THE RATIONAL LIMITS OF TRADEMARK LAW (2000)

Graeme B. Dinwoodie*

Introduction

Over the last two decades, the reach of U.S. trademark law has significantly expanded in several different ways. In this Essay, I will focus on three expansions that have tested the limits of trademark law: the subject matter potentially protected as trademarks has become virtually unlimited; the scope of rights afforded a trademark owner has been extended to prevent noncompeting uses by others that are not likely to cause consumer confusion but which may dilute the distinctiveness of the trademark owner’s mark; and, most recently, trademarks have been reflexively afforded additional protection against conduct known as cybersquatting. After reviewing these three developments, I will suggest that each implicates in its own way a fundamental question about the direction of U.S. trademark law: what is to be the lodestar that will guide trademark law and help establish rational limits on protection? I argue that trademark law must develop by explicit reference to its basic purposes. Although these purposes are somewhat general and more varied in nature than often recognized, attention to them will ground trademark law in present commercial reality without foreclosing adaptation to future social developments. Trademark law is a mercantile law. As such, it is (and must be) both shaped and limited by the market forces that it seeks to regulate. To be sure, it must not become entirely hostage to market forces; on occasion, trademark law will need to recognize and act on its capacity to construct the market. But, even there, trademark law must pay attention to empirical realities (if only to determine when to do more than react to the market). That is, recognizing limits – whether by reacting to, or shaping, market forces – is best achieved through purposive analysis. In the three areas canvassed in this essay, however, the courts and Congress are marking out a different path, involving ad hoc delineation of trademark holders’ rights in response to the latest perceived social or economic threats to brand values.

If one seeks to pursue a purposive approach to trademark law, then one must first identify the basic purposes of trademark protection. In this Essay, I will reaffirm the classic avoidance of consumer confusion rationale as more than sufficient to serve the legitimate concerns of producers, especially as that rationale has been implemented by U.S. courts in recent years. The basic fairness and utility of this purpose is evidenced, perhaps,

---

*Professor of Law, Chicago-Kent College of Law. Thanks to Mark Janis, Graeme Austin, and Brian Havel for comments on an earlier draft. Copyright 2000, 2005, Graeme B. Dinwoodie.

1By this title, I consciously seek to invoke the work of Frank Schechter, whose 1927 Harvard Law Review article The Rational Basis of Trademark Law has found substantial vindication in current (i.e. 2000) U.S. attitudes toward the scope of trademark rights. See Frank I. Schechter, The Rational Basis of Trademark Protection, 40 HARV. L. REV. 813 (1927).
by the fact that tying the limits of trademark law to it would draw a balanced and flexible line through the three difficult issues that I discuss. Purposive analysis reflective of the confusion-avoidance rationale offers the possibility, dependent upon social and economic developments, of more generous trade dress protection than under the categorical approach recently endorsed by the U.S. Supreme Court. But it would limit the scope of trademark rights more narrowly than Congress has done in the federal dilution statute. And it would offer a workable vehicle for addressing conflicts between domain names and trademark rights without detailed congressional legislation.

But, more important than the specific balance that this purposive approach strikes in particular settings, it would guide the courts in establishing rational limits to trademark law. This is not to say that limits on trademark law might not appropriately emanate from other sources or objectives. But a sense of principled direction is sadly missing from many recent developments. Purposive analysis would ground trademark law in social and market realities; absent that grounding, trademark law may become a vehicle for mere rent seeking. And, as different intellectual property rights converge and trademark rights come to protect subject matter protected by other regimes such as copyright or patent, the strength of trademark law’s claim to regulate such matter in a manner different from those other regimes rests upon the policies of trademark law retaining a distinctive hue. Purposive analysis will ensure that trademark law retains that characteristic coloration.

I. The Subject Matter of Trademark Protection: Trade Dress and “Tertium Quids”

Recent years have seen an explosion in the number of so-called “trade dress” infringement cases brought under the federal trademark statute,2 the Lanham Act.3 Indeed, all three trademark opinions of the U.S. Supreme Court in the last decade have involved trade dress,4 and the Court has just agreed to hear another trade dress case next term.5 The term “trade dress” is used to refer to source-identifying subject matter other than words or two-dimensional pictorial images; in particular, it commonly refers to the source-identifying

---


The Rational Limits Of Trademark Law

61

The term “trademark” is conventionally reserved for situations where the identifier of a product’s
source is a word or pictorial symbol, but the significance of this terminology is now slight. See Blau Plumbing,
Inc. v. S.O.S. Fix-It, Inc., 781 F.2d 604, 608 (7th Cir. 1986) (concluding that there was “no substantive
difference” between tradenames and trademarks). As discussed more fully below, the Supreme Court’s
decision in Two Pesos supports the suggestion that the terminology is of lesser significance, while the Court’s more
recent decision in Wal-Mart Stores tends to suggest otherwise (at least with respect to tradenames
consisting of product design). See infra text accompanying notes 39-70.

Although these expansions in trademark subject matter raise more difficult
issues for trademark law than according protection to words or two dimensional images,12
contemplating possible protection is wholly consistent with the underlying purposes of
trademark law. Trademark law protects symbols that identify the source of goods and
distinguish those goods from the goods of another producer. If a competitor were able to
market its goods under a confusingly similar symbol, consumers may mistakenly purchase
the wrong goods, and the producer’s investment in the goodwill of the product would be

6The term “trademark” is conventionally reserved for situations where the identifier of a product’s
source is a word or pictorial symbol, but the significance of this terminology is now slight. See Blau Plumbing,
Inc. v. S.O.S. Fix-It, Inc., 781 F.2d 604, 608 (7th Cir. 1986) (concluding that there was “no substantive
difference” between tradenames and trademarks). As discussed more fully below, the Supreme Court’s
decision in Two Pesos supports the suggestion that the terminology is of lesser significance, while the Court’s more
recent decision in Wal-Mart Stores tends to suggest otherwise (at least with respect to tradenames
consisting of product design). See infra text accompanying notes 39-70.

(packaging for photographic products); see also George Basch Co. v. Blue Coral, Inc., 968 F.2d 1532 (2d Cir.

8See Truck Equipment Serv. Corp. v. Fruehauf, 536 F.2d 1210 (8th Cir.), cert. denied, 429 U.S. 861
(1976) (“TESCO”) (protecting the appearance of the hopper of a truck); see also Jessica Litman, Note, The
Problem of Functional Features: Trade Dress Infringement Under Section 43(a) of the Lanham Act, 82
COLUM. L. REV. 77, 83 (1982) (identifying TESCO as the first successful product design infringement claim
under the Lanham Act).

9See Qualitex Co. v. Jacobsen Products., 514 U.S. 159 (1995). Although the Supreme Court has not
expressly addressed the issue, it is broadly accepted that other subject matter such as sounds (and perhaps even
smells) can serve as trademarks. See id. at 162 (“If a shape, a sound, and a fragrance can act as symbols why,
one might ask, can a color not do the same?”); see, e.g. In re Clarke, 17 U.S.P.Q.2d 1238, 1240 (T.T.A.B.
1990) (scent of thread acted to identify source of thread).


11See id. at 162.

12See Dinwoodie, supra note 2, at 624-45. These issues can be addressed by doctrinal vehicles, such
as the doctrine of functionality, that are closely tied to competing or additional purposes of trademark, namely
not to undermine the patent system and to avoid anticompetitive effects. See id. at 684-751.
Trademark protection against confusing simulation thus 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.\(^\text{14}\)

If consumers identify a product by its packaging, color or design features, these same concerns are implicated to no less an extent even though countervailing concerns related to competition might also be heightened. This purposive analysis of trademark protection undergirds large parts of the opinions in \textit{Qualitex} and \textit{Two Pesos, Inc. v. Taco Cabana, Inc.}\(^\text{15}\) 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.\(^\text{16}\) But an essential premise underlying this argument is a mark's distinctiveness, \textit{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. “A consumer must recognize that a particularly packaged product comes from Source A before she can be confused by a similar package from Source B.”\(^\text{17}\)

The distinctiveness of trade dress has thus been one of the principal subjects of the recent Supreme Court case law. It is the rock upon which the expansion of trademark subject matter has been built, both factually and legally. The factual premises have been established by the growing visuality of contemporary society.\(^\text{18}\) And in 1992, in \textit{Two Pesos},

\(^{13}\)Two primary justifications have traditionally been offered in support of trademark protection: to "protect the public so that it may be confident that, in purchasing a product bearing a particular trademark which it favorably knows, it will get the product which it asks for and which it wants to get"; and to ensure that "where the owner of a trademark has spent energy, time and money in presenting to the public the product, he is protected in his investment from its appropriation by pirates and cheats." S. Rep. No. 1333, 79th Cong., 2d Sess. 3 (1946). Many limits can also be deduced internally from these justifications. Other limits may reflect additional policy values. See Graeme B. Dinwoodie, \textit{Trademark Law and Social Norms}, Working paper on file with the author.


\(^{15}\)See, \textit{e.g.}, \textit{Two Pesos}, 505 U.S. at 773-75; \textit{Qualitex}, 514 U.S. at 163-64.

\(^{16}\)For a fuller explication of the Court's purposive analysis, see Dinwoodie, \textit{ supra} note 2, at 645-56.

\(^{17}\)Charles Jacquin Et Cie, Inc. v. Destileria Serralles, Inc., 921 F.2d 467, 472 n.5 (3d Cir. 1990).

\(^{18}\)See generally \textit{Mitchell Stephens, The Rise of the Image, The Fall of the Word} (1998); see also Bernard Stamler, \textit{Mother Jones Returns to Roots With New Look}, \textit{N.Y. Times}, Aug. 17, 1998, at C7 (reporting views of Jeffrey Klein, founder of Mother Jones magazine, that “there is an emerging next generation . . . but their language is not the same. This generation communicates visually as well as verbally.”).
The Rational Limits Of Trademark Law

Inc. v. Taco Cabana, Inc., the Court, in the course of upholding trademark protection for the decor and ambiance of a Mexican fast-food restaurant against replication by a competitor, laid the corresponding legal foundation when it 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. Prior to Two Pesos, the circuit courts were divided on whether trade dress could be inherently distinctive; some, such as the Second Circuit, required evidence of secondary meaning before offering protection to trade dress.

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 was developed to adjudicate the protectability of verbal or pictorial marks, and those modes of analysis proved inadequate when transplanted to trade dress. They were particularly deficient 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) test used with respect to word marks. Others applied different tests to


20Secondary meaning exists when consumers over time come to associate the word or dress in question with a single source. See Restatement (Third) of Unfair Competition § 13 cmt. e (1995) (“Secondary meaning exists only if a significant number of prospective purchasers understand the term, when used in connection with a particular kind of good, service, or business, not merely in its lexicographic sense, but also as an indication of association with a particular, even if anonymous, entity”).


22Under U.S. law, distinctiveness is measured by locating the mark in one of a spectrum of conceptual categories that “blend without clear differentiation into one another.” See id. at 485. A mark will be regarded as inherently distinctive if it is “fanciful”, “arbitrary” or “suggestive” in relation to the goods upon which it is affixed. Marks classified as "descriptive" of the goods are not inherently distinctive and can be protected only upon proof that they have actually acquired distinctiveness in the minds of consumers. See generally Abercrombie & Fitch Co. v. Hunting World, Inc., 537 F.2d 4, 9 (2d Cir. 1976).

23See, e.g., Stuart Hall Co. v. Ampad Corp., 51 F.3d 780, 788 (8th Cir. 1995) (applying same doctrinal tests to trade dress and trademarks); Kompan A.S. v. Park Structures, Inc., 890 F. Supp. 1167, 1174 (N.D.N.Y. 1995); see also Sunbeam Prods. v. West Bend Co., 123 F.3d 246, 252 & 260 (5th Cir. 1997) (applying Abercrombie to product design despite express recognition of differences between words and designs). This approach was supported by some scholars. See, e.g. David W. Opderbeck, Form and Function: Protecting Trade Dress Rights in Product Configurations, 20 Seton Hall. Legis. J. 1, 38 (1996) (endorsing application of Abercrombie to product design); see also Droitler, supra note 2, at 488-92 (approving application of Abercrombie if conceived of in terms of range of alternative designs).
measure trade dress distinctiveness, such as the so-called Seabrook 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, or whether it [was] a mere refinement of 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.”24 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,25 and thus developed different tests depending upon the category – design or packaging – into which the trade dress fell.26

This final approach required the courts in question to develop new analytical devices with which to measure the distinctiveness of product design.27 The tests that they developed28 were unduly complex and tended to provide lesser trade dress protection for product designs than for packaging.29 This result was justified in large part by the contention that design features were less likely to act as trademarks for consumers (although, more candidly, might have been supported by countervailing concerns apart from


25 This difficulty arises for two primary reasons. First, the Abercrombie formulation is rooted in notions, such as descriptiveness, that tap into our facility with the meaning of words and are thus less intuitive in the case of non-verbal signs. Second, in product design cases, unlike those involving product packaging or words affixed to products, courts saw no obvious relationship between the mark and the product which comprised the mark, and it is that relationship to which the Abercrombie test was directed. See Duraco Prods. v. Joy Plastic Enters., 41 F.3d 1431, 1441 (3d Cir. 1994) (“The very basis for the trademark taxonomy -- the descriptive relationship between the mark and the product, along with the degree to which the mark describes the product -- is unsuited for application to the product itself.”); id. at 1434 (“[T]raditional trade dress doctrine does not ‘fit’ a product configuration case because unlike product packaging, a product configuration differs fundamentally from a product's trademark, insofar as it is not a symbol according to which one can relate the signifier (the trademark, or perhaps the packaging) to the signified (the product)”; id. at 1440-41 (“Being constitutive of the product itself and thus having no such dialectical relationship to the product, the product's configuration cannot be said to be ‘suggestive’ or ‘descriptive’ of the product, or ‘arbitrary’ or ‘fanciful’ in relation to it.”).


27 It should also have caused consideration of how to distinguish between packaging and design. See infra text accompanying notes 65-67 (discussing Wal-Mart Stores).

28 See, e.g., Duraco, 41 F.3d at 1434 & 1448-49 (holding that “to be inherently distinctive, a product feature or a combination or arrangement of features, i.e., a product configuration, for which Lanham Act protection is sought must be (i) unusual and memorable, (ii) conceptually separable from the product, and (iii) likely to serve primarily as a designator of origin of the product”).

29 See Dinwoodie, supra note 21, at 553-62 (discussing effects of these tests).
The Rational Limits Of Trademark Law

The development of separate approaches to different categories of trade dress tied in with the second incomplete aspect of Two Pesos. The extent of 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? Courts developing the new (and stricter) tests for inherent distinctiveness of product designs largely proceeded on the assumption that Two Pesos did require the possibility of inherently distinctive product designs. But they also concluded 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.

Throughout the 1990s, it was far from clear which approach to trade dress – the purposive or the categorical – would prevail. The Court's subsequent decision in Qualitex Co. v. Jacobsen Prods., in which the Court recognized that a color per se could be registered as a product's trademark under the Lanham Act, did not answer this question. 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 this 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

---

30 See Duraco, 40 F.3d at 1448 (“[A] consumer is substantially more likely to trust a product's packaging rather than its configuration as an indicium of source.”); Knitwaves Inc. v. Lollytogs Ltd., 71 F.3d 996, 1007-08 (2d Cir. 1995); see also EFS Mktg. v. Russ Berrie & Co., 76 F.3d 487, 491 (2d Cir. 1996) (2d Cir. 1996) (“In Knitwaves, . . . we explained that product-configuration trade dresses are less likely than packaging-configuration dresses to serve the source-identification function that is a prerequisite to Lanham Act protection . . . [Consumers] are more likely to be attracted to the product for the product’s features, rather than for the source-identifying role the features might play.”).

31 See Duraco, 40 F.3d at 1445-6 (“[W]e do read Two Pesos as giving an imprimatur to finding trade dress in a product configuration to be inherently distinctive under certain narrow circumstances.”)

32 See id. at 1442.

33 In part, it might be viewed as the re-establishment of a traditional distinction between packaging and design. See Jerome H. Reichman, Design Protection And The New Technologies: The United States Experience In A Transnational Perspective, 19 U. BALT. L. REV. 6, 87 (1989).

34 The Qualitex Court contrasted marks consisting of color per se with inherently distinctive marks and compared them with descriptive terms. See Qualitex, 514 U.S. at 162–63 (noting that “a product's color is unlike ‘fanciful,’ ‘arbitrary’ or ‘suggestive’ words or designs, which almost automatically tell a customer which brand they refer to”); id. (analogizing consumer association with color to descriptive terms, and stating that lack of objection to protection existed with respect to color that has attained secondary meaning); id. at 1307 (logic
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 in theory permit of 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.

This brief summary of judicial developments does not capture the range of divergent approaches that developed in the lower courts.\textsuperscript{35} Courts were pervasively divided, and a congressional effort to resolve the splits in the lower courts, which would have involved legislating a single test (modeled on the Seabrook test) for all trade dress, stalled in the face of opposition from constituents of the relevant House sub-committee chair.\textsuperscript{36} In March 2000, however, the U.S. Supreme Court answered some of these open questions. In \textit{Wal-Mart Stores, Inc. v. Samara Brothers, Inc.},\textsuperscript{37} the Court granted certiorari on the question “what must be shown to establish that a product's design is inherently distinctive for purposes of Lanham Act trade-dress protection?”\textsuperscript{38}

\textit{Wal-Mart} involved trade dress rights that the plaintiff claimed in the design of a line of children’s seersucker clothing. The plaintiff had prevailed before the Second Circuit, where the court had found the design to be inherently distinctive. Although the Court granted certiorari to determine, “what must be shown to establish that a product’s design is inherently distinctive for purposes of Lanham Act trade-dress protection?,” Wal-Mart argued that product designs could be protectable trade dress only if secondary meaning was shown. In a unanimous decision the Court accepted that argument, concluding that while packaging may be inherently distinctive, product design may not.\textsuperscript{39} 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 of protecting descriptive marks that have acquired secondary meaning applies also to color \textit{per se}; see also \textit{Mana Prods. v. Columbia Cosmetics Mfg.}, 65 F.3d 1063, 1071 (2d Cir. 1995) (“In light of the Supreme Court’s decision in Qualitex, color is capable of obtaining trademark status in the same manner [as] a descriptive mark . . . by attaining secondary meaning.”); \textit{Knitwaves, Inc. v. Lollytogs Ltd.}, 71 F.3d 996, 1008 (2d Cir. 1995) (“[The Qualitex] court concluded [that] a product's color is . . . eligible for trademark protection only when it acquires secondary meaning . . .”).

\textsuperscript{35}For a fuller analysis, see Dratler, \textit{supra} note 2, at 469-506; Dinwoodie, \textit{supra} note 2, at 656-80.

\textsuperscript{36}See \textit{Trade Dress Protection Act}, H.R. 3163, 105th Cong. (articulating predictive test for determining distinctiveness of trade dress and listing non-exclusive factors).

\textsuperscript{37}120 S. Ct. 1339 (2000).


\textsuperscript{39}The respondent, Samara Brothers, had argued (with some basis but ultimately un成功ively) that that question was not encompassed by the certiorari grant.
(which could not). It thus raised to the surface the ambivalence that underlay *Qualitex*.

That the Court was 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;\(^{40}\) eight years later, the court read that silence as suggesting no barrier to the development of such a distinction.\(^{41}\) Similarly, although the *Qualitex* court has analogized color to descriptive marks, the court in *Wal-Mart* made explicit that in *Qualitex* “we held that a color could be protected as a trademark, but only upon a showing of secondary meaning.”\(^{42}\)

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 words marks do.\(^ {43}\) This categorical conclusion probably bears some incidental correlation to present social reality. But there may be circumstances in which it does not, and indeed those circumstances may become more frequent as society becomes more visual and global marketing reduces reliance on linguistic forms of communication.\(^ {44}\) 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.\(^ {45}\) Instead, the Court foreclosed individualized scrutiny of its (unsupported) social generalization, by embedding that generalization as a rule of law.

\(^{40}\)See *Two Pesos*, 505 U.S. at 772-774 (White J.) (finding no textual basis for distinction between trade dress and trademarks either in registration or infringement provisions of statute).

\(^{41}\)See *Wal-Mart Stores, Inc.* 120 S. Ct. at 1343-44.

\(^{42}\)Id. at 1344.

\(^{43}\)See id.

\(^{44}\)See *Dinwoodie*, *supra* note 2, at 639-45. The internet may change things in ways that are as yet unclear. Thus, while global marketing (facilitated by the internet) might highlight the use of non-verbal symbols to bridge cultural and linguistic divides, the internet is still heavily text-dependent. For example, the means of searching the internet will likely affect the means by which online consumers identify and distinguish products, and the leading search engines are text based. But this facet of the internet may be changing. See *Kelly v. Arriba Software*, 77 F.Supp.2d 1116, 1121 (C.D. Cal. 1999) (finding that a “visual search engine” that copied images in the course of indexing images necessary to fulfil its search engine function was protected by the copyright fair use doctrine), aff’d in part, rec’d in part, 336 F.3d 811 (9th Cir. 2003).

\(^{45}\)The *Wal-Mart* court’s focus on the producer’s purpose in selecting the word or design as relevant to distinctiveness fundamentally misunderstands trademark law. See *Dinwoodie*, *supra* note 21, at 547 (noting that distinctiveness and trademark protection is based upon “public association, not private aspiration”).
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. The Court feared that broad product design trade dress protection might have anticompetitive effects because design, unlike packaging or words, serves purposes other than source identification. Concern for the potentially anticompetitive 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 – and not the ontological status of the mark subject matter – as the sentinel of competition.” And, since Qualitex, Congress has heightened the efficacy of the functionality doctrine by imposing the burden on that question on a plaintiff where the design is not registered as a trademark.

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.” 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. Although Samara argued that application of the classical Abercrombie trademark test should, under Two Pesos, be applied to all trade dress, its more significant argument had been that the Seabrook test could provide

---

46See Qualitex, 514 U.S. at 168 (rejecting rule prohibiting protection of color per se because “it relie[d] on an occasional problem to justify a blanket prohibition.”)

47See Wal-Mart Stores, Inc., 120 S. Ct. at 1344.

48The doctrine of functionality denies the grant of trade dress rights where protection would significantly hinder competition (because a competitor needs to be able to use the trade dress feature in order to compete effectively) or would undermine the limits of the patent system. See Qualitex, 514 U.S. at 165 (“This court . . . has explained that ‘in general terms, a product feature is functional,’ and cannot serve as a trademark, ‘if it is essential to the use or purpose of the article or if its affects the cost or quality of the article,’ that is, if exclusive use of the feature would put competitors at a significant non-reputation related disadvantage”).

49See Dinwoodie, supra note 2, at 655.


51Wal-Mart Stores, Inc., 120 S. Ct. at 1344.

52See id. at 1344-1345.

53See supra text accompanying note 24.

54See supra note 22.
appropriate guidance in trade dress cases. And the Seabrook test was also endorsed by various amici, including the United States government.\textsuperscript{55}

The Seabrook test does, however, suffer from one conspicuous frailty. Without an overarching test, a mere assessment of “uniqueness” is irrelevant to trademark law. The justices noted as much at oral argument, as had scholars before them.\textsuperscript{56} The Seabrook test will only work – but will work – if it is viewed in light of the overarching inquiry of whether consumers are likely to identify the product in question by its design. Without repeating the explanations I have sketched elsewhere of how this test could be made to work and serve the purposes of trademark law,\textsuperscript{57} suffice it so say that 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.\textsuperscript{58} The justices reacted adversely to that response at oral argument,\textsuperscript{59} 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.”\textsuperscript{60}

Because such arguments regarding the overarching purpose of the Seabrook test were not put to the court,\textsuperscript{61} the holding was as much grounded on concern over the anticompetitive effects of uncertain doctrinal tests,\textsuperscript{62} as on a firm conviction that a secondary meaning requirement was warranted either by the purposes of trademark law or was rooted in the statutory language.

\textsuperscript{55}See Brief of the United States as Amicus Curiae in Support of the Petitioner, 1999 WL 1045127 at * 8; Transcript of Oral Argument, 2000 WL 72053 at * 19.

\textsuperscript{56}See Dinwoodie, supra note 2, at 658-59 n.195; Transcript of Oral Argument, 2000 WL 72053 at * 40-43.

\textsuperscript{57}For an fuller explication of how the Seabrook test can be used in tandem with an overarching predictive inquiry, see Dinwoodie, supra note 21, at 568-602.

\textsuperscript{58}See Transcript of Oral Argument, 2000 WL 72053 at * 20.

\textsuperscript{59}See id. at * 20-21.

\textsuperscript{60}Wal-Mart Stores, Inc., 120 S. Ct. at 1345.

\textsuperscript{61}During oral argument, some members of the Court appeared to be searching for such guidance (by supplementing the Seabrook inquiry with “additional questions”), but counsel for Samara resisted such efforts out of a concern that any formulation would tend toward a requirement of secondary meaning. See Transcript of Oral Argument, 2000 WL 72053 at * 40-41. But this need not be the case. See Dinwoodie, supra note 21, at 568-602.

\textsuperscript{62}At oral argument, Justice O’Connor commented that inherent distinctiveness is like obscenity (difficult to define, but “I know it when I see it”). See Transcript of Oral Argument, 2000 WL 72053 at * 6.
But this prudentially derived conclusion raised another problem, which the court acknowledged.\textsuperscript{63} \textit{Two Pesos} “unquestionably established the legal principle that trade dress can be inherently distinctive.”\textsuperscript{64} The Court distinguished \textit{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.”\textsuperscript{65} And because this categorical distinction between packaging and design would be difficult to define,\textsuperscript{66} the Court suggested that in close cases, courts err on the side of classifying trade dress as product design and thus requiring secondary meaning.\textsuperscript{67}

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.\textsuperscript{68} Yet this statement ignores two likely litigation strategies. Because trade dress is often a composite of features and packaging, to be considered as a whole and not as merely the sum of its parts,\textsuperscript{69} litigants will

\textsuperscript{63}The Court’s conclusion also raised the possibility of harm to a producer foreclosed from obtaining immediate trademark protection for its inherently distinctive design, and having to wait instead to prove secondary meaning. But the Court suggested that the availability of a design patent or copyright protection for designs reduced the level of harm that a producer might suffer. See \textit{Wal-Mart Stores}, 120 S. Ct. at 1345. This statement is remarkably oblivious to the deficiencies of copyright and design protection for product designs in the United States. See David Goldenberg, \textit{The Long And Winding Road: A History of The Fight Over Industrial Design Protection In The United States}, 45 J. CORP. SOC’Y 21, 22-24 (1997) (discussing design patent protection); Shira Perlmutter, \textit{Conceptual Separability And Copyright In The Designs of Useful Articles}, 37 J. CORP. SOC’Y 339 (1990) (discussing copyright protection). Indeed, given the inter-relationship of different forms of intellectual property protection for designs, see Reichman, supra note 33, it may be that this restriction on trade dress protection may give added impetus to design legislation proposals in the U.S. Congress. See Graeme B. Dinwoodie, \textit{The Integration of Domestic and International Intellectual Property Lawmaking}, 24 COLUM.-V.L. J. L. & ARTS 305 (1999) (discussing study of design legislation ordered by the Digital Millennium Copyright Act).

\textsuperscript{64}\textit{Wal-Mart Stores}, 120 S. Ct. at 1345.

\textsuperscript{65}\textit{Id.} at 1345.

\textsuperscript{66}See Dinwoodie, \textit{supra} note 21, at 573-85.

\textsuperscript{67}\textit{See Wal-Mart Stores}, 120 S. Ct. at 1346.

\textsuperscript{68}See \textit{id}.

\textsuperscript{69}See, e.g., American Greetings Corp. v. Dan-Dee Imports, Inc., 807 F.2d 1136, 1141 (3d Cir. 1986) (“Trade dress is a complex composite of features and the law of unfair competition in respect to trade dress requires that all of the features be considered together, not separately.”); Paddington Corp. v. Attiki Imports & Dists., 996 F.2d 577, 584 (2d Cir. 1993) (“One could no more deny protection to a trade dress for using commonly used elements than one could deny protection to a trademark because it consisted of a combination of commonly used letters of the alphabet”).
The Rational Limits Of Trademark Law

In Fundamental To o, Ltd. v. Gemmy Indus. Co rp., 11 1 F.3 d 99 3 (2 d C ir. 199 7), the p laintiff clai med prot ecti on for  the  tra de dres s of  its produ ct, a novel ty bank i n th e fa miliar for m of a tank toil et.  The product was dis played and s old in s tores in an open box .  The box bore illust rations of t he means of operation, but the toil et bow l was covered by clear plasti c to prevent customers from placing any ob ject in the  bow l while the bank  was o n disp lay.  Th e defe ndant's prod uct clo sely imitat ed the design of the product, the nature  of its packag ing, an d the  marki ngs on the bo x.  Jud ge M ukase y emp hasize d that the  plaintiff's pro duc t, “alone and apart from it s packag" was no t at issue in the lawsuit.  Rather, the trade dress allegedly infringed wa s a composite of the product's design and its packaging, and on this basis the district court judge (affirmed by the Second Circuit) followed the approach of the Second Circuit towards packaging claims.  See also Fundex, Inc. v. Imperial Toy Corp., 26 U.S.P.Q.2d 1061 (S.D. Ind. 1992) (applying Abercrombie to determine inherent distinctiveness of trade dress comprising composite of product's features and its packaging).

Although the Wal-Mart opinion will have a limited effect on current trademark law, because only a small number of product designs can properly be treated as inherently distinctive,\(^7\) it suffers from two important flaws as a means of establishing the limits of trademark law. First, it creates uncertainty by forcing parties to litigate abstract questions of classification that are not relevant to the purposes of trademark law. Second, 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. And it ignores the increasing attention of trademark law to the problem of post-sale confusion.\(^7\) The purposive approach, which the Court followed in Two Pesos and Qualitex, would have avoided both of these problems. If consumers identify a product by a feature, whether packaging or design, the purposes of trademark law support the possibility (subject to countervailing policy concerns) of protection against the confusing simulation of that

---

\(^7\)In Fun-Damental Too, Ltd. v. Gemmy Indus. Corp., 111 F.3d 993 (2d Cir. 1997), the plaintiff claimed protection for the trade dress of its product, a novelty bank in the familiar form of a tank toilet. The product was displayed and sold in stores in an open box. The box bore illustrations of the means of operation, but the toilet bowl was covered by clear plastic to prevent customers from placing any object in the bowl while the bank was on display. The defendant's product closely imitated the design of the product, the nature of its packaging, and the markings on the box. Judge Mukasey emphasized that the plaintiff's product, “alone and apart from its packaging” was not at issue in the lawsuit. Rather, the trade dress allegedly infringed was a composite of the product's design and its packaging, and on this basis the district court judge (affirmed by the Second Circuit) followed the approach of the Second Circuit towards packaging claims. See also Fundex, Inc. v. Imperial Toy Corp., 26 U.S.P.Q.2d 1061 (S.D. Ind. 1992) (applying Abercrombie to determine inherent distinctiveness of trade dress comprising composite of product's features and its packaging).

\(^7\)See Dinwoodie, supra note 21, at 563-65 (discussing number of design found to be inherently distinctive after Two Pesos).

\(^7\)In the post-sale context, supplementary verbal indicators on packaging or labels may be of less use in distinguishing between two similarly designed products because the packaging or attached labels will often be discarded after purchase.
The functionality doctrine identifies countervailing objectives that might require moderation of the producer’s trade mark rights. But where a design is functional, see supra note 48, balancing these conflicting objectives should be done in full awareness that denial of any trademark protection undermines full effectuation of the consumer-avoidance purpose of trademark protection. See Dinwoodie, supra note 2, at 729-38.

73The functionality doctrine identifies countervailing objectives that might require moderation of the producer’s trademark rights. But where a design is functional, see supra note 48, balancing these conflicting objectives should be done in full awareness that denial of any trademark protection undermines full effectuation of the consumer-avoidance purpose of trademark protection. See Dinwoodie, supra note 2, at 729-38.

II. Scope of Rights: Federal Dilution Protection

Classically, trademark rights protected a mark holder only against uses by a rival that caused consumer confusion as to the source of the rival’s goods. As the U.S. Supreme Court explained:

Then what new rights does the trade-mark confer? It does not confer the right to prohibit the use of the word or words. It is not a copyright . . . A trade-mark only gives the right to prohibit use of it so far as to protect the owner’s goodwill against the sale of another’s product as his . . . When the mark is used in the way that does not deceive the public, we see too much sanctity in the word as to prevent its being used to tell the truth.74

This scope of rights was sufficient both to protect consumers and to prevent the appropriation of the producer’s goodwill by a competitor passing off its goods as those of the mark holder. As trademarks came to signify the intangible qualities of a product as well as its source,75 the scope of rights afforded a trademark holder expanded to protect against misleading suggestions of association or endorsement. Yet, this expansion in the scope of rights was accommodated internally within the likelihood of confusion infringement test.76 The perceptions of the consumer remained central to, and guided, the inquiry.

74Prestonettes, Inc. v. Coty, 264 U.S. 359, 368 (1924).

75See Nicholas S. Economides, The Economics of Trademarks, 78 TRADEMARK REP. 523, 527 (1988) (“By the beginning of the twentieth century trademarks were understood not to be useful in identifying the source, but rather as identifying a quality standard.”).

76In 1962, Congress amended section 32 of the Lanham Act, Pub. L. No. 87-772, 76 Stat. 769, evincing “a clear purpose to outlaw the use of trademarks which are likely to cause confusion, mistake or deception of any kind, not merely of purchasers nor simply as to source of origin.” Syntex Labs. v. Norwich Pharmacal, Co., 437 F.2d 566, 568 (2d Cir. 1971). Section 32 of the Lanham Act, 15 U.S.C. § 1114, imposes liability upon “any person who, without the consent of the registrant, uses . . . the registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services in connection with which such use is likely to cause confusion,” but no longer limits actionable confusion to source-confusion. See also 15 U.S.C. § 1125(a)(1)(A) (imposing liability upon any person who, “on or in connection with any goods or services, uses any word, term, symbol, or device, or false designation of origin, false or misleading description of fact, or false and misleading representation of fact, which is likely to cause confusion as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship or approval of his or her goods,
In 1995, Congress enacted the Federal Trademark Dilution Act.\(^{77}\) This Act provides that the owner of a famous mark is entitled to enjoin another person’s commercial use in commerce of that mark if such use causes dilution of the distinctive quality of the mark, regardless of the presence or absence of: (a) competition between the owner of the famous mark and the other party, or (b) likelihood of confusion, mistake or deception. The enactment of a federal law was intended to provide uniform national protection against dilution; previously, dilution protection had been available in approximately one half of the states.\(^{78}\) Under state laws in the United States prior to the enactment of the Federal Dilution Act of 1995, dilution causes of action generally rested upon proof of “blurring” or “tarnishment.” The federal statute, although not explicit, has been interpreted as targeting similar acts.\(^{79}\)

Dilution protection is aimed at the harm (the “whittling away” of the distinctiveness of a mark) that might occur to the producer from the use of the mark on noncompeting or dissimilar products.\(^{80}\) Under classical infringement analysis, where only confusion as to source was actionable, the dissimilarity of products might easily preclude a finding of trademark infringement. But the expanded confusion avoidance rationale now captures many of these activities and protects the mark in those cases, rendering dilution protection less urgent.

But why should these limits of trademark protection be set by a contemporary confusion rationale rather than dilution protection? Dilution protection moves trademark law away from its basic purpose of mutual consumer and producer protection, and instead focuses solely on protecting the producer.\(^{81}\) But once untethered from the concept of

\(^{77}\)See 15 U.S.C. § 1125(c).


\(^{80}\)See Milton Handler, A Personal Note on Trademark and Unfair Competition Law Before the Lanham Act, 59 LAW & CONTEMP. PROBS. 5, 10-11 (1996).

consumer protection, the parallel concept of producer value imposes no a priori limits on the scope of protection. At what point is protection of the producer too much protection? Which competitive activities that adversely affect the producer (as competitive activities are wont to do) are permissible?

The absence of any rational limits is evidenced by the confused and conclusory nature of judicial opinions applying the dilution law. Recent efforts to explicate a test for blurring, one of the two actionable effects that constitute dilution, illustrate the quandary.\(^82\) Prior to the federal legislation, the most quoted analysis by which courts had assessed the claim of blurring was that offered in Judge Sweet’s concurring opinion in *Mead Data Central, Inc. v Toyota Motor Sales, USA, Inc.*\(^83\) There, in applying the same test under New York law, Judge Sweet suggested six factors that should be considered.\(^84\) These “Sweet factors” have been applied by several courts under the federal legislation.\(^85\)

Yet these factors fail to identify or even target a harm other than one grounded in consumer response; the Sweet factors are a minor variant on the likelihood of confusion factors.\(^86\) This has convinced some courts to suggest that the factors need augmentation\(^87\) or wholesale rejection.\(^88\) Yet, the alternative tests that have been formulated are no better. For example, the First Circuit rejected the Sweet factors, but instituted an inquiry instead “into whether target consumers will perceive the products as essentially the same.”\(^89\) But this test also falls short of clearly identifying a harm other than consumer confusion. Indeed, to the

\(^{82}\) Tarnishment may raise these concerns in even starker relief. See Robert C. Denicola, *Some Thoughts On The Dynamics of Federal Trademark Legislation And The Trademark Dilution Act of 1995, 59 LAW & CONTEMP. PROB. 75, 85-86 (1996) (noting that while protection against dilution of a mark’s distinctiveness is self-limiting, the tarnishment rationale is not so limited). And one can detect similar problems with the concept of a “famous mark” upon which dilution protection is conditioned. Despite a statutory laundry list of factors for courts to consider in assessing fame, many courts fail to consider the issue, see Lori Krafte, *Judicial Interpretation of The Federal Trademark Dilution Act of 1993, 66 U. CIN. L. REV. 659 (1998) and many others have offered tortured interpretations of the condition. See, e.g., Nabisco, Inc. v. PF Brands, Inc., 191 F.3d 208 (2d Cir. 1999).

\(^{83}\) 875 F.2d 1026, 1035 (2d Cir. 1989) (Sweet J., concurring).

\(^{84}\) The factors are: (1) similarity of the marks; (2) similarity of the products; (3) sophistication of the consumers; (4) predatory intent; (5) renown of the senior mark; and (6) renown of the junior mark. See id.


\(^{86}\) See 3 J. THOMAS MCCARTHY, TRADEMARKS AND UNFAIR COMPETITION § 24.94.1.

\(^{87}\) See Nabisco, Inc. v. PF Brands, Inc., 191 F.3d 208 (2d Cir. 1999).


\(^{89}\) Id.
extent that it differs from the confusion-based test for classical trademark infringement, it bears strong resemblance to the test of copyright infringement,\textsuperscript{90} raising further concerns of offering de facto copyright protection to certain famous words or designs for which copyright is or may not be available. Such perceived “end-runs” on the limits of copyright\textsuperscript{91} and patent protection\textsuperscript{92} have raised the ire of courts in recent years, and threaten the legitimacy of trademark law as an autonomous source of regulation.

Finding a test that is both workable and is targeted at a harm that dilution seeks to redress is difficult because these extended rights have no independent grounding. By linking the scope of protection to the avoidance of consumer confusion, and thus to an identifiable harm, trademark law will possess an internal compass that imposes rational limits (albeit, not the only limits) on its extension. And that compass, in the person of the consumer, will be one that is responsive to social and economic changes, and thus to the harms to which trademark law must address itself.

III. Trademarks in Cyberspace: Conflicts with Domain Names

The digital revolution has forced intellectual property law to confront many new and perplexing issues. In the context of trademark law, particular problems have resulted from the interaction of trademark rights and ownership of domain name registrations. The scope of trademark rights is defined by the goods upon which the mark is used (and by the geographic area in which it is used), thus permitting the use of the same term by several mark owners on different goods. For example, the term UNITED is used as a trademark separately by an airline and by a moving company. Domain names are, however, unique; under the current configuration of the internet and the domain name system, there can only be one United.com.\textsuperscript{93}

Thus, in the online environment, conflicts over domain name ownership may arise between two legitimate trademark owners. This has been dealt with, thus far, by the expedient of adopting a first-come-first-served approach to the allocation of domain names.\textsuperscript{94}

\textsuperscript{90}See Laureyssens v. Idea Group, Inc., 964 F.2d 131 (2d Cir. 1992).


\textsuperscript{92}See Vornado Air Circulation Sys. v. Duracraft Corp., 58 F.3d 1498 (10th Cir. 1995).

\textsuperscript{93}In fact, it is owned by United Airlines. See http://www.united.com (visited September 6, 2000).

\textsuperscript{94}This expedient may generate other long-term problems. First, it simply avoids the issue of the appropriate owner of the united.com domain name registration. Second, as business models begin to require domain name registration of the term for which traditional trademark protection is sought, the maintenance of
But this liberal approach to the allocation of domain names raises other problems. Because a domain name comprising a trademarked term may easily be first registered by someone other than the mark owner, there has been extensive litigation and recent federal legislation regarding the rights that a mark owner has against the owner of a domain name who has no trademark rights in the term.

Some of the defendants in this type of litigation have been competing producers using, in an online environment, marks (as domain names) that were confusingly similar to existing protected marks. Others have been, to use the favored neologism, “cybersquatters,” that is, persons who had registered domain names consisting of well-known trademarks and then sought to extract payment from the mark owner in return for transfer of the domain name registration. Early efforts to address the allegedly infringing use of trademarks as domain names, in either of these categories but particularly the latter, relied heavily upon the federal dilution legislation. They did so because of statements in the legislative history expressing the hope that the dilution legislation would assist in redressing the problem of cybersquatting. But such protection fits uncomfortably within the tendered justification for dilution protection; the courts have thus shoehorned the factual scenario of cybersquatting into the dilution statute.

This judicial reaction is perhaps an understandable attempt by courts to err on the side of protecting intellectual property rights in new technological environments. The same trend can be seen in the early treatment of software under the copyright laws. But it also reveals two other themes, both of which are pertinent to this Essay. First, the amorphous, directionless nature of dilution protection permits it to be invoked in an unlimited range of settings. And, second, if trademark protection online is to be rationally limited, it must be constructed upon some principle other than reflexive protection for the property of the mark holder. It must be hitched to something other than the protection of producer value.

appropriate competition might require that we infuse some trademark principles into domain name registration practices. Although full-scale, trademark-like searches would both impose significant transaction costs and impose peculiarly American notions of trademark ownership in words, both of which are substantial downsides to be considered, some incorporation of the notions of trademark law may be helpful. One might consider, for example, whether it is necessary to exclude certain basic terms from domain name ownership, as does trademark law. Otherwise, such ownership might be too significant a competitive advantage for the domain name owner; certainly, the prices paid for certain domain names would suggest that such possibilities exist. Similarly, although it cuts against the grain of international trademark developments, a delayed “use” requirement might be imposed to maintain domain name ownership. This would provide a small disincentive to domain name speculation, an activity thus far permitted but which becomes problematic if business models effectively require companion domain name ownership of the term for which trademark registration is sought. Absent any such restrictions on domain name registration, the depletion of domain names might effectively be transferred into the trademark system.

Some courts have begun this task.\textsuperscript{96} They have done so primarily in the context of classical infringement analysis, tailored to protection of the consumer against an expanded range of actionable confusion. This guiding purpose requires courts to construct a cyber-consumer, by inquiring as to consumer understandings that online shopping, marketing, and browsing creates. These understandings, which inevitably and appropriately involve the use and meaning of domain names, thus will enable a scope of limited trademark rights to be established in the online environment.

In Congress, a different approach is being adopted. Trademark owners have singled out particular contexts, such as cybersquatting, in which their interests are at stake, and have sought property-like protection in those settings. Thus, Congress recently enacted the Anticybersquatting Consumer Protection Act,\textsuperscript{97} which creates a new Section 43(d) of the Lanham Act.\textsuperscript{98} Section 43(d) now provides a cause of action against anyone who, with bad-faith intent to profit from the goodwill of another's trademark or service marks, “registers, traffics in, or uses a domain name that is identical to, confusingly similar to, or [in the case of famous marks] dilutive of such trademark.” It is important to recognize first that this legislation addresses only one of the many dilemmas that cyberspace raises for trademark law, and, second, that trademark owners will likely seek additional legislation to address concrete, new categories of behavior.\textsuperscript{99} Yet, the approach of serially legislating

\textsuperscript{96}See, e.g., Avery Dennison Corp. v. Sumpton, 189 F.3d 868 (9th Cir. 1999) (dilution); Brookfield Comms., Inc. v. West Coast Ent. Corp., 174 F.3d 1036 (9th Cir. 1999).

\textsuperscript{97}Pub. L. 106-113, Tit. III (1999).

\textsuperscript{98}The civil action established under paragraph (1) and the in rem action against the domain name established under paragraph (2) of the new Section 43(d) are in addition to any other civil action or remedy otherwise applicable. Damages and injunctive relief will be available for violations of the new law, see id. § 3003, as will statutory damages under a new Section 35(d) of the Lanham Act, which provides that “in a case involving a violation of section 43(d)(1), the plaintiff may elect, at any time before final judgment is rendered by the trial court, to recover, instead of actual damages and profits, an award of statutory damages in the amount of not less than $1,000 and not more than $100,000 per domain name, as the court considers just.” Section 43(d) applies to all domain names registered before, on, or after the date of the enactment of the Act, but damages are not available with respect to the registration, trafficking, or use of a domain name that occurs before the date of the enactment of the Act. See Section 3010.

\textsuperscript{99}The statute also creates a cause of action in Section 3002(b) intended to offer additional protections for individuals. This provides that “any person who registers a domain name [on or after December 2, 1999] that consists of the name of another living person, or a name substantially and confusingly similar thereto, without that person's consent, with the specific intent to profit from such name by selling the domain name for financial gain to that person or any third party, shall be liable in a civil action by such person.” See Section 3002(b)(1)(A). However, no cause of action will exist under this separate provision if a registration of such a name is made in good faith and is used in, affiliated with, or related to a protected work of authorship, and the person registering the domain name is the copyright owner or licensee of the work, the person intends to sell the domain name in conjunction with the lawful exploitation of the work, and such registration is not prohibited by a contract between the registrant and the named person. This exception only applies to causes of action under Section 3002(b) and does not limit other more traditional trademark or other causes of action. If a plaintiff is successful under Section 3002(b), a court may award injunctive relief, including the forfeiture
stronger trademark protection with respect to one category of cyber-behavior at a time will always be behind the curve of harmful activities and will be devoid of rational limits that derive from sources other than the practical constraints of political power – a problem of political economy not unique to trademark law, of course. Hewing close to the basic purposes of trademark law, and being guided by the internal compass of protecting the integrity of consumer understandings, would both provide rational limits and afford courts the flexibility to tackle new issues as they arise.

**Conclusion**

In its most recent trademark cases, the Supreme Court has charted an uncertain path for trademark law. That uncertainty stems in part from the Court’s own ambivalence about committing to a purposive approach to trademark law. Such an approach, seen in *Two Pesos* and *Qualitex*, may suggest to some only an expansionist vision of trademark protection. And in those two cases, to be sure, the Court favored the position of trademark owners. But purposive analysis, rooted in consumer confusion avoidance, is not inherently expansionist. It will offer broad protection only where the integrity of consumer understanding is severely threatened, and less where that is not so. It can supply a coherence to trademark law that cannot be achieved by judicial or legislative attention to competitive behavior on a category-by-category approach. And it can ensure that trademark law responds flexibly to changing markets. Finally, because the purposes of trademark law are limited in nature, purposive analysis can establish rational limits to trademark law in ways that ad hoc legislative protection of producer value cannot.
2005 Postscript to *The Rational Limits of Trademark Law*

In the time since the preceding Essay was written, the courts have been the site for the principal developments of the three issues of trademark law covered in the Essay. Some of those judicial decisions have borne out concerns I expressed in 2000 (e.g., trade dress protection and dilution causes of action remain shrouded in uncertainty, lacking direction), while others suggest that my fears were over-stated (e.g., there has been little of the “category-shopping” I predicted in trade dress litigation). Yet, none of these developments calls into question the basic thesis of the Essay: the coherence of modern U.S. trademark law is being undermined by a failure expressly to link its development to its basic purposes. To be sure, in each of its four opinions since 2000, the U.S. Supreme Court has endorsed or articulated limits on the availability or scope of trademark protection. Taken with *Wal-Mart*, this group of twenty-first century cases may signal an unease with the unbridled expansion of trademark rights. And, significantly, while some of those limits can be deduced from the internal consumer protection rationale discussed in the 2000 Essay, others reflect sources or purposes that might be viewed as external (or often peripheral) to trademark law. Incorporating these broader purposes within trademark analysis remains a crucial task, but one that may fall largely to scholars if the Supreme Court continues to speak only obliquely on its basic approach to trademark policy.

In the context of trade dress, *Wal-Mart* has indeed obliged many courts to address the unduly metaphysical question of whether trade dress is “product design” or “product packaging.” However, ready reliance by courts on the Supreme Court’s instruction to err, in close cases, toward a “design” classification has over time made this satellite question less consumptive of judicial resources. Indeed, as predicted, the rule announced in *Wal-Mart* has had little direct effect on the availability of trade dress protection because few designs would under any standard likely be regarded as inherently distinctive. However, taken with the trade dress case handed down by the Court in 2001, *TrafFix Devices, Inc. v. Marketing Displays, Inc.*, it can now be seen as a clear signal to lower courts to rein in product design trade dress protection.

The *TrafFix* Court highlighted the vitality of the functionality doctrine in product design trade dress litigation. The Court’s confirmation of what it previously said (in a footnote) in *Inwood* and (in dicta) in *Qualitex*, namely, 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,” was hardly radical. However, the Court also disapproved the lower court’s reliance on both insubstantial anticompetitive effect and the availability of alternative designs to save the plaintiff from a functionality determination. These holdings

---

100 532 U.S. 23 (2001).

101 See supra n. 48.
(if faithfully followed) might have greatly contracted trade dress protection. But because the Court failed to explain how its test applied absent regard to competition or alternatives – and, more importantly, how its test meshed with the purposes of trademark law – lower courts have easily managed to avoid the full effects of the Court’s decision.

Likewise, the TrafFix Court’s other functionality holding – that where trade dress rights were claimed in the design of an article that had previously been the subject of a utility patent since expired, that utility patent is “strong evidence that the features therein claimed are functional” – has raised more questions than it has answered. And, again, this is because of a failure by the Court to explain the purpose behind the rule it announced. Was this rooted in the competitive advantages of a patented feature or a concern for the integrity of the patent system? A later case, Dastar Corp, v. Twentieth Century Fox Film Corp., in which the Court held that Section 43(a) of the Lanham Act did not prevent the unaccredited copying and distribution of an uncopyrighted public domain work, suggests that the Court may indeed be concerned about the encroachment of trademark law into other areas of intellectual property law. But, as in TrafFix, we are left to speculate because the Court strictly rested its opinion on an unsatisfying dissection of the word “origin” in Section 43(a). The Court’s real concerns about the expansion of trademark and unfair competition law are raised only tangentially, teasing but hardly clear.

Just as trade dress law has seen the Supreme Court insisting on limits (however poorly articulated), the Court has since 2000 interpreted the dilution statute in ways that address some of the concerns I expressed about the potentially capacious scope of dilution law. In Moseley v. V Secret Catalogue, Inc., the Court held that a plaintiff seeking relief under Section 43(c) of the Lanham Act must show actual rather than a mere likelihood of dilution in order to make out a claim. Thus, the dilution protection which I suggested lacked satisfactory theoretical foundation was indeed cut back, but by using a textual interpretation almost certainly inconsistent with legislative intent. As such, it is a limit that is not likely to last; indeed, it is already the subject of congressional efforts to over-ride. Courts and scholars still have not fully explained “blurring” or “tarnishment” in other than conclusory or talismanic phrases that offer very little guidance to producers and the public. This continuing gap merely confirms my insistence on grounding protection in consumer confusion.

Change has been most fast-moving (though as yet untouched by the Supreme Court) in the context of trademark law online. Attention has have moved beyond the cybersquatting activities that consumed Congress and the courts in 1998-1999 (though a reduced volume of cybersquatting cases remain in the courts). Courts are beginning to grapple with the application of confusion-based doctrines (most notably, initial interest confusion) in the


richer array of situations that arise in the online environment. Although these decisions have not yet reached a stage of ideal consistency or equilibrium, the courts are proceeding blessedly free from further congressional intervention.

Because the doctrines that are guiding these courts are, unlike early cybersquatting cases, grounded in consumer protection justifications, there would appear to be sufficient basis for courts to recognize appropriate limits on trademark regulation of banner, keyword, and pop-up advertising. Yet, courts may find that although these classic purposes do establish some limits on trademark rights, other limits may also be necessary. In particular, courts might need to recognize that trademark law both reflects and constructs the market; on occasion, trademark rules will proactively shape that market by developing new limits on the scope of trademark rights. Some courts are thus restricting the expansion of trademark rights online through rules such as the requirement that the defendant be using “as a mark.” At present, such rules have lacked a full theoretical justification. But if limits linked to consumer-confusion are insufficient (though necessary) to establish an ideal scope of trademark protection, it is incumbent upon scholars to develop those other justifications and to integrate them into a purposive analysis of trademark law.