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High Court Takes Right Turn in *TrafFix*, but Stops Short of the Finish Line: An Economic Critique of Trade Dress Protection for Product Configuration

I. INTRODUCTION

Nearly seventy-five years ago, while discussing the pre-requisites of a successful competitive market, Nobel Prize winning economist, F.A. Hayek, stated:

It is necessary in the first instance that the parties in the market should be free to . . . produce, sell, and buy anything that may be produced or sold at all. And it is essential that the entry into the different trades should be open to all on equal terms and that the law should not tolerate any attempts by individuals or groups to restrict this entry by open or concealed force.¹

A proper legal system is necessary to create and maintain such a competitive market because “[t]he functioning of . . . competition . . . depends, above all, on the existence of an appropriate legal system, a legal system designed both to preserve competition and to make it operate as beneficially as possible.”²

Until recently, the Supreme Court ignored this valuable instruction in the area of trade dress protection for product configurations. Following the Supreme Court’s *Two Pesos, Inc. v. Taco Cabana, Inc.* decision,³ companies could obtain trademark protection, and thus a virtual monopoly, for configuration of their products, in some instances, without the obligation of demonstrating that the primary function of the packing or package configuration was a source indicator in the minds of consumers.⁴ The Supreme Court had made possible “a state of affairs which [was] . . . a sort of syndicalist or ‘corporative’ organization of industry, in which competition is more or less suppressed but planning is left in the hands of the independent monopolies of the separate

1. F.A. HAYEK, THE ROAD TO SERFDOM 42 (The University of Chicago Press 50th Anniv. ed., 1994) (1944).

2. *Id.* at 43.

3. *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 23 U.S.P.Q.2d (BNA) 1081 (1992).

4. *Id.* at 769, 23 U.S.P.Q.2d at 1084 (holding that trade dress was protectible without acquired secondary meaning, if it was found to be inherently distinctive).

industries.”⁵ Thankfully, the Supreme Court has recently begun to slowly limit the protection that product configuration can receive under trademark law, and thus once again encourage competition.

Trade dress protection for product configuration is the legal arena where patent and trademark laws collide and, perhaps one legal arena where the very foundation of our competitive, free market economy is challenged.⁶ This collision is highly ironic because both patent and trademark laws have a common goal: to encourage free trade and competition.⁷ The conflict occurs because certain product configurations may be able to obtain both patent protection and trademark protection.⁸ Once a utility patent expires on an item, firms may seek to extend their monopoly into eternity by obtaining trademark protection of the product's configuration, thus preventing others from copying that particular design of a product and entering the competitive market for that product.⁹ Conversely, certain items that cannot meet patent requirements may nonetheless receive patent-like protection, such as trade dress protection via product configuration.

By allowing product configuration to be trademarked, the courts have essentially allowed a single firm to monopolize a given area of their respective marketplace.¹⁰ As noted below, the Supreme Court has begun to limit product configuration protection under trademark law through its *Wal-Mart*¹¹ and *TrafFix*¹² decisions. However, these advances have come much too slowly and stop short of providing an effective legal structure to reap the benefits of a true competitive marketplace.

5. HAYEK, *supra* note 1, at 46.

6. Todd R. Geremia, Comment, *Protecting the Right to Copy: Trade Dress Claims for Configurations in Expired Utility Patents*, 92 NW. U.L. REV. 779, 779 (1998).

7. R. Lawton Jordan III, Note, *Thomas & Betts Corp. v. Panduit Corp.—Toward a Coherent View of Trade Dress Protection for Product Configuration*, 6 J. INTEL. PROP. L. 323, 323 (1999).

8. J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 6:3 (2001).

9. Gwendolyn Gill, Comment, *Through the Back Door: Attempts to Use Trade Dress to Protect Expired Patents*, 67 U. CIN. L. REV. 1269, 1270 (1999).

10. “The simple fact is that before the Court's decision in *Two Pesos, Inc.*, there were two upscale, drive-through Mexican restaurants competing in Houston, Austin, Dallas, and El Paso. After the decision, there was only one.” Glynn S. Lunney, Jr., *The Trade Dress Emperor's New Clothes: Why Trade Dress Does Not Belong on the Principal Register*, 51 HASTINGS L.J. 1131, 1167-68 (2000).

11. *Wal-Mart Stores, Inc. v. Samara Bros.*, 529 U.S. 205, 54 U.S.P.Q.2d (BNA) 1065 (2000).

12. *TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 58 U.S.P.Q.2d (BNA) 1001 (2001).

Part II of this Comment explains the background and policies of trademark and patent law, and explores the judicial “safeguard,” the functionality doctrine, which purportedly protects competition in the area of trade dress protection for product configuration. In particular, Part II focuses on the *Traffix* decision’s impact on the functionality doctrine—the doctrine traditionally used by courts to limit protection of product configuration. Part III discusses the basic economics behind product configuration protection. After concluding that the functionality doctrine is insufficient to protect the public’s right to freely compete, Part III advances the thesis that product configuration should not be able to be protected under trademark law, due to the anticompetitive effects such protection has on the marketplace. Finally, Part IV examines the inconsistency between product configuration protection and traditional notions of property rights.

II. UTILITY PATENTS, TRADEMARKS, AND THE FUNCTIONALITY DOCTRINE

Before undertaking a thorough discussion of the economics and policy considerations behind trade dress protection for product configuration, it is necessary to explore the intricacies of the functionality doctrine. This, in turn, requires a basic discussion of utility patents and trademarks.

A. *Utility Patents*

The U.S. Constitution grants Congress the power “[t]o promote the Progress of Science and useful Arts, by securing for limited times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries”¹³ Inventors must meet three requirements before their inventions can be patented: the invention must be useful, novel, and nonobvious.¹⁴ Also, the patent application “must include sufficient information to enable others to make or use the invention and the best method to make or use the invention known to the inventor at the time the application was submitted for review.”¹⁵ A patent for an invention—a utility patent—lasts twenty years from the date of registration.¹⁶ During the patent period, the “owner is granted the right to exclude others from making, using, or selling the patented invention without the

13. U.S. CONST. art. I, § 8, cl. 8.

14. Gill, *supra* note 9, at 1273 (citing 35 U.S.C. §§ 1-376, 101-03 (1994)).

15. *Id.* at 1276.

16. 35 U.S.C. § 173 (2000).

patent owner's permission."¹⁷ After a patent expires, the item falls into the public domain and may be freely copied.¹⁸

Patent protection is justified by three policy goals:

(1) to encourage and reward innovation and invention; (2) to promote the disclosure of inventions to advance science and dedicate the information to the public for its use after the patent expires; and (3) to ensure that only inventions that are truly new are granted patents so any invention already available to the public is not taken away and given to a single inventor as a monopoly.¹⁹

Thus, patents seek to promote competition by providing inventors with an incentive to innovate—a limited monopoly in their invention—while at the same time allowing the public to capitalize on the new technology and compete to produce or refine the technology in the most efficient manner. This rationale constitutes the “bargain theory of patents.”²⁰

B. Trademarks and Trade Dress

A trademark is a “designation used ‘to identify and distinguish’ the goods of a Person.”²¹ Trademarks serve four essential functions: 1) they identify and distinguish one seller's goods from another; 2) they signify a single source of all goods bearing the same mark; 3) they signify the same level of quality for goods bearing the same mark; and 4) they serve as a means of advertising and selling the goods.²²

The primary goal of trademark law is to foster competition by allowing consumers to easily identify a product's manufacturer, and, indirectly, a product's quality.²³ Thus, producers are forced to compete

17. Gill, *supra* note 9, at 1275 (citing 35 U.S.C. § 154(a)(1) (1994)).

18. *Id.* See also Jordan, *supra* note 7, at 325-26; MCCARTHY, *supra* note 8, § 6:3.

19. Gill, *supra* note 9, at 1275.

20. Malla Pollack, *The Owned Public Domain: The Constitutional Right Not to be Excluded – Or the Supreme Court Chose the Right Breakfast Cereal in Kellogg v. National Biscuit Co.*, 22 HASTINGS COMM. & ENT. L.J. 265, 291 (2000). “The patentee obtains a time-limited right to exclude others from making, using, or selling his invention. In return, the patentee discloses his invention to the public so that, at the end of the patent term, the public has the ability to practice the invention.” *Id.*

21. MCCARTHY, *supra* note 8, § 3:1 (quoting Lanham Act § 45, 15 U.S.C. § 1127 (2000)) (The Lanham Act specifically provides that a trademark is “any word, name, symbol, or device, or any combination thereof used by a person . . . to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown.”).

22. *Id.* § 3:2 (Trademark protection is codified in 15 U.S.C. §§ 1051-1127 (2000), commonly known as the Lanham Act.).

23. MCCARTHY, *supra* note 8, §§ 2:1-2:5; Jordan, *supra* note 7, at 328-29.

with each other in order to maintain the quality their trademark represents. Trademarks induce firms to maintain the quality of goods to which they are attached while preventing competitors from appropriating the goods of another and passing them off as their own.²⁴ Stated another way, trademark law exists to prevent consumers from being confused as to the source, nature, and quality of a product.²⁵ On the other hand, trademarks also protect property rights and the goodwill and reputation attached to a name or brand that a business has developed.²⁶

Trademark rights grow out of actual use of the mark in commerce, and courts do not protect trademark rights on the basis of who adopted, conceived of, or invented the mark initially.²⁷ The corollary of this principle is that a trademark right lasts as long as the mark is being used in commerce, that is, until it is abandoned.²⁸ Thus, theoretically, a trademark may last forever, "as long as [it] continues to function as a mark to identify the products or services coming from a single source, and the mark is not abandoned."²⁹

Trade dress is a subset of trademarks, and as such, is generally governed by the same statutory and common law principles discussed above.³⁰ Trade dress is defined as the total or overall image of a product that identifies a product's source or origin in the marketplace.³¹ There are two types of trade dress. The first involves the packing, wrapping, or labeling of goods, while the second consists of a product's design and configuration (the actual physical appearance and/or shape of a product).³² Although initially courts only protected the former category, courts have recently afforded protection to the latter category.³³ Both

24. Jordan, *supra* note 7, at 328-29.

25. MCCARTHY, *supra* note 8, § 2:1 (This principle is apparent because in a suit for common law trademark infringement under the Lanham Act, the plaintiff must demonstrate that the defendant's use of the mark "is likely to cause confusion [among consumers] . . . as to the origin, sponsorship, or approval of his or her goods. . ."); 15 U.S.C. § 1125(a).

26. MCCARTHY, *supra* note 8, § 2:2.

27. *Id.* § 16:11. Trademarks may be registered under 15 U.S.C. § 1051 if the requirements of 15 U.S.C. § 1052 are met. Suit may be filed against an infringer under 15 U.S.C. § 1114. A trademark, however, need not be registered to be protected. An owner of common law trademark rights may also sue infringers under 15 U.S.C. § 1125(a). However, even the rights granted by registration inure out of use. *See* § 1051.

28. MCCARTHY, *supra* note 8, §§ 17:1-17:2.

29. WILLIAM E. LEVIN, *TRADE DRESS PROTECTION* § 3:2 (2002).

30. ROBERT C. DORR ET AL., *TRADE DRESS LAW* § 2.01 (2d ed. 2001).

31. *Id.*

32. *Id.*

33. Wal-Mart Stores, Inc. v. Samara Bros., Inc., 529 U.S. 205, 209, 54 U.S.P.Q.2d

registered and unregistered trade dress are protected under the Lanham Act.³⁴

Courts require that trade dress (and trademarks in general) must "be capable of distinguishing the applicant's goods from those of others"³⁵ in order to be protected. A trademark satisfies this requirement if it "(1) is inherently distinctive or (2) has acquired distinctiveness through secondary meaning."³⁶ However, trade dress must also be "nonfunctional." The functionality doctrine, first developed by the common law³⁷ and now codified in the Lanham Act, requires that trade dress be "non-functional" to warrant protection.³⁸

C. The Functionality Doctrine

Courts created the functionality doctrine in order to resolve the conflict between trademark law and patent law: "Trade dress protection of product designs conflicts with the Patent Clause by offering [perpetual] patent-like protection to designs that do not meet the standards of patentability."³⁹ In other words, the conflict lies in the fact that a product design that is useful or utilitarian (i.e., functional) can be protected by trade dress law even though it does not meet the patent requirements of being novel and nonobvious,⁴⁰ whereas "patent law, not trade dress law, is the principle means for providing exclusive rights in useful product features."⁴¹

(BNA) 1065, 1067 (2000).

34. 15 U.S.C. §§ 1125(a)(1)(A), 1125(a)(3).

35. *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 768, 23 U.S.P.Q.2d (BNA) 1081, 1083 (1992).

36. *Id.* at 769, 23 U.S.P.Q.2d (BNA) at 1084; *Wal-Mart Stores*, 529 U.S. at 210-14, 54 U.S.P.Q.2d (BNA) at 1343-45 (stating that a trademark is inherently distinctive if its very nature identifies the source of the product. Marks that are suggestive, arbitrary, or fanciful are deemed inherently distinctive, while mere descriptive marks acquire secondary meaning if they have come to act as a primary source identifier of a seller's goods, rather than the product itself). See *Two Pesos*, 505 U.S. at 769, 23 U.S.P.Q.2d at 1086.

37. See *In re Morton-Norwich Prods., Inc.*, 671 F.2d 1332, 1336, 213 U.S.P.Q. (BNA) 9, 12 (C.C.P.A. 1982).

38. See 15 U.S.C. § 1125(a).

39. Anthony E. Dowell, Note, *Trade Dress Protection of Product Designs: Stifling the Progress of Science and the Useful Arts for an Unlimited Time*, 70 NOTRE DAME L. REV. 137, 151 (1994).

40. Courts generally distinguish between product features or designs that are *de facto* functional, those that actually perform a function in the lay sense, and those that are *de jure* functional, or legally incapable of trademark protection. *Morton-Norwich*, 671 F.2d at 1332, 213 U.S.P.Q. (BNA) at 13. This Comment discusses, in part, what is necessary to render a feature *de jure* functional.

41. *Valu Eng'g, Inc. v. Rexnord Corp.*, 278 F.3d 1268, 1273, 61 U.S.P.Q.2d (BNA)

Trade dress protection, however, is not intended to create patent-like rights in innovative aspects of product design. Trade dress protection, unlike patent law, does not foster innovation by preventing reverse engineering or copying of innovative product design features. . . . “Unlike patent law, the purpose of trademark and trade dress law is to prevent customer confusion and protect the value of identifying symbols, not to encourage invention by providing a period of exclusive rights.”⁴²

To remedy this conflict, courts created the functionality doctrine: “functional features of a product are not accorded trademark status. The doctrine only exists to prevent conflict between the coequal federal patent and trademark acts. The functionality doctrine ‘head[s] off a collision between section 43(a) [of the Lanham Act] and patent law.’”⁴³ The functionality doctrine was first developed based on the theory that “there exists a fundamental right to compete through imitation of a competitor’s product, which right can only be *temporarily* denied by the patent or copyright laws. . . .”⁴⁴ Thus, “the ‘functionality doctrine prevents trademark law, which seeks to promote competition . . . from instead inhibiting legitimate competition by allowing a producer to control a useful product feature.’”⁴⁵ It is difficult to define what actually constitutes a “functional” product feature because historically courts have oscillated between a narrow and broad interpretation of functionality.

One of the earliest cases to articulate the functionality doctrine was *Kellogg Co. v. National Biscuit Co.*⁴⁶ National Biscuit obtained a patent on a pillow-shaped breakfast food known as Shredded Wheat.⁴⁷ After the patent expired, Kellogg began manufacturing the same article, but

1422, 1425 (Fed. Cir. 2002) (quoting *Elmer v. ICC Fabricating*, 67 F.3d 1571, 1580 (Fed. Cir. 1995)).

42. *Eppendorf-Netheler-Hinz GmbH v. Ritter GmbH*, 289 F.3d 351, 355, 62 U.S.P.Q.2d (BNA) 1534, 1535-36 (5th Cir. 2002) (quoting MCCARTHY, *supra* note 8, § 6:3).

43. Dowell, *supra* note 39, at 169 (quoting *W.T. Rogers Co. v. Keene*, 778 F.2d 334, 338 (7th Cir. 1985)) (alteration in original). “The functionality doctrine thus accommodates trademark law to the policies of patent law: The functionality doctrine prevents trademark law, which seeks to promote competition by protecting a firm’s reputation, from instead inhibiting legitimate competition by allowing a producer to control a useful product feature.” *Valu Eng’g*, 278 F.3d at 1273, 61 U.S.P.Q.2d (BNA) at 1425.

44. *Morton-Norwich*, 671 F.2d at 1336, 213 U.S.P.Q.2d at 12 (emphasis added).

45. *Antioch Co. v. Western Trimming Corp.*, 196 F. Supp. 2d 635, 640 (S.D. Ohio 2002) (quoting *Abercrombie & Fitch Stores, Inc. v. American Eagle Outfitters, Inc.*, 280 F.3d 619, 640 (6th Cir. 2002)).

46. 305 U.S. 111, 39 U.S.P.Q. (BNA) 296 (1938).

47. *Id.* at 115-16, 39 U.S.P.Q. (BNA) at 297-98.

enclosed it in a different container.⁴⁸ Rejecting the plaintiff's claim for unfair competition, the Court stated:

Where an article may be manufactured by all, a particular manufacturer can no more assert exclusive rights in a form in which the public has become accustomed to see the article and which, in the minds of the public, is primarily associated with the article rather than a particular producer, than it can in the case of a name with similar connections in the public mind. Kellogg Company was free to use the pillow-shaped form, subject only to the obligation to identify its product lest it be mistaken for that of the plaintiff.⁴⁹

National Biscuit argued that if Kellogg were enjoined from using the pillow-shaped form of the biscuit, no confusion among consumers would exist.⁵⁰ In rejecting this argument, the Court noted that "[t]he obligation resting upon Kellogg Company is not to insure that every purchaser will know it to be the maker[,] but to use every reasonable means to prevent confusion."⁵¹ Kellogg met this obligation by distinguishing its product through placing its name prominently on the package and using a different container than the plaintiff.⁵² Further, the Court ruled that it was essential for Kellogg to use the pillow-shaped form because the form was functional, i.e., "the cost of the biscuit would be increased and its high quality lessened" if some other form was used.⁵³ Finally, the Court noted that the pillow-shaped form of the biscuit "[was an] integral part[] of the goodwill of the article[, and]"⁵⁴ . . . [s]har[ing] in the goodwill of an article unprotected by a patent or trade-mark is . . . a right possessed by all"⁵⁵

Thus, the *Kellogg* Court adopted a very broad definition of functionality, rendering it harder for companies to obtain trade dress protection for product configuration, and, conversely, making it easier for competitors to copy a product design. As a result, Kellogg and other companies were able to compete with National Biscuit by producing the same product, in the same form, but under a different brand name. Consumers have benefited from this decision by virtue of the different

48. *Id.*

49. *Id.* at 120, 39 U.S.P.Q. (BNA) at 300.

50. *Id.* at 121, 39 U.S.P.Q. (BNA) at 300.

51. *Kellogg*, 305 U.S. at 121, 39 U.S.P.Q. (BNA) at 300.

52. *Id.* at 120-22, 39 U.S.P.Q. (BNA) at 300.

53. *Id.* at 122, 39 U.S.P.Q. (BNA) at 300.

54. *Id.* at 121, 39 U.S.P.Q. (BNA) at 300.

55. *Id.* at 122, 39 U.S.P.Q. (BNA) at 300-01.

varieties of shredded wheat currently available and the lower prices that have resulted from competition.

In *Sears, Roebuck & Co. v. Stiffel Co.*,⁵⁶ the Court expanded the right to copy recognized in *Kellogg*. Stiffel manufactured pole lamps, which Sears copied and sold to the public at a lower price.⁵⁷ The Court held that “[a]n unpatentable article, like an article on which the patent has expired, is in the public domain and may be made and sold by whoever chooses to do so.”⁵⁸ The Court found that a state could not prohibit copying of such articles through its unfair competition laws, but it could require that labels or other distinctive packaging be added to products, in order to prevent confusion.⁵⁹ In the *Sears* companion case, *Compco Corp. v. Day-Brite Lighting, Inc.*,⁶⁰ the court stated that “if [a] design is not entitled to a design patent or other federal statutory protection, then it can be copied at will.”⁶¹ Rejecting several of the plaintiff’s arguments, the Court reasoned:

[t]hat an article copied from an unpatented article could be made in some other way, that the design is “nonfunctional” and not essential to the use of either article, that the configuration of the article copied may have a “secondary meaning” which identifies the maker to the trade, or that there may be “confusion” among purchasers as to which article is which or as to who is the maker, may be relevant evidence in applying a State’s law requiring such precautions as labeling; however . . . neither these facts nor any others can furnish a basis for imposing liability for or prohibiting the actual acts of copying and selling.⁶²

In essence, the court reasoned that because federal patent law allowed a product’s design or configuration to be protected, patent law had preempted other avenues of protecting product designs; thus, a competitor could copy anything not protected by a patent.⁶³

The *Sears* decision benefited competitors by clearly stating that competitors have a right to copy an unpatented design. The decision also benefited consumers. Prior to the suit, Stiffel had received complaints from customers that they could obtain the same product for

56. 376 U.S. 225, 140 U.S.P.Q. (BNA) 524 (1964).

57. *Id.* at 226, 140 U.S.P.Q. (BNA) at 525-26.

58. *Id.* at 231, 140 U.S.P.Q. (BNA) at 528.

59. *Id.* at 222-23, 140 U.S.P.Q. (BNA) at 528.

60. 376 U.S. 234, 140 U.S.P.Q. (BNA) 528 (1964).

61. *Id.* at 238, 140 U.S.P.Q. (BNA) at 530.

62. *Id.*, 140 U.S.P.Q. (BNA) at 531.

63. *See id.* and accompanying text.

cheaper elsewhere.⁶⁴ Were Stiffel's pole lamps accorded protection by virtue of their design, Stiffel would have had little incentive to devise a more efficient means of producing its product in order to lower its price and satisfy consumers.

The *Kellog* and *Sears-Compco* Courts applied what was to become known as the "traditional" test⁶⁵ for functionality: "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."⁶⁶ However, following the *Sears-Compco* cases, courts began to limit the right of copying by narrowing the definition of functionality. The court in *In re Morton-Norwich* proclaimed that "'functionality' is determined in light of 'utility,' which is determined in light of 'superiority of design,' and rests upon the foundation 'essential to effective competition'...."⁶⁷ The court listed several factors to determine whether this test was met: 1) the existence of an expired utility patent; 2) the fact that the seller proclaims its utilitarian advantages; 3) the fact that there are other alternatives available; and 4) the fact that the design is the result of a comparatively simple and inexpensive means of manufacturing.⁶⁸ The court concluded that the appellant's configuration of its spray bottle did not meet this test and was not functional because "[c]ompetitors have apparently had no need to simulate appellant's trade dress, in whole or in part, in order to enjoy all of the *functional* aspects of a spray top container."⁶⁹ This finding was based on the premise that "no particular housing *design* [was] necessary to have a pump-type sprayer."⁷⁰

This definition of functionality came to be known as the "competitive need test."⁷¹ The competitive need formulation of the functionality doctrine became the dominant approach to assessing functionality, although courts on occasion still referred to the traditional test.⁷² Thus, by the mid-1970s, courts had retreated from the theory that

64. *Compco*, 376 U.S. at 226, 140 U.S.P.Q. (BNA) at 526.

65. *Trade Dress/Functionality: Features of Medical Syringe are Functional and Not Entitled to Trade Dress Protection*, 64 BNA PAT., TRADEMARK & COPYRIGHT J., no. 1571, 7, 8 (May 3, 2002) [hereinafter *Trade Dress/Functionality*].

66. *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 851 n.10, 214 U.S.P.Q. (BNA) 1, 4 n.10 (1982).

67. *In re Morton-Norwich Prods., Inc.*, 671 F.2d 1332, 1340, 213 U.S.P.Q. (BNA) 9, 15 (C.C.P.A. 1982) (citing *Ives Labs., Inc. v. Darby Drug Co.*, 601 F.2d 631, 643 (2d Cir. 1979)).

68. *Id.* at 1340-41, 213 U.S.P.Q. (BNA) at 15-16.

69. *Id.* at 1342, 213 U.S.P.Q. (BNA) at 17.

70. *Id.*

71. See *Trade Dress/Functionality*, *supra* note 65, at 8.

72. See, e.g., *In Re Weber-Stephen Prods. Co.*, 3 U.S.P.Q.2d (BNA) 1659 (T.T.A.B.

there exists a fundamental right to compete through imitation by requiring a competitor, via the competitive need test, to show that "exclusive use of the feature would put competitors at a significant non-reputation-related disadvantage,"⁷³ before a product feature or configuration could be imitated. As such, the adoption of the competitive need test represented a significant shift away from the philosophy of the *Kellogg* and *Sears-Compco* Courts that competitors have a right to copy the form of a product and share in its goodwill.

This definition of functionality had, for the most part, remained unchanged. Recently, however, the Supreme Court adopted new restrictions in protecting product configuration under trade dress law. In *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*,⁷⁴ the Court found that the defendant could not protect its seersucker outfits from Wal-Mart's cheaper imitations through existing trade dress law.⁷⁵ The Court held that "in an action for infringement of unregistered trade dress under § 43(a) of the Lanham Act, a product's design is distinctive, and therefore protectible, only upon a showing of secondary meaning."⁷⁶ Thus, the Court ruled that unregistered product configuration can never be inherently distinctive.⁷⁷ Even if a would-be competitor was vexed by the narrowness and uncertainty of the competitive need formulation of the functionality doctrine, it could at least take comfort in the possibility that if it entered the relevant market early, a court might not foreclose competition because the unregistered form of the product had not yet acquired secondary meaning.⁷⁸

Functionality was again an issue in *TrafFix Devices, Inc. v. Marketing Displays, Inc.*,⁷⁹ where the defendant had an expired utility patent on a dual spring mechanism designed to keep road signs upright, which the petitioners copied.⁸⁰ The *TrafFix* Court made two important

1987) (applying the competitive need test); *Inwood Labs*, 456 U.S. at 851 n.10, 214 U.S.P.Q. (BNA) at 4 n.10 (defining functionality according to the traditional test).

73. *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 165, 34 U.S.P.Q.2d (BNA) 1161, 1163-64 (1995).

74. 529 U.S. 205, 54 U.S.P.Q.2d (BNA) 1065 (2000).

75. *Id.* at 207-08, 216, 54 U.S.P.Q.2d (BNA) at 1066-67.

76. *Id.* at 216, 54 U.S.P.Q.2d (BNA) at 1069-70.

77. *See id.* at 212, 54 U.S.P.Q.2d (BNA) at 1069 (noting that "the producer can ordinarily obtain protection for a design that is inherently source identifying . . . by securing a design patent or copyright . . .").

78. Thus, some of the concerns identified in Part III, *see infra* note 105 and accompanying text, are at least alleviated.

79. 532 U.S. 23, 58 U.S.P.Q.2d (BNA) 1001 (2001).

80. *Id.* at 23, 58 U.S.P.Q.2d (BNA) at 1003.

inroads towards restoring the right of competitors to copy product configuration. First, the Court held that “[a] utility patent is strong evidence that the features therein claimed are functional.”⁸¹ The Court stated:

If trade dress protection is sought for those features the strong evidence of functionality based on the previous patent adds great weight to the statutory presumption that features are deemed functional until proved otherwise by the party seeking trade dress protection. Where the expired patent claimed the features in question, one who seeks to establish trade dress protection must carry the heavy burden of showing that the feature is not functional, for instance by showing that it is merely an ornamental, incidental, or arbitrary aspect of the device.⁸²

Second, and more importantly, the Court changed the formulation of the functionality doctrine back to the traditional test. The Court first affirmed the traditional definition of functionality as explained in *Inwood*: “a feature is . . . functional when it is essential to the use or purpose of the device or when it affects the cost or quality of the device.”⁸³ However, the Court announced that “[w]here the design is functional under the *Inwood* formulation there is no need to proceed further to consider if there is a competitive necessity for the feature.”⁸⁴ Therefore, the Court ruled that the traditional formulation of the doctrine was now the primary tool to assess functionality.

In other words, once a court finds that a design is “essential to the use or purpose of the [product] or [if] it affects the cost or quality of the device,” it need not consider alternative design possibilities or whether a competitor will suffer a “significant non-reputation-related disadvantage.”⁸⁵ The *TrafFix* Court ultimately held that because the plaintiff’s spring system was “necessary to the operation of the device,”⁸⁶ provided “a unique and useful mechanism to resist the force of the wind,”⁸⁷ and was “the reason the device work[ed],”⁸⁸ “competitors [did not] need [] explore whether other spring juxtapositions might be used,”⁸⁹ and could simply copy the device in issue.

81. *Id.* at 29, 58 U.S.P.Q.2d (BNA) at 1005.

82. *Id.* at 29-30, 58 U.S.P.Q.2d (BNA) at 1005.

83. *Id.* at 33, 58 U.S.P.Q.2d (BNA) at 1006.

84. *TrafFix*, 532 U.S. at 33, 58 U.S.P.Q.2d (BNA) at 1006.

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

86. *Id.*

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

88. *Id.* at 34, 58 U.S.P.Q.2d (BNA) at 1007.

89. *Id.* at 33-34, 58 U.S.P.Q.2d (BNA) at 1007.

A recent court interpreting *TrafFix* opined that the case did not represent a change in the law, merely a clarification.

We do not understand the Supreme Court's decision in *TrafFix* to have altered the *Morton-Norwich* analysis. . . . We did not in the past . . . require that the opposing party establish that there was a "competitive necessity" for the product feature. . . . [T]he Court merely noted that once a product feature is found functional based on other considerations there is no need to consider the availability of alternative designs, because the feature cannot be given trade dress protection merely because there are alternative designs available. But that does not mean that the availability of alternative designs cannot be a legitimate source of evidence to determine whether a feature is functional in the first place.⁹⁰

However, the author of this Comment believes that this is an understatement of the impact of *TrafFix*. Given the recent requirement of secondary meaning in *Wal-mart*,⁹¹ and the presumption announced in *TrafFix* against the validity of a product configuration once subject to a utility patent,⁹² the clear trend of the Court is that of restricting the protection of trade dress configuration. Cases subsequent to *TrafFix* have affirmed this view.

For example, in *Antioch Co. v. Western Trimming Co.*,⁹³ the court held that various aspects of the plaintiff's claimed trade dress in its photograph albums were functional and, thus, not protectable.⁹⁴ The court noted that the *TrafFix* Court held that the traditional *Inwood* formulation of functionality was the primary test to be used in assessing functionality, and rejected the *Morton-Norwich* "competitive need" test as a primary assessment for functionality.⁹⁵ Thus, the court ruled that the plaintiff's trade dress was functional because its patented strap hinges allowed pages in the album to lie flat and, the album's covers and reinforcing straps affected the quality of the album.⁹⁶

In addition, the court in *Eppendorf-Netheler-Hinz GmbH v. Ritter GmbH*,⁹⁷ noted that *TrafFix* should be properly read as holding:

90. *Valu Eng'g, Inc. v. Rexnord Corp.*, 278 F.3d 1268, 1276, 61 U.S.P.Q.2d (BNA) 1422, 1427 (Fed. Cir. 2002).

91. *See supra* note 77-78 and accompanying text.

92. *See supra* note 82 and accompanying text.

93. 196 F. Supp. 2d 635 (S.D. Ohio 2002).

94. *Id.* at 642-43.

95. *Id.* at 639-40.

96. *Id.* at 641-42.

97. 289 F.3d 351, 62 U.S.P.Q.2d (BNA) 1534 (5th Cir. 2002).

[t]he “utilitarian” [competitive need] test, although still valid as a secondary test, is not a comprehensive definition of functionality. . . . [T]he primary test for determining whether a product feature is functional is whether the feature is essential to the use or purpose of the product or whether it affects the cost or quality of the product.⁹⁸

Therefore, when analyzing the plaintiff’s claims that the defendant infringed its trade dress features of a medical syringe, the court stated:

[Plaintiff] did not prove, however, that the fins are an arbitrary flourish which serve no purpose in the [syringes]. Rather, [plaintiff’s] experts concede that fins of some shape, size or number are necessary to provide support for the flange and to prevent deformation of the product. . . . Because the fins are essential to the operation of the [syringes], they are functional as a matter of law, and it is unnecessary to consider design alternatives available in the marketplace.⁹⁹

Finally, one court has gone so far as to interpret *TrafFix* as meaning that the “competitive need” test is primarily a tool for assessing functionality in cases involving aesthetic functionality.¹⁰⁰

Given the subsequent interpretation of *TrafFix*, the decision can be viewed as significantly curtailing product configuration trade dress rights. “Quite simply, if the trade dress feature has utility or affects the cost or quality of the article, it is functional, and unprotectible as trade dress.”¹⁰¹ Thus, the impact of *TrafFix* is significant because “[g]iven that most product features are likely to be ‘useful’ or ‘affect the cost or quality of the article,’ . . . there is very little room left in which to claim product configuration trade dress rights, other than the truly ornamental, incidental or arbitrary aspects of a product.”¹⁰²

Interpreted correctly, the *TrafFix* decision represents a move back toward the doctrines established in *Kellogg* and the philosophy underlying *Sears-Compco*, favoring the right of a competitor to copy the design of a product.¹⁰³ The remainder of this Comment will argue that while this is a step in the right direction, the High Court should abandon the uncertain functionality doctrine altogether and establish a bright line

98. *Id.* at 356, 62 U.S.P.Q.2d (BNA) at 1536.

99. *Id.* at 357-58, 62 U.S.P.Q.2d (BNA) at 1538.

100. *Abercrombie & Fitch Stores, Inc. v. American Eagle Outfitters, Inc.*, 280 F.3d 619, 641, 61 U.S.P.Q.2d (BNA) 1769, 1783 (6th Cir. 2002).

101. Robert P. Renke, *TrafFix Devices, Inc. v. Marketing Displays, Inc.: The Shrinking Scope of Product Configuration Trade Dress*, 91 TRADEMARK REP. 624, 626 (2001).

102. *Id.* at 630-31.

103. For a comprehensive analysis of this trend, see Dowell, *supra* note 39, at 151-68.

rule, forbidding trade dress protection to product configuration.

III. THE ECONOMICS OF TRADE DRESS PROTECTION FOR PRODUCT CONFIGURATION

A. Basic Economic Principles of a Free Market

The economic justification for the free market system rests on the conclusion that a competitive market system “produces an efficient allocation of resources, an efficient mix of output, and an efficient distribution of output.”¹⁰⁴ Thus,

[b]ecause competitive firms will produce as long as the price of their product is greater than the marginal cost of production, they will produce as long as a gain for society is possible. That is, if society values good X more than it values good Y or what otherwise would be produced with the same resources needed to produce X, then more X will indeed be produced. The market guarantees that the right things are produced, and competitive markets therefore yield an efficient mix of output.¹⁰⁵

In this way, competitive firms receive a normal rate of return on their product and earn zero “economic” or “excess” profits.¹⁰⁶

However, this model assumes a state of perfect competition in the marketplace.¹⁰⁷ A perfectly competitive market is characterized by many small firms producing the same, or a homogenous, product:¹⁰⁸ each firm’s product is therefore a perfect substitute for its competitors’ product.¹⁰⁹ Each firm is a price-taker, that is, it has no control over the price of its product; the market sets the price.¹¹⁰ Also, there are no barriers to entry,¹¹¹ and each firm may freely enter or freely exit the marketplace.¹¹²

At the other end of the spectrum is a pure monopoly, “an industry with a single firm (1) that produces a product for which there are no

104. KARL E. CASE & RAY C. FAIR, *PRINCIPLES OF MICROECONOMICS* 311 (4th ed. Prentice Hall 1996) (1989).

105. *Id.* at 310. Price reflects the value society places on a given unit of output, while marginal cost reflects society’s opportunity cost in producing that product, *i.e.*, the alternatives that could be produced utilizing the same resources. *Id.* at 337.

106. *Id.* at 172-73.

107. *Id.* at 311.

108. *Id.* at 53-55, 169-170.

109. *See id.* at 53.

110. *Id.* at 53-55, 169-170.

111. *Id.* at 55.

112. *Id.* at 169-170.

close substitutes and (2) in which significant barriers to entry prevent other firms from entering the industry to compete for profits.”¹¹³ By virtue of a monopoly’s characteristics, a monopolist is able to charge higher prices, restrict output, and thus earn “economic” or “excess” profits, that is profits above a normal rate of return.¹¹⁴

In pure monopoly, price ends up above product’s marginal cost [i.e., the product’s social opportunity cost]. When this happens, the firm is underproducing from society’s point of view; society would be better off if the firm produced more and charged a lower price. . . . Monopoly leads to an inefficient mix of output.¹¹⁵

This results in a “deadweight loss” to society or loss of an otherwise consumer surplus.¹¹⁶ In addition, society is also harmed because a monopolist is not faced with the competitive pressures to cut costs, innovate, or maintain quality.¹¹⁷

This is all relevant to an analysis of trade dress protection for product configuration because, by granting patents, the government allows a firm to create a barrier to entry and monopolize a particular area of the market for a limited time.¹¹⁸ As noted in Part II, this market inefficiency is justified in the case of patents due to the patent bargain theory; as consideration for being able to obtain the benefits of monopolistic pricing, the patentee is forced to disclose the product to the public and the public is allowed to copy the product after the patent expires.¹¹⁹ However, no such bargain exists when a product’s configuration is given trade dress protection.

Most industries in the United States, and particularly those affected by trademark law, are somewhere in the middle between perfect competition and pure monopolies.¹²⁰ Most firms operate in a state of monopolistic competition.¹²¹ Monopolistically competitive markets are characterized by a large number of firms with no barriers to entry that are able to differentiate their products and thus exercise some level of market power.¹²² For example, the market for generic t-shirts is

113. *Id.* at 323-24.

114. *Id.* at 336.

115. *Id.* at 337.

116. *See id.* at 338 & fig. 13.9.

117. *Id.* at 339.

118. *See id.* at 325.

119. *See supra* note 20 and accompanying text.

120. *See CASE & FAIR, supra* note 104, at 351.

121. *Id.*

122. *Id.*

generally perfectly competitive; firms have no power over the price of their product.¹²³ By contrast, once firms are able to differentiate their products by placing logos (trademarks), or establishing a reputation, represented by a trademark, they are able to exercise some control over the price of their product.¹²⁴

A monopolistically competitive firm is like a monopoly in that it is the only producer of its unique product. Only one firm can produce Cheerios, Wheat Thins, Johnson's Baby Shampoo, and Oreo cookies. But unlike the product in a monopoly market, the product of a monopolistically competitive firm has many close substitutes competing for the consumer's favor.¹²⁵

Once a firm is able to differentiate its product, it achieves some degree of market power,¹²⁶ and like a monopolist, it will seek "to hold down production and charge a price above marginal cost. . . ."¹²⁷ Thus, like monopoly markets, monopolistically competitive markets lead to an inefficient allocation of resources: "[m]ore product could be produced at a resource cost below the value that consumers place on the product."¹²⁸ However, a monopolistically competitive firm will not be able to realize the same economic profits as a pure monopolist would because of the availability of close substitutes and the resulting fierce competition for consumers.¹²⁹ Finally, monopolistically competitive firms may seek to increase their economic profits to approximate those of monopolists by erecting barriers to entry. This is commonly called "rent-seeking behavior."¹³⁰ Thus, a firm may seek to erect barriers of entry into the

123. *Id.* at 323.

124. *See id.* at 323.

125. *See id.* at 356.

126. "[M]arket power [is] the ability [of a firm] to raise price[s] without losing all demand for [its] product." *Id.* at 323. A perfectly competitive firm thus exercises no market power because if it raises the price of its product above the market price, consumers will immediately switch to a competitor's product. Thus, firms in a perfectly competitive market are said to face a perfectly elastic demand curve. *Id.* at 119.

127. *Id.* at 360. "Firms in monopolistically competitive industries try to achieve a degree of market power by differentiating their products . . . by creating a unique identity in the minds of consumers." *Id.* at 352.

128. *Id.* at 360.

129. *Id.* at 56, 356-60. "While the demand curve faced by a monopolistic competitor is likely to be less elastic than the demand curve faced by a perfectly competitive firm, it is likely to be more elastic than the demand curve faced by a monopoly." *Id.* at 356.

130. *Id.* at 339. The plaintiff in *Two Pesos* was a rent seeker that was able to erect barriers of entry into the Mexican restaurant market in Austin, Texas, when the Court ruled that the defendant was prohibited from copying their inherently distinctive trade dress—the décor of the restaurant. *See Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 23 U.S.P.Q.2d (BNA) 1084 (1992).

market by pursuing a patent or establishing trade dress protection of its product configuration. The greater variety, introduction of new products, improvements in old products, and the fierce price competition between monopolistically competitive firms offset these market inefficiencies.¹³¹ However, the “market discipline” that prevents monopolistically competitive firms from realizing pure monopoly profits is the availability of many close substitutes.¹³² Fierce competition is beneficial to consumers because it keeps prices down, encourages firms to maintain quality, and “[w]hen a firm enjoys success in one of its product lines, its profits invite new firms to come into its market with new brands or styles.”¹³³ Fierce competition also assures that efficient firms enter into and stay within a given industry while inefficient firms drop out.¹³⁴

B. The Economics of Trademarks

Applying these principles to trademarks, the law is justified in giving protection to trademarks, as it allows producers to establish brand loyalty, signify a particular quality of their product, or otherwise differentiate their products from competitors.¹³⁵ In this light, trademark protection also makes sense because it allows consumers to identify the source of a unique product and allows firms to capture their reputation in a single term, phrase, or graphic.¹³⁶ In turn, consumers’ search costs are lowered¹³⁷ and it is easier for consumers to choose products that are manufactured efficiently.¹³⁸ Further protecting trademarks assures that a firm has an incentive to maintain the high quality of an already successful product line.¹³⁹ In other words, trademarks make the monopolistically competitive market structure work. The fact that each firm has a small “monopoly” over its trademarked product is justified because consumers are able to choose between a wide variety of close substitutes and their costs in seeking out the brand they desire are lowered. For example, the ability of GAP to maintain a monopoly over

131. CASE & FAIR, *supra* note 104, at 360-61.

132. *Id.* at 56.

133. *Id.*

134. *See id.* at 56, 339, 360-61.

135. *See supra* note 22 and accompanying text; William M. Landes & Richard A. Posner, *The Economics of Trademark Law*, 78 TRADEMARK REP. 267, 278-79 (1988).

136. *See* Landes & Posner, *supra* note 135, at 271.

137. *See id.* at 270-71.

138. *See id.* at 279.

139. *See id.* at 271-72 (discussing this “self-enforcing” feature of trademarks).

its particular brand of t-shirts is justified because consumers can purchase Levis, American Eagle, or other competitors' t-shirts that are close substitutes.

However, the situation is different when a firm obtains trade dress protection on a product's configuration. In such a case, the configuration is, in the words of the *TrafFix* Court, often "the reason the [product] works."¹⁴⁰ Thus, in these cases courts are essentially protecting the product itself, not merely the source-designating function of the design.¹⁴¹ As the *TrafFix* Court also noted, "'product design almost invariably serves purposes other than source identification.'"¹⁴² Continuing the above example, if ACME was the first company that developed the tank top t-shirts and was able to obtain trade dress protection on its product, the product itself would be protected and ACME would have a monopoly on the production of tank tops. Granted, consumers would still be able to choose between substitutes, such as short or long sleeve t-shirts, but, there would be no "close" substitutes, i.e. other tank tops to choose from. Thus, ACME would be in the position of a monopolist; it would be able to restrict output, charge higher prices, enjoy the benefits of a relatively inelastic demand for tank tops, and would have no pressure to cut costs or maintain quality. Consumers would suffer the deadweight loss to society. As one commentator has discussed,

[t]he simple fact is that before the Court's decision in *Two Pesos, Inc.*, there were two upscale, drive-through Mexican restaurants competing in Houston, Austin, Dallas, and El Paso. After the decision, there was only one. Similarly, in *Qualitex Co.*, the Court's decision foreclosed Jacobson's attempt to enter the dry-cleaning pad market and thereby eliminated a would-be competitor to the market's dominant firm.¹⁴³

Imagine the result today if the first rocking chair manufacturer obtained trade dress protection on the configuration of its new kind of chair.

Another disadvantage to consumers can occur if the new

140. *TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 58 U.S.P.Q.2d (BNA) 1001 (2001).

141. See Lunney, *supra* note 10, at 1189.

142. *Id.* at 1260; 532 U.S. at 29, 58 U.S.P.Q.2d (BNA) at 1005 (quoting *Wal-Mart Stores Inc., v. Samara Bros.*, 529 U.S. 205, 213 (2000)). "[P]roduct features are usually seen as an aspect of the product itself rather than as a source of information about the product, and consumers rarely rely on features to identify a product's source, particularly where the product is otherwise properly labeled." Lunney, *supra* note 10, at 1177. See also Lunney, *supra* note 10, at 1260.

143. Lunney, *supra* note 10, at 1167-68.

configuration represents a more efficient way to produce an existing product. The benefit consumers would normally receive by the entry of a more efficient, cost-cutting producer in the market is obliterated by the ability of the new producer to act monopolistically.¹⁴⁴ Thus, proponents of trade dress protection for product configuration are wrong when they assert that “there is no economic distinction between products and packaging or between useful and aesthetic design features.”¹⁴⁵

As noted In Part II, trademarks serve four essential functions.¹⁴⁶ Protection of product configuration is in direct conflict with these goals. First, product configuration rarely serves as a source identifier,¹⁴⁷ and thus, protecting product configuration will rarely lower consumer search costs. Also, once a firm gains protection of a product configuration, it has a monopoly over that particular product and has no incentive to maintain the quality of that good.¹⁴⁸

This problem is compounded if a traditional trademark or label is also used on the newly protected product and used on other products. Imagine a situation where a firm has both a traditional mark, or label, used on many products, and a newly acquired product configuration, which is also labeled with the existing mark. In such a case, there exists the possibility for consumer confusion over the quality the traditional mark signifies if the traditional mark signifies a certain level of quality to the consumer—because of its use on existing products—while the newly protected configuration is not at that same level of quality. If this occurs, the label would no longer signify the same level of quality for goods bearing the same mark.¹⁴⁹

144. See Glynn S. Lunney, Jr., *Trademark Monopolies*, 48 EMORY L.J. 367, 421 (1999) [hereinafter *Trademark Monopolies*] (noting that protecting trademarks often allows firms to enjoy the benefits of a downward sloping demand curve of a monopolist); See also Lunney, *supra* note 10, at 1188 (noting that trade dress protection “generates a less perfect substitute for the original. . . [and] tend[s] . . . to reduce . . . competitive pressure on the protected party.”).

145. Harold R. Weinberg, *Trademark Law, Functional Designs, and the Trouble with TrafFix*, 9 J. INTELL. PROP. L. 1, 37 (2001).

146. See *supra* note 22 and accompanying text.

147. See *supra* note 142 and accompanying text; *Wall-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205, 213, 54 U.S.P.Q.2d (BNA) 1065, 1069 (2000) (asserting that “Consumers are aware of the reality that, almost invariably, even the most unusual of product designs—such as a cocktail shaker shaped like a penguin—is intended not to identify the source, but to render the product itself more useful or more appealing.”); Lunney, *supra* note 10, at 1177.

148. See *supra* note 117 and accompanying text.

149. See *Trademark Monopolies*, *supra* note 144, at 421 (“[P]roduct features are usually

Thus, allowing product configurations to be protected has the potential to eliminate the fierce competition and availability of close substitutes necessary for a monopolistically competitive market to function properly.¹⁵⁰ As such, protecting product configuration without assuring the configuration serves as a source identifier undermines the entire economic justification for trademarks in the first place.¹⁵¹

To prevent these anticompetitive results, courts restrict protection of product configuration to those designs that are nonfunctional:

[a] nonfunctional feature, hence one that can be trademarked, is one with perfect (or nearly perfect) substitutes, so that allowing a property right in the feature will create no deadweight loss. But if the feature lacks good substitutes, either because the product is worth less without it . . . or because it makes the product cheaper to produce . . . , trademark protection will be denied.¹⁵²

In addition, functional features are more likely to identify the product itself rather than the brand.¹⁵³ Thus, ostensibly, denying protection to functional features “makes economic sense.”¹⁵⁴

C. Economic Inefficiencies of Product Configuration Protection and the Inadequacy of the Functionality Doctrine

The attentive reader will now wonder why the author is advocating

seen as an aspect of the product itself rather than as a source of information about the product, and consumers rarely rely on features to identify a product’s source, particularly where the product is otherwise properly labeled.”). *See also id.* at 438 (“To the extent consumers value the . . . appearance [of] an article principally for its own sake, rather than for the information it may convey concerning the quality, source, or other unobservable features of the article, the anticompetitive consequences of excluding others from the market will generally outweigh the efficiency gains generated by the mark’s informational role.”).

150. *Id.* at 438-39.

151. *See generally id.* *See also* Lunney, *supra* note 10, at 1172.

[A]ccepting the pretense of trade dress as trademark has cost consumers dearly. By increasing costs for would-be competitors and requiring would-be competitors to differentiate clearly their products from the market leaders, today’s trade dress protection has impaired the market’s ability to produce what consumers desire at a reasonable price. In some cases, trade dress protection increases would-be competitors’ costs and requires product differentiation to such an extent that the producer of a popular design is able to impose and profitably maintain “a small but significant and nontransitory” price increase, thereby creating monopoly. In other cases, trade dress protection may not insulate a producer sufficiently from competitive pressures to justify labeling the result a monopoly, but the costs to consumers can remain substantial.

Id.

152. Landes & Posner, *supra* note 135, at 295.

153. *Id.* at 297.

154. *Id.*

the complete abolition of trade dress protection of product configuration if the functionality doctrine protects consumers from the rent-seeking behaviors of firms. The answer is that the functionality doctrine does not adequately protect consumers from the market inefficiencies of product configuration protection, because it is an ambiguous, amorphous, and unreliable legal doctrine.

First, as was shown by the result in the *Two Pesos* and *Qualitex* decisions, there is no guarantee that the functionality doctrine will promote competition and encourage would be competitors to devise a more efficient means of manufacturing a product or providing a service.¹⁵⁵ Second, as noted in Part II, courts often look to whether a product's configuration renders it a superior product in determining functionality. However, courts fail to take into account the perception of consumers in this analysis.¹⁵⁶ Thus, a product feature may not, in the court's opinion, render it superior, while consumers may nevertheless think it does.¹⁵⁷ A good example of this is the decision in *In re Weber-Stephen Prods. Co.*,¹⁵⁸ where the Trademark Trial and Appeals Board granted trademark protection to the round shape of the Weber grill. Although the court ultimately found that the round design was not functional,¹⁵⁹ there was ample evidence in the form of advertising and promotional materials that Weber had marketed its round grill design as being a superior way to cook food, and that consumers purchased the product due to this perceived superiority.¹⁶⁰ By protecting what consumers deem to be a superior design, courts applying the functionality doctrine in this fashion effectively foreclose the possibility of a would-be competitor from producing the same good more efficiently under a different name. As in *Weber*, it seems manifestly unfair to allow a producer to tout the utilitarian benefits of a product feature or configuration, and then claim that the very same feature is not legally functional when consumers in fact think it is functional. At

155. See *supra* note 143 and accompanying text; Lunney, *supra* note 10, at 1169.

156. Lunney, *supra* note 10, at 1169.

157. See *id.*

[The functionality] doctrine fails to recognize that competition is a function of consumer perception, not reality. While actual superiority of design has some relevance, it is not the key issue. For there to be competition between two designs, the question is not whether one design is superior, but whether consumers perceive a given design as superior.

Id.

158. 3 U.S.P.Q.2d (BNA) 1659 (T.T.A.B. 1987).

159. *Id.* at 1670.

160. *Id.* at 1664-65.

the very least, courts should, in their functionality analysis, inquire into whether the primary significance of the feature is that of a source indicator in the eyes of consumers.¹⁶¹

Yet, this inquiry, in and of itself, will not solve the problem. Because consumers are risk adverse and have different preferences, they may become accustomed to a particular product design or configuration.¹⁶² Thus, consumers may become accustomed to round grills, or, for whatever reasons, prefer round appliances to square ones, regardless of the perceived utilitarian benefits of the product's design.¹⁶³ This possibility is another strong argument for inquiring into whether the primary significance of the design in the eyes of the consumer is that of a source identifier because in such a case, the design has become functionally generic.¹⁶⁴

161. It is also interesting to note that in many other areas of trademark law, in determining whether a mark is "registerable," the court looks to what the primary significance of the trademark is to the consuming public. *See, e.g.*, 15 U.S.C. § 1064(3) (Supp. V 2000) ("The primary significance of the registered mark to the relevant public . . . shall be the test for determining whether the registered mark has become the generic name of goods or services on or in connection with which it has been used."). *See also* *In re Merrill Lynch, Pierce, Fenner, and Smith, Inc.*, 828 F.2d 1567, 1569, 4 U.S.P.Q.2d (BNA) 1141, 1142 (Fed. Cir. 1987) (stating that in both the genericness and descriptiveness/secondary meaning analysis, courts look to the primary significance of the word or phrase to the target audience). This comparison is very apt because "the inquiry into functionality resembles the genericness inquiry in trademark law; the two doctrines share essentially the same underlying rationale, preserving competition. . . . Thus, just as generic trademarks may be copied freely, functional trade dress may also be copied freely. . . ." *Duraco Prods., Inc. v. Joy Plastic Enters.*, 40 F.3d 1431, 1442, 32 U.S.P.Q.2d (BNA) 1724, 1733-34 (3d Cir. 1994).

162. Lunney, *supra* note 10, at 1170 ("Moreover, consumers are risk averse. They will often prefer a product in the form to which they have become accustomed simply because it is the form to which they have become accustomed.").

163. Lunney, *supra* note 10, at 1171.

A round grill or a particular ornamental plate design may work no better or be no more attractive than some other design, yet some consumers may nevertheless prefer the round grill or the particular plate design. At the same time, other consumers may prefer a square grill or some other plate design. In that sense, the first design is not "better" than the second. But so long as there are some consumers who prefer one design or the other, assigning an exclusive right to manufacture that design to one producer will lead to supracompetitive pricing.

Id.

164. *See supra* note 161; Landes & Posner, *supra* note 135, at 291.

Notice that the costs of obtaining generic trademarks (if such trademarks were allowed) would often merge with the costs of invention. The firm best situated to appropriate a generic name is the first producer of the product. Hence, if generic names could be trademarked, the rents from invention would go up because they would include rents from the name of the product. If the current legal protection of inventions is optimal (or is simply assumed to be such by courts unable to investigate the issue), any legal protection for generic names will create socially wasteful

Also, the functionality doctrine does not prevent monopolistic pricing by a producer who has a product configuration consumers prefer.¹⁶⁵ If, for whatever reason, a particular lamp style, triangular stereo speakers, or round grills become trendy or consumers simply become used to seeing these products in a particular configuration, competitors should be able to enter the market, attempt to produce the goods more efficiently, and differentiate their products through labels, true trademarks, or distinctive wrappings.¹⁶⁶ In this way, the market would remain monopolistically competitive.¹⁶⁷ What is important, as the *Kellogg* Court recognized, is that while no person should be able to appropriate the goodwill of a particular brand name or business producing a good, the goodwill associated with the good itself, i.e., the demand for the particular good, is something all should be able to share in.¹⁶⁸

Third, while the *Traffix* Court diminished the significance of alternative designs in the functionality analysis, it did leave the competitive need test as a viable, albeit secondary, test for assessing functionality.¹⁶⁹ However, even if the competitive need test remains a secondary tool for assessing functionality, several problems remain with relying on the availability of alternative designs as an assessment factor.

Even if alternative designs exist, they “inevitably cost something to develop.”¹⁷⁰ Requiring a firm to research and develop alternative designs creates barriers to entry into that particular market,¹⁷¹ and an inherent characteristic of monopolistically competitive markets is the *absence* of such barriers, while it is monopolies that are able to erect

opportunities to earn rents.

Id. This same logic applies to product design which consumers have become accustomed to as the “generic” shape of the product. Like generic names, the first producer of such a design is in the best position to reap monopoly profits and the same “socially wasteful opportunity to earn rents” occurs.

165. *Trademark Monopolies*, *supra* note 144, at 479-80; Lunney, *supra* note 10, at 1169-71.

166. These examples raise the problem of aesthetic functionality. Aesthetic functionality occurs “whenever a [product] feature ‘affects the cost or value’ of a product, but is not ‘essential to [its] use or purpose.’” Mitchell M. Wong, Note, *The Aesthetic Functionality Doctrine and the Law of Trade-Dress Protection*, 83 CORNELL L. REV. 1116, 1120 (1998). See also Dowell, *supra* note 39, at 187-90 (discussing how wider use of the aesthetic functionality doctrine would prevent some of the conflict between patent and trademark law).

167. See *supra* notes 120-25 and accompanying text.

168. See *supra* notes 49-55 and accompanying text.

169. *Traffix*, 532 U.S. at 33.

170. Lunney, *supra* note 10, at 1171.

171. See *id.*

barriers to entry.¹⁷² This means that a would-be competitor will not be able to enter the market if it lacks the resources to investigate and develop alternative designs. However, the public suffers even if a new entrant *is* able to handle these costs. The new entrant will invariably reflect these increased start-up costs in the price of its products.¹⁷³ This, in turn may result in a competitive pricing bar that the original producer will try to meet.¹⁷⁴

Moreover, “[a]lternative designs for the product itself may be available, but are likely to prove substantially more expensive than simple imitation and consumers are less likely to recognize and accept the proffered alternative as a substitute for the original.”¹⁷⁵ Forcing competitors to research alternative designs and aggressively market the new design to gain the same acceptance as the original again creates barriers to entry by increasing start-up costs and forces the newcomer to charge higher prices to cover these up-front costs. These additional costs will result in the newcomer being unable to compete effectively. Of course, all of this results in higher prices to consumers.

Further, even if alternative designs are available, there is no guarantee that those designs will be perfect substitutes for the original.¹⁷⁶ As discussed previously,¹⁷⁷ it is the availability of close or nearly perfect substitutes that prevents monopolistically competitive firms from realizing the full benefits of a pure monopoly.¹⁷⁸ Economists determine whether two products are nearly perfect substitutes by calculating the cross-price elasticity of demand, “which measures the response of [the] quantity of one good demanded to a change in the price of another good.”¹⁷⁹ If the-cross price elasticity of products is positive, that is, if an increase in the price of one good causes the demand for the other to rise, the goods are substitutes and compete in the same market.¹⁸⁰ Conversely, “[i]f consumers would not switch, then no ‘competing’ product exists and the producer’s goods *constitute a distinct product*

172. See *supra* note 113 and accompanying text.

173. Lunney, *supra* note 10, at 1171.

174. *Id.*

175. *Id.* at 1177.

176. *Id.* at 1171-72.

177. See *supra* Part III.A.

178. See *supra* note 129 and accompanying text. Cross price elasticity of demand is commonly used in antitrust cases to determine what goods constitute the relevant product market. See, e.g., *United States v. E.I. du Pont De Nemours & Co.*, 351 U.S. 377, 417 (1956) (Warren, J., dissenting).

179. CASE & FAIR, *supra* note 104, at 127.

180. *Id.*

market. In such a case, the producer is a monopolist.”¹⁸¹ One commentator notes: “[a]ny degree of protection [of product configuration] also mandates differences between the original good and later entries and thereby renders the later entries less perfect substitutes for the original.”¹⁸² Thus, even if courts applying the *TrafFix* functionality test do not look to alternative designs, or do so only as a secondary analysis tool, they still may grant a senior user the power to act monopolistically. Whether alternative designs are present is irrelevant under an economic analysis; what is relevant is whether the senior user’s design and the competitor’s product actually compete, that is, whether either product constitutes a distinct product market with a demand of its own.¹⁸³ Yet, the alternative design analysis only focuses on the existence of such designs and not as to whether they are perfect or nearly perfect substitutes.¹⁸⁴

Allowing producers to exert some control over their prices by establishing brand loyalty and product differentiation is one thing. Allowing them price control because of the product itself is quite another. While brand name loyalty certainly is a potent force in a monopolistically competitive market for similar products, consumer preferences for a product’s *design* or *configuration* may have nothing to do with brand name loyalty or product differentiation, but more likely than not, has to do with consumer’s desired shape or design of the product itself.¹⁸⁵

Viewed in this light, firms such as Weber are essentially creating a new subset of a product, rather than differentiating an existing product line by placing labels or other identifying indicia on the product. When courts thus allow a producer to protect a product design that turns out to be a distinct product line, or one with an inelastic demand, they allow firms to act as monopolists in the given specialized market. This result is

181. *Trademark Monopolies*, *supra* note 144, at 424 (emphasis added).

182. *Id.* at 480-81. However, relying entirely on cross-price elasticity of demand to determine functionality has its own problems. First, while this analysis may work for existing products, a would-be competitor has no way of calculating a cross-price elasticity of demand because the product has not been marketed yet, and thus has no calculable demand. Second, in the context of traditional trademarks, if this analysis were applied to determine product markets, “we would almost certainly find that many popular brands do possess sufficient brand loyalty to constitute distinct product markets.” *Id.* at 426-27.

183. Even Judge Posner defines a non-functional feature as one “with perfect (or nearly perfect) substitutes, so that allowing a property right in the feature will create no deadweight loss.” Landes & Posner, *supra* note 135, at 295.

184. See *supra* note 176 and accompanying text.

185. Lunney, *supra* note 10, at 1177.

particularly troublesome because producers, like Weber, would still be able to establish brand loyalty, differentiate their products, and receive the benefits of monopolistic competition, even if competitors were allowed to copy the product configuration.¹⁸⁶ In the end, protecting product configuration allows a producer the double benefit of brand name loyalty, a' la traditional trademarks, and the added benefit of being the only producer in a distinct market.

In addition to the problems with alternative designs, the *TraFFix* Court lessened the possibility that a product feature that is the subject of an expired utility patent will be protected as trade dress, although the possibility is still left open. Allowing a once patented good to be trademarked at all is troubling. As noted in Part II, the patent system is based on a "bargain theory," in which patent holders receive the right to monopolistic benefits for a limited time, in exchange for disclosing the patented product to the public and leaving it in the public domain after the term of the patent. Allowing the very same product feature to be trademarked that was the subject of a patent destroys this second half of the bargain and allows the producer to maintain an indefinite monopoly on the product.

Further, there is no reason why this same concern should be limited to utility patents.

If trade dress protection of functional designs conflict with utility patent law, trade dress protection of nonfunctional designs conflict with design patent law. . . . Utility patents protect the functional features of a product. Therefore, trade dress law may not protect functional features. Design patents protect the nonfunctional features of a product. [Following the same rationale,] trade dress law should not protect nonfunctional features [of a patented article].¹⁸⁷

Thus, some argue "if a configuration is disclosed in the best mode or the claims of an expired utility patent, it is not protectible as trade dress under section 43(a) [of the Lanham Act.]"¹⁸⁸ The same rationale should apply to nonfunctional features previously protected under a design patent.¹⁸⁹

Finally, the functionality doctrine itself presents a barrier to entry

186. See *supra* notes 42-47 and accompanying text.

187. Dowell, *supra* note 39, at 171-72.

188. Todd R. Geremia, Comment, *Protecting the Right to Copy: Trade Dress Claims for Configurations in Expired Utility Patents*, 92 NW. U. L. REV. 779, 806-07 (1998) (citing *Thomas & Betts Corp. v. Panduit Corp.*, 935 F. Supp. 1399 (N.D. Ill. 1996)).

189. See *supra* note 187 and accompanying text.

into a given product market. Given the hyper-technical definition of functionality, the various tests courts use to determine functionality, and the Supreme Court's oscillation between a broad and narrow approach to functionality, how can a would-be competitor know if a competitor's product design is functional or if it can be copied and differentiated with a label? Even Judge Posner noted, "[T]he tricky problem is to determine when the feature has become functional"¹⁹⁰ The question of functionality is realistically not determined until litigation. Thus, the original producer may be able to raise a barrier to entry simply by threatening to sue; "competitive entry will remain [un]attractive if it requires payment of a million-dollar litigation cover charge."¹⁹¹

IV. PROPERTY RIGHTS AND TRADEMARKS

Even though the functionality doctrine has several inherent flaws and produces some economically inefficient results, some argue that the law should reward those who develop a unique design or configuration for their product.¹⁹² This "earned property" model of trademarks ignores both the purpose of trademark law and the traditional notions of property rights our economy and country were founded on.¹⁹³

As previously noted, the primary purpose of trademark law is to prevent consumer confusion.¹⁹⁴ Trademark rights arise out of use of a mark and not the adoption or creation of a symbol. Thus, originally, trademark rights did not exist independent of the informational role they played and separately from the business they attached to.¹⁹⁵ Although this premise still underlies some aspects of trademark law,¹⁹⁶ a mark's owner today has far more ability to control the

190. Landes & Posner, *supra* note 135, at 297.

191. Lunney, *supra* note 10, at 1175; *See also* Wal-Mart Stores, Inc. v. Samara Bros., 529 U.S. 205, 214, 54 U.S.P.Q.2d (BNA) 1065, 1069 (2000) ("Competition is deterred, however, not merely by successful suit but by the plausible threat of successful suit . . .").

192. *See generally* Simone A. Rose, *Will Atlas Shrug? Dilution Protection for "Famous" Trademarks: Anti-Competitive "Monopoly" or Earned "Property" Right?*, 47 FLA. L. REV. 653 (1995) (advocating an earned property rights approach to trademark law in the context of the dilution doctrine).

193. Part of this problem lies in the fact that trademarks are classified as intellectual "property" in the first place.

194. *See supra* note 25 and accompanying text.

195. *See Trademark Monopolies, supra* note 144, at 373-79 n.25 (stating that originally, the owner of a trademark was limited to remedies in fraud and unfair competition doctrines).

196. For example, courts require that when a trademark is assigned, the assignor must also transfer the goodwill of the business attached to it in order for the assignee to enjoy priority rights. *See Clark & Freeman Corp. v. Heartland Co.*, 811 F. Supp. 137 (S.D.N.Y. 1993).

unauthorized use of her mark and far more freedom to do with her mark as she sees fit, often in circumstances entirely divorced from, and sometimes actually in conflict with, her mark's informational role. The mark has become its owner's property not merely in a formal and limited sense, but in an ordinary and increasingly absolute sense.¹⁹⁷

The drafters of the Constitution derived their conception of property from John Locke, who in turn derived his from Roman Law.¹⁹⁸ James Madison, a student of Locke, in his *Essay on Property* stated:

In its larger and juster meaning, [property] embraces every thing to which a man may attach a value and have a right; and to which leaves to everyone else the like advantage. . . .¹⁹⁹

. . . .

[A man] has an equal property in the free use of his faculties and free choice of the objects on which to employ them That is not a just government, nor is property secure under it, where arbitrary restrictions, exemptions, and monopolies deny to part of its citizens that free use of their faculties, and free choice of their occupations. . . .²⁰⁰

Thus, under traditional concepts of property, although a man could rightly call the fruit of his labor his exclusive property, he could not prevent another from engaging in the same occupation and producing similar goods. The patent system is thus an exception to this original property scheme, justified on its bargain theory. In economic terms, the principal can be stated thus: the traditional definition of property rights dictated that so long as there is a demand for an otherwise lawful product, a person has a right to earn his living by producing a product to fill that demand.

This explains why the *Kellogg* Court found that an inventor of a new product may not appropriate the ordinary name of the new invention, nor its common shape, as one's trademark.²⁰¹ This also explains why courts hold that while a producer can appropriate a particular word or

197. *Trademark Monopolies*, *supra* note 144, at 419.

198. Pollack, *supra* note 20, at 278-79.

199. *Id.* at 279 (alteration in original).

200. *Id.* at 289-90 (alteration in original). This conception no doubt arose as a consequence of the economic system of mercantilism of the colonial era in which the American colonists were limited to producing goods that England did not produce, and prohibited from manufacturing all other goods, as they were forced to purchase these from England.

201. *Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111, 112-19, 39 U.S.P.Q. (BNA) 296, 297-301 (1938).

phrase to identify the source of its product, the remainder of the public is free to use the word in other contexts, and once the mark ceases to function in its informational role, another producer may use the same.²⁰²

Viewed in this light, when courts protect product configuration, the result is akin to allowing a traditional trademark owner to appropriate a generic or merely descriptive word or phrase of the English language for his exclusive use. If product configuration is viewed in this context, allowing Weber to exclude others from producing round grills parallels Kellogg's exclusive appropriation of the phrase "shredded wheat." Viewed in this manner, protection of product configuration unjustly allows a producer to take something from the public domain for their exclusive, and potentially indefinite, use. Under the property scheme our founders envisioned, protection for product configuration takes away the right of people to use their labor for what the person sees fit; it prevents people from producing a good to which they otherwise would have a right to apply their labor.

V. SYNTHESIS

In the end, protection of product configuration does more harm than good. First, it conflicts with our patent law system, allowing a producer to obtain patent-like protection without giving anything in return to the public, or giving a once patented product perpetual protection after the patent has expired. Second, protection of product configuration has serious anti-competitive effects: it undermines the otherwise monopolistically competitive markets traditionally occupied by trademark owners by allowing firms to obtain the economic profits of a monopolist; it prevents the development of close substitutes and product differentiation; it lessens the incentive to maintain quality of a product; and it creates barriers to entry, preventing newcomers from producing the product more efficiently or refining it. Third, protection of product configuration undermines the foundation of our trademark law, which is based on protecting consumers from confusion and protecting trademarks only insofar as they indicate the source of a product. Fourth, protection of product configuration conflicts with the historical notions of property rights that our country was founded upon by preventing people from producing something they would otherwise have a property right in as the fruit of their labor, allowing one person, or firm, to appropriate a particular product for his exclusive production.

202. See, e.g., *U.S. Shoe Corp. v. Brown Group, Inc.*, 740 F. Supp. 196, 15 U.S.P.Q.2d (BNA) 1138 (S.D.N.Y. 1990).

The functionality doctrine is not an adequate answer to these problems for several reasons. First, as a legal doctrine, it has a history of being quite amorphous, as courts frequently redefine, limit, and expand its boundaries. This uncertainty creates a barrier to entry for would-be competitors. Second, the functionality doctrine traditionally places too much emphasis on whether there are alternative ways of making a product and, until recently, downplayed the importance of whether the feature or design is what makes the product work or whether it is the product itself. Also, courts' focus on alternative designs and competitive need ignores the economic definition of close substitutes and the dependence of a competitive market on close substitutes. Moreover, even the traditional test for functionality disregards the possibility that a certain subset of a product's market may develop into an entirely new market at some future time. Finally, the functionality doctrine ignores changing consumer preferences for certain varieties of a product and ignores whether consumers view a particular feature as utilitarian.

To the extent that the *TraFFix* Court reestablished the traditional bright-line test for functionality, reduced reliance on alternative designs, and gave presumptive force to the existence of an expired utility patent of the subject design, some of these concerns have been lessened. However, the functionality doctrine and protection of product configuration still represents a legal doctrine with severe anticompetitive effects. Thus, although the *TraFFix* decision represents a step in the right direction, it stopped short of creating a truly economically sound trademark system.

Therefore, courts and Congress should relegate the protection of product configuration to its proper sphere of patent protection and no longer protect it under trade dress and trademark law. However, such a result cannot come by judicial fiat, as the Lanham Act provides that no mark may be refused status as a trademark by virtue of its nature.²⁰³ Thus, Congress needs to exempt product configuration from this prohibition. Until Congress does so, courts may nevertheless make a number of changes in this area of the law to approach the same result.

First, courts should establish a bright-line rule that anything claimed in a design or utility patent cannot be protected under the Lanham Act, once the patent expires. Second, courts need to continue to adhere to the broader, traditional definition of functionality adopted in *TraFFix*. In addition, the competitive need test should be rejected outright. To the extent courts are, in fact, concerned with inhibiting competition,

203. 15 U.S.C. § 1052 (2000).

they should instead look to whether the two goods in question are actually economically close substitutes, or whether they have demands independent of each other. Third, courts should inquire in their functionality analysis whether consumers consider a particular feature to be utilitarian. In other words, courts should inquire into whether the primary significance of a product configuration in the minds of consumers is that of a source designator or utilitarian feature. Finally, in fashioning these new rules, courts should aspire to create bright line tests, so as to render it easier for competitors to predict whether a feature is functional or not and thus lower barriers to entry. When future courts address these issues, they should bear in mind that:

“[T]rade dress protection must subsist with the recognition that in many instances there is no prohibition against copying goods and products. In general, unless an intellectual property right such as a patent or copyright protects an item, it will be subject to copying.” After all, copying preserves competition, which keeps downward pressure on prices and encourages innovation.²⁰⁴

However, while all of these changes represent important inroads into restoring the right to copy a design in the public domain, consumers cannot reap the full benefits of competitive markets until product configuration is denied any protection under trademark law.

In an era where concerns over piracy and copying are perfectly legitimate in the context of copyright law, Congress and the courts need to remember that the foundation of our free-market competitive economic system is the right of one producer to copy a product and attempt to produce it more efficiently. This can be accomplished without harming businesses or destroying any goodwill or reputation, as reputation and goodwill may still be captured in the form of traditional trademarks. Further, deserving product features can still receive protection for a limited time under the patent laws. Finally, as Congress has recently done with The Vessel Hull Design Protection Act of Title V of the Digital Millennium Copyright Act,²⁰⁵ it could “provide [limited] protection for original designs of useful articles, intended to make the article more attractive or distinct in appearance to the public.”²⁰⁶ Such legislation should, however, protect only truly distinctive designs, such

204. *Abercrombie & Fitch Stores, Inc. v. American Eagle Outfitters, Inc.*, 280 F.3d 619, 640, 61 U.S.P.Q.2d (BNA) 1769, 1783 (quoting *TraFFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 29, 58 U.S.P.Q.2d (BNA) 1001 (2001)).

205. 17 U.S.C. § 1301 (2000).

206. CRAIG JOYCE ET AL., *COPYRIGHT LAW* 200 (5th ed. 2001). See Dowell, *supra* note 39, at 170.

as the body of a car, and such protection should last only for a limited time, for the same reasons identified in this Comment.

As the Supreme Court noted not long ago: “At the heart of *Sears* and *Compco* is the conclusion that the efficient operation of the federal patent system depends upon substantially free trade in publicly known, unpatented design and utilitarian conceptions.”²⁰⁷ If Congress and the courts forget this, we run the risk, as Hayek warned, of operating under an economic system of corporate syndicalism rather than a system based on competition and economic freedom.²⁰⁸

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207. *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 156, 9 U.S.P.Q.2d 1847, 1854 (1989).

208. *See supra* note 1 and accompanying text.

