held not to have been validly abrogated by congressional legislation regarding false advertising claims.
- *Qualitex Co. v. Jacobson Products Co.*<sup>10</sup> (1995), in which the Court upheld the registrability of color per se under the Lanham Act.
- *Two Pesos, Inc. v. Taco Cabana, Inc.*<sup>11</sup> (1992), a case involving the decor and ambience of a fast-food Mexican-American restaurant, where the Court held that trade dress (or, certain types of trade dress) could be inherently distinctive.
- *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*,<sup>12</sup> in 1989, the first nominal trademark case heard by the Rehnquist Court, but a case brought under a Florida state statute that provided an action against copying of boat hulls. Because the statute looked like it provided a patent-like right to inventions regarded as unpatentable under the federal patent law, the Court held that the Florida law was pre-empted by federal patent law.
- If one wished to view cases less formalistically, one might regard *San Francisco Arts & Athletics, Inc. v. United States Olympic Committee*<sup>13</sup> (1987) also to be a trademark case in which, although brought under the Amateur Sports Act rather than the

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7. 532 U.S. 23, 58 U.S.P.Q.2d (BNA) 1001 (2001).

8. 529 U.S. 205, 54 U.S.P.Q.2d (BNA) 1065 (2000).

9. 527 U.S. 666, 51 U.S.P.Q.2d (BNA) 1065 (1999).

10. 514 U.S. 159, 34 U.S.P.Q.2d (BNA) 1161 (1995).

11. 505 U.S. 763, 23 U.S.P.Q.2d (BNA) 1081 (1992).

12. 489 U.S. 141, 9 U.S.P.Q.2d (BNA) 1847 (1989).

13. 483 U.S. 522, 3 U.S.P.Q.2d (BNA) 1145 (1987).

Lanham Act, the Court by a six to three decision upheld the legislative award of trademark rights in the term OLYMPICS to the U.S. Olympic Committee in ways that resembled dilution protection.

## II. SELECTING TRADEMARK CASES

Four of the cases that have been decided—*Cooper*, *College Savings Bank*, *Bonito Boats*, and *San Francisco Arts & Athletics*—involved direct challenges to the constitutionality of the legislation or rule in question, whether under the Due Process clause of the Fourteenth Amendment (*Cooper*), the Eleventh Amendment (*College Savings Bank*), the First Amendment (*San Francisco Arts & Athletics*), or the Supremacy Clause (*Bonito Boats*).

The remaining six cases, which are going to be the primary focus of my discussion, are, however, primarily cases involving interpretation of the substantive provisions of the Lanham Act. Why did the Court take those cases? One answer is apparently quite clear: all (perhaps bar *Dastar*) involved efforts by the Supreme Court to resolve a circuit split. (And the same is true of the case now pending).

Of course, in comparing the selection of cases in trademark law with cases chosen in other intellectual property regimes, it is important to note that different dynamics exist. In patent law, where all appeals come from the Federal Circuit, circuit splits as such do not arise. Instead, the Court arguably looks for a split within the Federal Circuit itself, which is arguably harder to discern. Indeed, the lack of possible circuit splits occasioned by the centralization of the appellate function in patent cases in the Federal Circuit is apparently one of the reasons behind Justice Stevens' concurring opinion in *Holmes Group, Inc. v. Vornado Air Circulation Systems, Inc.*,<sup>14</sup> which might offer the regional appellate circuits some greater role in patent law.

But in trademark cases it is the circuit split that has been the most obvious indicator of cases that are likely to be taken by the Court. In *Two Pesos v. Taco Cabana* (1992), the Court endorsed the Fifth Circuit rule that trade dress could be inherently distinctive over the Second Circuit's insistence that trade dress could only be protected upon proof of secondary meaning. In *Qualitex*, the Court favored the approach of the Federal and Eighth Circuits that color per se could be registered under the Lanham Act, over the contrary conclusions of the Ninth and Seventh Circuits that although color might be protected under principles of unfair competition law, it could not be the subject of federal registration. In *Moseley v. V Secret Catalogue*, the Court

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14. 535 U.S. 826, 839, 62 U.S.P.Q.2d (BNA) 1801 (2002).

preferred the actual dilution approach of the Fourth (and other) Circuits over the likely dilution standard of the Second (and other) Circuits.

In *TrafFix* and *Wal-Mart*, the Court took the case to resolve a Circuit split, but the way that the Court resolved the split was not entirely clear. Thus, in *TrafFix* the Court explicitly took the case to resolve the apparent split between the Tenth Circuit, which in *Vornado Air Circulation v. Duracraft* had held that “[w]here a product configuration is a significant inventive component of an invention covered by a utility patent . . . it cannot receive trade dress protection,”<sup>15</sup> and all other circuits, which had held that trade dress protection was not foreclosed by the existence of a prior patent on the product design provided the trade dress was not functional.

Although the *TrafFix* Court refused in its opinion to endorse the *Vornado* rule, neither did it give much solace to the approach of the pro-trade dress courts with which the Tenth Circuit had disagreed. Indeed, the Court held that “[a] utility patent is strong evidence that the features therein claimed are functional.”<sup>16</sup> And the Court concluded that the plaintiff had failed to overcome the inference of functionality. Indeed, it may be argued that the Court in effect endorsed the philosophy behind *Vornado*, even if it did not approve its particular formulation.

Similarly, in *Wal-Mart Stores v. Samara Bros.* (2000), although the Court granted certiorari to answer “what must be shown to establish that a product’s design is inherently distinctive,” instead the Court concluded that that question did not need answering because product design could *not* be inherently distinctive.

Thus, in predicting which types of cases the current Court is most likely to take, we should focus on cases involving constitutional claims, although these involve provisions less central to substantive rules of trademark law, and issues of statutory construction where the regional circuit courts have disagreed. There does not, therefore, appear to be a conscious effort by the Court to reach into the lower courts to take cases to advance a trademark law agenda. The agenda is in large part a response to lower court developments. Yet, although this explains *why* the Court might take certain cases, it should not—as *Wal-Mart* and *TrafFix* show—be thought to circumscribe the approaches to substantive trademark law that the Court might articulate.

To work out what is going on substantively, we might need to ask why the Court is deciding the cases the way that it is.

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15. *Vornado Air Circulation Systems, Inc. v. Duracraft Corp.*, 58 F.3d 1498, 1500, 35 U.S.P.Q.2d (BNA) 1332, 1333 (10th Cir. 1995).

16. *TrafFix*, 532 U.S. at 29, 58 U.S.P.Q.2d (BNA) at 1005.

### III. THE REASONING AND TRADEMARK VALUES OF THE COURT

Thus, I want to turn now to the reasoning of the six principal cases that have come before the Court. These cases can conveniently be analyzed in three groups: (1) first, a set of four trade dress cases; (2) a case involving the scope of non-trademark causes of action under the unfair competition provision of Section 43(a); and (3) the first Supreme Court case interpreting the federal dilution statute enacted in 1995.

#### A. *The Trade Dress Cases*

I will start with the four trade dress cases. Recent years have seen an explosion in the number of “trade dress” infringement cases brought under the Lanham Act. Although the expansive view of trademark subject matter reflected in these cases raises more difficult issues for trademark law than according protection to words or two-dimensional images, it is wholly consistent with the underlying purposes of trademark protection. Trademark protection against confusing simulation advances the interests of producers and consumers by protecting the integrity of consumer understanding and the producer’s investment in creating goodwill. In turn, trademark protection reduces the customer’s costs of shopping and encourages the production of quality products.

If consumers identify a product by its packaging, color, or design features, these same concerns are no less implicated. This purposive analysis of trademark protection underlies large parts of the opinions in *Qualitex* and *Two Pesos*. It is in part because trade dress can serve the purpose of a trademark, and because the nature of the subject matter is, thus, irrelevant to the purpose of trademark law, that the Court removed limits on trademark protection derived from the nature or classification of the subject matter. “[A]nything . . . that is capable of carrying meaning” can be a trademark, said the *Qualitex* Court.<sup>17</sup>

But an essential premise underlying this argument is a mark’s distinctiveness, *i.e.*, the claimed mark must represent a feature by which consumers identify and distinguish a product from others. Distinctiveness is central to trademark protection because, without it, no goodwill attaches to the claimed mark and, thus, no consumers will be confused by others using the same mark.

The distinctiveness of trade dress has, thus, been one of the principal subjects of the recent Supreme Court case law. In 1992, in *Two Pesos*, the Court, in the course of upholding trademark protection for the decor and

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17. *Qualitex*, 514 U.S. at 162, 34 U.S.P.Q.2d (BNA) at 1162.

ambiance of a Mexican fast-food restaurant against replication by a competitor, approved the assimilation of the principles governing the distinctiveness of verbal trademarks and non-verbal trade dress. In particular, the Court held that the distinctiveness of non-verbal trade dress may (like verbal marks) be established by proof of either inherent distinctiveness or secondary meaning.

The *Two Pesos* decision was, however, incomplete in two primary respects. First, it failed to address the *means* by which the assimilation of the principles governing the distinctiveness of verbal marks and non-verbal dress was to be effected. Classical distinctiveness analysis, developed to adjudicate the protectability of verbal or pictorial marks, was inadequate when applied to determine whether a design feature was distinctive.

Thus, lower courts struggled with the development and application of tests designed to measure the distinctiveness of trade dress. Some continued to apply the classical (*Abercrombie*)<sup>18</sup> test used with respect to word marks. Others applied different tests to measure trade dress distinctiveness, such as the so-called *Seabrook*<sup>19</sup> test, which called upon a court to consider whether a shape or packaging feature “was a ‘common’ basic shape or design, whether it was unique or unusual in a particular field, and 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 ornamentation for the goods . . . .”<sup>20</sup> Finally, some concluded that while existing distinctiveness analysis might helpfully assist in an evaluation of the distinctiveness of product packaging, it was unhelpful in the case of product design, and, thus, developed different tests depending upon the category—design or packaging—into which the trade dress fell.

This final approach required the courts in question to develop new analytical devices with which to measure the distinctiveness of product design. The tests that they developed were unduly complex and tended to provide lesser trade dress protection for product designs than for packaging. This result was justified in large part by the contention that design features were less likely to act as trademarks for consumers, a point to which I will return later.

The development of separate approaches to different categories of trade dress ties in with the second incomplete aspect of *Two Pesos*. The *extent* of

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18. *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 189 U.S.P.Q. (BNA) 769 (2d Cir. 1976).

19. *Seabrook Foods, Inc. v. Bar-Well Foods, Ltd.*, 568 F.2d 1342, 196 U.S.P.Q. (BNA) 289 (C.C.P.A. 1977).

20. *Id.* at 1344, 196 U.S.P.Q. (BNA) at 291.

the assimilation announced by the *Two Pesos* Court was unclear: did it apply to forms of trade dress other than restaurant decor? In particular, did it apply to product design? Even some courts that proceeded on the assumption that *Two Pesos* did require the possibility of inherently distinctive product designs held that *Two Pesos* did not foreclose them from developing separate tests that might confine the circumstances in which that legal conclusion would be reached. By either route—blanket denials of inherent distinctiveness, or tests that effectively precluded the possibility—a categorical approach that distinguished between packaging and design was being forged.

The Court's subsequent decision in *Qualitex* did not clearly determine the extent of the assimilation effected by *Two Pesos*. The *Qualitex* opinion can be read as expansionist in nature, in that it endorsed the disregard of limits on trademark subject matter; and the Court rejected the formulation of blanket rules of trademark law based upon problems that might occasionally be presented by new subject matter. But the Court also analogized color to descriptive marks and, thus, appeared to require secondary meaning as a prerequisite to protection.

These mixed signals suggested, perhaps, an unease with extending the assimilationist decision in *Two Pesos* too far. The policy considerations, and exercises in statutory interpretation, that led the *Two Pesos* Court to recognize inherently distinctive trade dress, should arguably permit the same argument with respect to color. And it should do likewise with product design. But *Qualitex* contained hints of caution with respect to color, and some lower courts found room in *Two Pesos* to inject similar restrictions into the protection of product design.

In 2000, however, the U.S. Supreme Court answered some of the open questions. In a unanimous decision in *Wal-Mart*, the Court accepted that while packaging may be inherently distinctive, product design may not. Thus, although the Court endorsed an expansive view of trademark subject matter, it also supported a categorical distinction between packaging (which could be inherently distinctive) and product design (which could not). It thus raised to the surface the ambivalence that underlies *Qualitex*.

That the Court was now operating from a different mindset is seen by its interpretive use of Section 2 of the Lanham Act. Section 2 lists the grounds upon which a federal trademark registration may be denied; it makes no reference to trademark subject matter. In *Two Pesos*, the Court interpreted that silence as suggesting no basis upon which to make a distinction between different types of trademark subject matter; eight years later, the Court read that silence as suggesting no barrier to the development of such a distinction. Similarly, although the *Qualitex* Court had *analogized* color to descriptive marks, the Court in *Wal-Mart* made *explicit* that in *Qualitex*, “[w]e held that a

color could be protected as a trademark, but only upon a showing of secondary meaning.<sup>21</sup>

What had altered the Court's perspective in eight years? The Court marshaled two primary reasons for requiring secondary meaning for product design protection. First, the Court suggested that product designs do not automatically identify source for consumers in the way that packaging or word marks do. This categorical conclusion probably bears some incidental correlation to present social reality. But the Court articulated the conclusion almost as a matter of judicial notice. There may be circumstances in which design does identify source, and indeed those circumstances may become more frequent as society becomes more visual and global marketing reduces reliance on linguistic forms of communication. If the Court believed it less likely that consumers would identify a product by its design than by its packaging, it could have adopted a test (like *Seabrook*) that enables courts to ask that very question. Instead, the Court foreclosed individualized scrutiny of its (unsupported) social generalization, by embedding that generalization as a rule of law.

Given the reluctance of the Court in *Qualitex* to develop rules of law based upon blanket assumptions, the thinking that persuaded the Court to entrench an increasingly questionable factual premise as a rule of law is more candidly revealed by the second reason tendered by the Court for its secondary meaning requirement. The Court feared that broad product design trade dress protection might have anti-competitive effects because design, unlike packaging or words, serves purposes other than source identification.

Concern for the potentially anti-competitive effects of trade dress protection is typically reflected in the functionality analysis, whereby a design found to be "functional" will be unprotected by trademark. Indeed, the *Qualitex* opinion elevated the importance of the functionality doctrine by casting it as the guardian of competition. Despite this, the *Wal-Mart* Court viewed the mere possibility of a claim of inherently distinctive product design trade dress as a threat to competition because a rule of law permitting such a claim would "facilitate[] plausible threats of suit against new entrants based upon alleged inherent distinctiveness."<sup>22</sup> The Court's fear of such suits stemmed from its lack of confidence that a clear test for the inherent distinctiveness of product design could be devised.

At oral argument, and in the briefs submitted to the Court, the possible test upon which most debate centered was the *Seabrook* test. Samara endorsed it, and that test was also endorsed by various amici, including the

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21. *Wal-Mart*, 529 U.S. at 212, 54 U.S.P.Q.2d (BNA) at 1068.

22. *Id.* at 213, 54 U.S.P.Q.2d (BNA) at 1069.

United States government. The *Seabrook* test does, however, suffer from one conspicuous frailty. Without an overarching test, a mere assessment of “uniqueness” is irrelevant to trademark law and unhelpful in determining distinctiveness. The justices noted as much at oral argument. The government compounded the weakness of *Seabrook* operating without any such overarching inquiry by refusing at oral argument to answer questions regarding how *Seabrook* would be applied in the case before the Court. The justices reacted adversely to that response at oral argument, and the Court (perhaps understandably) responded in its opinion with a conclusion that the test was insufficiently clear to “provide the basis for summary disposition of an anticompetitive strike suit.”<sup>23</sup>

Because such arguments regarding the overarching purpose of the *Seabrook* test were not put to the Court, the holding was as much grounded on concern over the anti-competitive effects of uncertain doctrinal tests, as on a firm conviction that a secondary meaning requirement was either warranted by the purposes of trademark law or rooted in the statutory language.

But this prudentially derived conclusion raised another problem—a common dynamic in the Rehnquist Court’s trademark case law—which the Court acknowledged. *Two Pesos* “unquestionably established the legal principle that trade dress can be inherently distinctive.” The Court distinguished *Two Pesos*, however, by describing that case as involving “product packaging” (which the Court implies can be inherently distinctive) “or else some *tertium quid* that is akin to product packaging and has no bearing on the present case.”<sup>24</sup> And because this categorical distinction between packaging and design would be difficult to define, the Court suggested that in close cases, courts err on the side of classifying trade dress as product design and, thus, require secondary meaning.

The Court believed that this pragmatic approach to the difficulties of drawing a line between design and packaging would be unproblematic because it would occur with lesser frequency than would the dilemma that would otherwise occur, namely seeking to determine the inherent distinctiveness of product design. Yet this will force, and has forced, a wholly unnecessary use of judicial resources in seeking to classify the trade dress in question. And the Court’s dicta suggesting that the stricter rule may not apply to packaging or some “*tertium quid*” merely invites litigation on whether a claimed trade dress constitutes a “*tertium quid*” akin to packaging rather than design. In short, the Court’s opinion merely illustrates, rather than solves, the difficulties of categorical classification.

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23. *Id.* at 214, 54 U.S.P.Q.2d (BNA) at 1069.

24. *Id.* at 215, 54 U.S.P.Q.2d (BNA) at 1069.

The *Wal-Mart* opinion has had, and will likely have, a limited effect on trademark law, because only a small number of product designs would likely be treated as inherently distinctive under the more liberal approach to trade dress protection. But it suffers from a flaw that I suggest is repeated in later cases, especially *Dastar*, and to which I will return in a moment. It entrenches (without any factual support) a generalized assumption of consumer practices as a rule of law. It thus prevents trademark law from fully reflecting changes in consumer behavior. In particular, it ignores shifts in social and economic conditions that, prompted by globalization, have made younger consumers much more visually cognizant.

The fourth and most recent trade dress opinion of the Rehnquist Court, *TrafFix Devices*, explicitly addressed functionality. Trademark law excludes from protection or registration designs that are “functional.” The lower courts have in the past few years applied a myriad of doctrinal tests to determine whether a design is functional and hence unprotectable.

In *TrafFix*, the Court confirmed that “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.”<sup>25</sup> This test, first announced by the Court in dicta in *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*,<sup>26</sup> had previously been endorsed by the Court in *Qualitex* in 1995, but this did not arrest the development and application of a wide array of doctrinal tests by lower courts. It remains to be seen whether the *TrafFix Devices* opinion will operate as a greater restraint on judicial creativity. The case law since *TrafFix* would suggest not.

This is in part because although the *TrafFix* Court endorsed the *Inwood* test, it left open the possible application of other, alternative tests. In particular, it offered a more ambiguous treatment of an elaboration on the *Inwood* test found in its *Qualitex* opinion. Thus, the *TrafFix* Court noted that, “[e]xpanding upon the meaning of [the *Inwood* test], we have [in *Qualitex*] observed that a functional feature is one the ‘exclusive use of [which] would put competitors at a significant non-reputation-related disadvantage.’”<sup>27</sup>

But the Court stressed that this “expansion” of the *Inwood* test articulated in *Qualitex* was not a comprehensive definition of functionality. If a design feature is essential to the use or purpose of the article in question or affects the cost or quality of the article (the *Inwood* test), then the design feature is functional without further analysis of competitive necessity. Thus, for example, the Supreme Court in *TrafFix Devices* regarded the dual-spring

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25. *TrafFix*, 532 U.S. at 32, 58 U.S.P.Q.2d (BNA) at 1006.

26. 456 U.S. 844, 851 n.10, 214 U.S.P.Q. (BNA) 1, 4 n.10 (1982).

27. *TrafFix*, 532 U.S. at 32, 58 U.S.P.Q.2d (BNA) at 1006 (quoting *Qualitex*, 514 U.S. at 165).

design of a road stand as functional because that design “provides a unique and useful mechanism to resist the force of the wind.”<sup>28</sup> End of analysis. No need to consider whether the dual-spring design was one “the ‘exclusive use of [which] would put competitors at a significant non-reputation-related disadvantage.’”<sup>29</sup>

Instead, the *TrafFix Devices* Court appeared to regard the expansion of *Inwood* articulated in *Qualitex* as targeted at what the courts call “aesthetic functionality.” This historically confusing doctrine excludes from trademark protection designs which, though aesthetic rather than utilitarian, are essential for rivals to imitate in order to compete.

Thus, while the *TrafFix Devices* opinion remains somewhat enigmatic, under one reading, the Court might be instructing courts to assess claims of functionality based upon mechanical utility primarily under the above-quoted *Inwood* test (which might be called a test of “mechanical necessity”), and only claims of aesthetic functionality under a test of competitive necessity.

If this were the case, it would require many lower courts to revise current forms of analysis. For many courts, competitive necessity serves as a guide to most issues of functionality (whether mechanical or aesthetic); the Court rejected that standard as a comprehensive measure of functionality. Similarly, most lower courts have given some weight, in assessing functionality, to the availability of alternative designs that might serve the same purpose as the design for which protection is sought. Yet, the *TrafFix Devices* Court found that there was no need to have regard to alternative design possibilities if the *Inwood* test was met.

Although the Court has rejected the lack of alternatives or competitive necessity as necessary components of a court’s analysis (or of a defendant’s case), some lower courts have continued to have regard to both these questions (often while acknowledging the *TrafFix* opinion). This is hardly surprising. Each inquiry is helpful in determining whether a design feature is “‘essential to the use or purpose of the article or if it affects the cost or quality of the article’”<sup>30</sup> or is one “the ‘exclusive use of [which] would put competitors at a significant non-reputation-related disadvantage.’”<sup>31</sup> What is “essential” and what puts competitors at “non-reputation-related disadvantages” will not be easy to answer absent such subsidiary analyses of alternative designs and competitive conditions.

Although the *TrafFix* Court’s discussion of the test for functionality will

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28. *Id.* at 33, 58 U.S.P.Q.2d (BNA) at 1007.

29. *Id.* at 32, 58 U.S.P.Q.2d (BNA) at 1006 (quoting *Qualitex*, 514 U.S. at 165).

30. *Id.*

31. *Id.*

likely be the most far-reaching (and most-cited) part of its opinion, the question upon which the Court actually granted certiorari was whether trademark rights could be asserted in the design of an article that had previously been the subject of a utility patent (since expired).

A split had developed among the lower appellate courts. One circuit court, the Court of Appeals for the Tenth Circuit had held that “[w]here a product configuration is a significant inventive component of an invention covered by a utility patent . . . it cannot receive trade dress protection . . . .”<sup>32</sup> Several other circuits had refused to foreclose trade dress protection merely because the design feature for which trade dress was claimed had been the subject of an expired patent.

The *TrafFix* Court held that “[a] utility patent is strong evidence that the features therein claimed are functional.”<sup>33</sup> In the case before it, the Court found that there was a “strong evidentiary inference of functionality based on the disclosure of the dual-spring design in the claims of the expired patents,”<sup>34</sup> such design being “the central advance claimed in the expired utility patents” and “the essential feature of the [claimed] trade dress . . . .”<sup>35</sup> Then, the Court concluded (without much analysis) that the plaintiff had failed to overcome the inference of functionality.

The Court’s opinion raises at least two questions concerning the expired patent-derived inference. First, which aspect of the Court’s description of the dual-spring design triggered the “strong evidentiary inference of functionality”?<sup>36</sup> In addition to the fact that the design was the “central advance claimed in the expired utility patents” and the “essential feature of the [claimed] trade dress,” the Court noted that “the springs are necessary to the operation of the device” and that the defendant’s product would have infringed the expired patent based upon the doctrine of equivalents.<sup>37</sup> It is not clear which of these characterizations of the design subjected it to an inference of functionality.

Second, in what ways can a plaintiff overcome this inference? The opinion gives little guidance. The Court suggests opaquely that “[i]n a case where a manufacturer seeks to protect arbitrary, incidental, or ornamental aspects of features of a product found in the patent claims, such as arbitrary curves in the legs or an ornamental pattern painted on the springs, a different

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32. *Vornado*, 58 F.3d at 1500, 35 U.S.P.Q.2d (BNA) at 1333.

33. *TrafFix*, 532 U.S. at 29, 58 U.S.P.Q.2d (BNA) at 1005.

34. *Id.* at 30, 58 U.S.P.Q.2d (BNA) at 1005.

35. *Id.*

36. *Id.*

37. *Id.*

result might obtain”<sup>38</sup> apparently because such aspects might not “serve a purpose within the terms of the utility patent.”<sup>39</sup>

The answer to each of these questions might be more easily detected if the purpose of the evidentiary inference were more clearly explained by the Court. Some briefs submitted to the Court sought to rest non-protection for design features covered by an expired patent on the so-called “right to copy” the subject matter of expired patents. Indeed, some briefs ascribed a constitutional pedigree to this right, based upon the conflict between the Copyright and Commerce Clauses of the United States Constitution. The Court expressly deferred consideration of the constitutional arguments to another day. But the Court would also appear not to have based the inference solely on any non-constitutional right to copy. The inference would appear to flow in part from the likelihood that design features included within the claims of a patent are essential to the purpose of the article, and thus that their continuing protection as trademarks would likely have anticompetitive consequences.

If this had been explicit—one really has to read between the lines—it would have made many of these questions, including those I have mentioned and others such as “where in the patent may one look to find the allegedly functional trade dress feature”—easier to answer.

### B. Victoria’s Secret and Dastar

*Two Pesos* might be read as the high point of trade dress protection under this Court, with *Qualitex* hinting at both expansion and caution. In *Wal-Mart* and *TrafFix*, the Court signaled a desire to rein in claims under the Lanham Act. The last two cases, both decided last year, are consistent with this last philosophy.

#### 1. *Dastar*

In *Dastar*, the plaintiff was the owner of a copyright in a television series based upon President Eisenhower’s book *Crusade in Europe*. After that television series fell into the public domain for failure to comply with copyright renewal formalities, the defendant Dastar purchased tapes of the series, edited them, and added additional material of its own and sold the revised video tapes as its own product. The packaging for the product made no reference to the original television series: it said “Produced and Distributed by” a Dastar subsidiary.

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38. *TrafFix*, 532 U.S. at 34, 58 U.S.P.Q.2d (BNA) at 1007.

39. *Id.*

The plaintiffs sued under copyright law (based on other works that were still in copyright) and under Section 43(a), arguing that Dastar's conduct in failing to credit the source of the television series amounted to reverse passing off. The Ninth Circuit affirmed the judgment for the plaintiffs on the Lanham Act claim, primarily based upon the proposition (well-established in the Ninth Circuit) that the "bodily appropriation" of a plaintiff's work without attribution was sufficient to support a Lanham Act claim.

Strictly, Justice Scalia proceeded again from a literal interpretation of the language of the statute—what does the word "origin" mean in Section 43(a)? Was the failure to include a reference to Fox or the television series a "false designation of origin" within the meaning of that provision? Justice Scalia in fact looked first at the dictionary to answer this question. This would suggest that the Court is advancing no agenda unique to trademark law; rather, the Court is following a not atypical approach to statutory interpretation.

But given that the language of Section 43(a) is clearly susceptible to more than one interpretation, one might suspect that there is something else going on. The *Dastar* Court appears willing to reject the endorsement of judicial development of this cause of action in the legislative history to the 1988 Berne Convention Implementation Act. Yet, the Court was also ready to accept in *Two Pesos* the endorsement of judicial expansion of the scope of trade dress actions in the legislative history to the 1988 Trademark Law Revision Act. Thus, mere statutory interpretation tools do not provide a complete explanation

Justice Scalia's opinion does offer some hints as to other explanations. The Court appears heavily influenced by a variety of considerations that it views as supporting its conclusion that "origin" simply means the producer of the tangible goods offered for sale (*Dastar*) and not the author of any idea or expression embodied therein (*Fox*) and, thus, that *Dastar* engaged in no false designation of origin.

Once again, the Court engages in amateur psychology by hazarding guesses as to what information would be of interest to the purchaser of the tape—Justice Scalia, clearly the prototypical consumer, concludes that consumers are interested in who stands behind the product, not the person who contributes the ideas that are embodied in the product. "The words of the Lanham Act should not be stretched to cover matters that are typically of no consequence to purchasers."<sup>40</sup>

Justice Scalia acknowledges that the purchaser of what the Court calls a "communicative product" such as the video tape might be interested in the

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40. *Dastar*, 539 U.S. at 32-33, 66 U.S.P.Q.2d (BNA) at 1645.

source of the intellectual content. But his unwillingness to offer legal redress based on *that* possibility reveals two other aspects of the Court's evolving approach to the Lanham Act.

First, the Court is concerned about the practical difficulties for rival producers that broad protection would create. Which persons—authors, directors, actors, publishers, broadcasters—would have to be identified? Moreover, the Court suggested that if Dastar had placed the names of any of those people, including Fox, on its tape, it might have been sued under a false endorsement theory. The Court appears concerned that competitors be able to engage in properly competitive conduct—assuming the work is out of copyright—without the uncertainty of not knowing who to credit, and without the litigation chill of being sued no matter what attribution strategy it followed.

Second, the Court notes that allowing the plaintiff's argument to proceed would conflict with case law establishing the right to copy a work that has fallen in the public domain. Putting aside the doctrinal quibble that some of the precedent cited for this right—such as *Kellogg Co. v. National Biscuit Co.*<sup>41</sup>—expressly conditioned this right on the defendant's obligation not to mislabel the product, what is clear is the Court's continuing concern with what it noted in *TrafFix*: broad protection under the Lanham Act might come to interfere with other intellectual property regimes. Indeed, in this case, the Court described the plaintiff's argument as seeking to create a species of “mutant copyright.” The Court would appear willing to try and confine trademark law to questions of misrepresentation rather than misappropriation, and will not allow the unfair competition provision of Section 43(a) to roam much further.

The Court, thus, emphasizes, consistent with its recent trade dress law, that Section 43(a) “does not have boundless application . . .”<sup>42</sup> The Court is clearly adopting a much more restrictive view of the reach of the Lanham Act.

## 2. *Victoria's Secret*

When a sex shop owner called his store Victor's Little Secret, the owners of the Victoria Secret's mark for lingerie sued for dilution under Section 43(c) of the Lanham Act. The Court was faced with the question whether Victoria's Secret could prevail by showing a likelihood of dilution (the test under most state laws) or had to show actual dilution.

Relying again primarily on the language of the federal statute, and its contrast with state statutes, the Court held that actual dilution had to be

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41. 305 U.S. 111, 39 U.S.P.Q. (BNA) 296 (1938).

42. *Dastar*, 539 U.S. at 29, 66 U.S.P.Q.2d (BNA) at 1644.

proved. Again, this might seem like an opinion reflecting mere statutory interpretation methodology, and insisting that Congress be clear in the enacting statute. And here the policy arguments do seem to have been less influential. Rather, the principal connection between *Victoria's Secret* and other Rehnquist Court case law is the extremely narrow doctrinal point it resolved, and the morass of questions that it opens up.

Thus, although the Court held that actual dilution is required, it did not say how that should be proved. The Court did state that mere “mental association” between the two marks is not actual blurring (or tarnishment), “at least where the marks at issue are not identical . . . .”<sup>43</sup>

The relevance of this throwaway “identity” language has already caused confusion in the lower courts, with some courts in fact restricting any action to identical marks. And even in those courts that have not adopted such a strained reading of the opinion, the Court’s apparent effort to create (albeit in side-comment) a bright line concept will result in abstract discussion of the question of identity (rather than effects on the distinctiveness of a mark), just as trade dress cases now spend too much time on whether a mark is design or packaging—and I still await decisions on the meaning of *tertium quids*.

To be sure, the Court would appear to want certainty of proof rather than speculation, but it left open the door to lower courts’ divergent interpretation of the required proof outside the identity context. Thus, the Court correctly rejected the Fourth Circuit’s remarkably strict but arguably *clear* demand for actual loss of sales or profits—but did not say what the alternatives might be.

The Court did, in response to arguments that surveys were going to be hard to construct, expensive and unreliable, indicate that direct evidence of actual dilution (such as surveys) would not be required if actual dilution could be proved through circumstantial evidence. But the only example it gave of circumstantial evidence was identical marks.

Finally, as Justice Kennedy’s concurrence (which almost reads as a dissent) makes clear, the standard will be hard to apply in the injunction context, where analysis of likelihood of success on the merits might import likelihood standards into the test.

Thus, if the Court does intend to restrict the dilution cause of action to identical marks, it has not made that very clear. If it did not have that intent, it has offered no guidance to lower courts on the means by which to assess the test that it has now imposed.

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43. *Moseley*, 537 U.S. at 433, 65 U.S.P.Q.2d (BNA) at 1807-08.

## IV. THEMES AND TRENDS

So, before predicting the outcome in *KP Permanent*, let me summarize some of the principal themes and trends that one might detect in these opinions. Some of these are more speculative than others. First, the 1995 decision of the Supreme Court in *Qualitex*, although expansive in so far as the Court accepted the registration of color per se as a trademark, contained the first suggestions that the Supreme Court might restrain the excesses of *Two Pesos*. This restraint has been made more explicit by the two most recent Supreme Court trade dress decisions, namely *Wal-Mart* and *TrafFix Devices*. Thus, the *TrafFix Devices* Court, noted that “in *Wal-Mart*, we were careful to caution against misuse or over-extension of trade dress.”<sup>44</sup> The two cases decided last year are consistent with that approach. The Court is clearly moving toward a narrower view of trademark law (although that may be in part a response to the protective developments coming from the lower courts and Congress).

Second, the Court’s decisions are often doctrinally quite narrow—I am thinking here of *Moseley* or *Dastar*—but may have a broader short-term effect in the lower courts than the doctrinal rule articulated might suggest. Since the *Moseley* and *Dastar* cases last year, several lower courts have dismissed or pushed back other cases that might easily be distinguished on a doctrinal level. That is, the lower courts have understood the symbolism as well as the doctrine in the Supreme Court opinions. But in the long-term, the symbolic value may diminish. For example, I would not be surprised to see lower courts, in the absence of a proper law of unfair competition in the United States, undermine *Moseley* by stretching notions of actionable confusion where defendants are clearly bad actors.

Third, although in a couple of these cases (notably *TrafFix* and *Dastar*) parties or *amici curiae* made arguments grounded in the Constitution, the Court has steered away from resting its decisions on a constitutional basis. Yet, it is possible that these constitutional arguments may be the elephant in the corner. That is, the Court’s approach to statutory interpretation may be influenced by a desire to stay away from constitutional questions.

Fourth, almost all the cases ostensibly rely on literal interpretation of the language of the Lanham Act (since *Qualitex*, to support a pro-defendant conclusion). But, although any advocate has to come to the Rehnquist Court armed with textualist arguments, the Court’s inconsistent use of textual interpretation (most notably between *Two Pesos* and *Wal-Mart*) shows that other considerations do inform the Court’s analysis.

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44. *TrafFix*, 532 U.S. at 29, 58 U.S.P.Q.2d (BNA) at 1005.

Fifth, and clearly one of those “other considerations,” the Court appears to view certainty as a value to be promoted. But I sense that it is certainty for competitors—rather than consumers, as one might expect of trademark law—that is key for this Court. Thus, in *Wal-Mart*, the Court feels that competitors need the “legal” certainty of being able to dismiss strike suits; in *TrafFix*, the Court gives *some* weight to the competitor’s certainty in being able to practice expired patents; and in *Dastar*, where the certainty of being able to copy and adapt a public domain work is likewise present, the Court is also concerned that the competitor know with some certainty the person from whom it has to obtain licenses. And the *Dastar* Court is also concerned with the *certainty* that the defendant would be sued, no matter whether it attributed or failed to attribute. That kind of certainty—a certainty of uncertainty, as it were—is *not* what the Court wishes to encourage.

Sixth, the Court seems to think it can achieve this certainty through the articulation of bright lines rules (“identical marks” in *Moseley*, the product design/packaging distinction in *Wal-Mart*), strong presumptions (of functionality, in *TrafFix*) and strict standards of proof (of secondary meaning, in *Qualitex* and *Wal-Mart*, and actual dilution in *Moseley*). But these bright lines may in fact simply lead to more abstract, and more doctrinally complex, inquiries that undermine the Court’s goal of certainty.

Seventh, although competitiveness is a value that underlies many of the Court’s opinions, this is a malleable consideration, which the Court uses strategically to bolster its conclusion. Thus, in *Two Pesos* and *Qualitex*, competitiveness demanded the availability of protection for trade dress; in *Wal-Mart* and *TrafFix*, a concern for competition supports a more limited view of trademark law. I do not mean to suggest that the Court has necessarily been inconsistent; over-protection and under-protection might equally be anticompetitive. Perhaps this merely shows that competition is a variable that will be relevant in properly calibrating the scope of trademark protection.

#### V. KP PERMANENT

So what does this mean for *KP Permanent*? In this pending case, the Court is being asked to resolve another circuit split. The Second Circuit will allow a fair use defense if the defendant makes a good faith descriptive use of a mark, even if that use might cause a likelihood of confusion. The Ninth Circuit holds that a fair use defense will only be available where the defendant’s use will not create a likelihood of confusion.

This issue is quite well-defined for the Court, and might appear quite narrow. But it might also have knock-on effects on a debate taking place both

within the lower U.S. courts and in the European Union regarding whether a defendant's use must be "use as a trademark" in order to infringe plaintiff's rights.

But concentrating on the narrow issue for present purposes, I think that, on balance, the Court will find that the availability of a fair use defense is not conditioned on there being no likelihood of confusion. As this conclusion rests on some observations that I have already made, let me simply indicate what those are and how strongly they cut in favor of this conclusion.

First, textualism: if there is no likelihood of confusion, then there is no *prima facie* case and, thus, no need for an explicit statutory defense.

Second, the conclusion I predict would arguably be consistent with the general trend of the Court's opinions reining in the scope of trademark protection. But it is not so obvious that the lower court rulings (or the statutory language) on this issue have been expansionist in nature, so it does not seem as obvious a candidate for a pro-defendant ruling by a Court determined to put the brakes on "misuse or overextension" of trade dress law, or the creation of a "mutant species of copyright."

Moreover, the debate in the lower court in this case also involved the question of whether the mark in question was generic or descriptive. The Ninth Circuit found that the mark in question was not generic, and even if it were descriptive, the offensive use of incontestability (sanctioned in *Park 'N Fly* right before the Rehnquist Court came into being) precluded the assertion of that argument. A broad fair use defense might be perceived as a way of cutting back on the supposed property-like effects of incontestability (I say "supposed," because a plaintiff holding a registration that has become incontestable still has to show likelihood of confusion, which if the mark is descriptive, will be harder to do.) However, to do so the Court would have to undervalue the certainty gains secured for the trademark owner by incontestability. Thus, it is not entirely clear where or how this case fits with the pro-defendant trend of recent decisions in light of possibly conflicting certainty impulses.

Third, one can see hints in *Traffix* (and perhaps in *Dastar*, though one would have to read the opinion more broadly than I would to do so) that the Court might be willing to tolerate some degree of consumer confusion in order to vindicate other values that it identifies as underlying intellectual property law generally. In those cases, the Court appears to elevate the negative purposes of the copyright and patent system over the positive purposes of the trademark system. Might the Court be willing to tolerate some confusion—as does the Second, but not the Ninth, Circuit—in order to effectuate other values? In particular, might the concern for competitors and competition swing the Court toward permitting defendants to make necessary

descriptive uses of marks despite likely confusion.

Fourth, and perhaps this is most speculative of all, the Court might wish to signal to producers that they should adopt marks that are not so close to the threshold of protectability. This would be consistent with what might be an implicit aspect of the later trade dress cases, namely, that producers should use source-identifiers that are arbitrary, or use labels over designs to identify source. The *Qualitex* Court appeared unreceptive to a similar argument based on likely producer need to use source-identifiers other than labels. And one might also be resistant to the argument if one perceived of trademark law as reactive (to the understandings of consumers) rather than pro-active (in shaping the choices of producers and those signs that consumers are most likely to rely on).

But I think that the Court's more recent decisions (particularly *Wal-Mart* and *TrafFix*) do suggest the Court's impatience with producers who select marks that implicate these hard questions because of the duality of designs as product features and marks. Descriptive marks raise parallel concerns in that, like designs, they possess a duality (as source-identifiers if they acquire secondary meaning, and as descriptors) that makes them valuable to competitors—and, thus, especially valuable to the initial producer.

Again, this is highly speculative on my part. The most persuasive reason for reversal of the lower court has nothing to do with trademark law. The opinion being reviewed was written by the Ninth Circuit, and so there is a fair chance that it will be reversed by the Rehnquist Court. With that only slightly-serious consideration, I will conclude and will be happy to take questions.