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Qualitex Further Refines Trade Dress Law

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The United States Supreme Court does not often hear trademark cases, but twice in the last few years the Court has granted certiorari in cases involving trade dress and trademark issues. In the first case, *Two Pesos, Inc. v. Taco Cabana, Inc.* 112 S.Ct. 2753 (1992), the Court held that inherently distinctive trade dress is protectable without proof of secondary meaning. This decision resolved the split between the Second Circuit, which required proof of secondary meaning for trade dress protection, and the Fifth and other Circuits, which took the view that inherently distinctive trade dress is protectable without proof of secondary meaning. *See, e.g., Laureyssens v. Idea Group, Inc.*, 964 F.2d 131 (2d Cir. 1992) (secondary meaning required); *Chevron Chemical Co. v. Voluntary Purchasing Groups*, 659 F.2d 695 (5th Cir. 1981), *cert denied*, 457 U.S. 1126 (1982) (secondary meaning not required).

The decision in the second case, *Qualitex Co. v. Jacobson Products Co., Inc.*, No. 93-1577 (U.S. March 28, 1995), issued on March 28, 1995. Reversing the Ninth Circuit Court of Appeals, the Court held that under the right circumstances The Lanham Act permits registration of a trademark that consists, purely and simply, of a color. The Ninth Circuit had held in *Qualitex* that color per se is not registrable as a trademark, following *NutraSweet Co. v. Stadt Corp.*, 917 F.2d 1024, 1028 (7th Cir. 1990), *cert denied*, 499 U.S. 893 (1991). These decisions were in direct conflict with decisions in other courts holding that color *per se* is protectable and registrable as a trademark. *See, e.g., In re Master Distributors, Inc., v. Pako Corp.*, 986 F.2d 219, 223 (8th Cir. 1993). That conflict has now been resolved in accordance with the U.S. Trademark Office's policy of permitting registration of color *per se* if other registration requirements are met.

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There are other aspects of trade dress where the law differs from circuit to circuit, for example, as to which party bears the burden of proof on functionality. The standards to be applied in determining distinctiveness and infringement in trade dress cases are being formulated and refined in appellate decisions on an ongoing basis. Given the somewhat fluid and developing state of trade dress law in the United States, a review of basic principles and some recent developments may be of interest to those contemplating trade dress registratic or litigation in this country.

IN THIS SUPPLEMENT

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DEFINITION OF TRADE DRESS

In *Qualitex*, the Supreme Court confirmed that The Lanham Act defines universe of things that can qualify a: trademark "in the broadest of terms and that human beings might use "almost anything at all that is capab of carrying meaning" as a "symbol" "device", terms used to define trade marks in The Lanham Act. 15 U.S.C 1127. Slip op. at 2. This is consisten with recognition that letters, numbe two dimensional designs, sounds, scents, textures, shapes, colors, thre dimensional objects and any combi tion thereof can all signify source ar quality under U.S. law. Singly and combination, many of these compri: "trade dress".

By necessity, the definition of trade dress is broad, e.g., "essentially [a

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business'] total image and overall appearance." *Blue Bell Bio-Medical v. Cin-Bad, Inc.* 864 F.2d 1253, 1256 (5th Cir. 1989). Trade dress may include "features such as size, shape, color or color combinations, texture, graphics, or even particular sales techniques." *John J. Harland Co. v. Clarke Checks, Inc.*, 711 F.2d 966, 980 (11th Cir. 1983).

Trade dress creates a visual impression which functions like a word trademark.

> Trade dress which is not registered may nonetheless be protectable under federal and state unfair competition laws...

As the U.S. Supreme Court confirmed in *Two Pesos* and *Qualitex*, there is really no difference between a word trademark and a visual trademark except that a word mark may be spoken while trade dress and color *per se* must be seen to make a commercial impression. *Qualitex*, slip op. at 4; *Two Pesos*, 112 S.Ct. 2753. The following are some examples of protectable trade dress:

In *Two Pesos* the Supreme Court said not only that restaurant decor may be protected as trade dress, but also that restaurant and other trade dresses may be inherently distinctive and protectable from the moment of adoption. As an example, the plaintiff's trade dress in *Two Pesos* was described as follows:

> a festive eating atmosphere having interior dining and patio areas decorated with artifacts, bright colors, paintings and murals. The patio includes interior and exterior areas with the interior patio capable of being sealed off from the outside patio by overhead garage doors. The stepped exterior of the building is a festive and vivid color scheme using top border paint and neon stripes. Bright awnings and umbrellas continue the theme.

Taco Cabana International, Inc. v. Two Pesos, Inc., 932 F.2d 1113, 1117 (5th Cir. 1991). *See also Freddie Fuddruckers, Inc. v. Ridgeline, Inc.*, 589 F.Supp. 72 (N.D. Tex. 1984); *aff'd w/out op* 783 F.2d 1062 (5th Cir. 1986) (restaurant decor protected and infringed).

The colors and shapes of pill capsules have qualified as protectable trade dress in many cases, e.g., *Ciba-Geigy Corp. v. Bolar Pharmaceutical Co.*, 547 F.Supp. 1095 (D.N.J. 1982), *aff'd per curiam*, 719 F.2d. 56 (3d Cir. 1983), *cert. denied*, 465 U.S. 1080 (1984)(blue/white and pink/white opaque colors and use of a capsule shape as opposed to tablets protected); *Par Pharmaceuticals, Inc. v. Searle Pharmaceuticals, Inc.*, 227 U.S.P.Q. 1024 (N.D. Ill. 1985) (color blue for tablets protected); *Merck Co. v. Par Pharmaceutical, Inc.*, 770 F.2d 1072 (3d Cir.), *cert. denied*, 474 U.S. 981 (1985)(blue and white color combination capsule protected).

Bottle shapes have long been protected as trademarks. The distinctive pinched-in shape of the Haig & Haig Scotch bottle is a registered trademark on the Principal Register. *Ex parte Haig & Haig Ltd.*, 118 U.S.P.Q. 229 (Comr. Pats 1958). The curved and ribbed shape of the old COCA-COLA bottle is also a registered trademark on the Principal Register (Reg. Nos. 696,147 and 1,057,884). The overall design of a FERRARI 365 GTB/4 automobile has been protected against duplication as a toy car. *Ferrari SpA v. McBurnie*, 11 U.S.P.Q. 2d 1843 (S.D. Cal. 1989). The shape of a MOBIL gas pump, which used to have a distinctive round head, was protected as a trademark in a case where the defendant was selling non-MOBIL gas from a round-headed MOBIL pump with the word MOBIL masked over. *Mobil Oil Corp. v. Auto-Brite Car Wash, Inc.*, 615 F.Supp. 628 (D. Mass. 1984).

The overall look of a greeting card line, the design and format of magazine covers, the shape and a combination of physical features on a briefcase, and the layout of point of sale displays have been held to be protectable trade dress. *Roulo v. Russ Berrie & Co., Inc.*, 886 F.2d 931 (7th Cir. 1989), *cert denied*, 493 U.S. 1075 (1990); *Time Inc. v. Globe Communications Corp.*, 712 F.Supp. 1103 (S.D.N.Y. 1989); *Ventura Travelware v. A to Z Luggage*, 1 U.S.P.Q. 2d 1552 (E.D.N.Y. 1986); *Butterick Co. v. McCall Pattern Co.*, 222 U.S.P.Q. 314, 317 (S.D.N.Y. 1984).

Even the shapes of buildings have been protected as trade dress, e.g., *Fotomat Corp. v. Houck*, 166 U.S.P.Q. 271 (Fla. Cir. Ct. 1970); *White Tower System, Inc. v. White Castle System*, 90 F.2d 67 (6th Cir. 1937) *cert. denied*, 302 U.S. 720 (1937).

TRADEMARK REGISTRATION FOR TRADE DRESS

Trade dress may be registrable as a trademark or service mark in the U.S. Patent and Trademark Office (PTO). The three dimensional COKE and PINCH bottle shapes are registered, as are Kodak's yellow and red color combination, Wedgwood's famous blue color and other color marks.

Trade dress which is not registered may nonetheless be protectable under federal and state unfair competition laws if the requirements discussed below are met.

THE ISSUES

There are three primary issues in the trade dress area. The first is whether the trade dress is *de jure* "functional." If it is not, the second question is whether the trade dress is "distinctive", either inherently or because it has acquired secondary meaning. If

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the answer is yes, the third issue in an *inter partes* dispute is whether there is a likelihood of confusion between the parties' trade dress.

FUNCTIONALITY

The first major limitation on trade dress protection is the doctrine of functionality. There are two kinds of "functionality": *de facto* and *de jure*.

De facto functionality simply means that the product or packaging performs the function that it was intended to perform.

A COCA-COLA bottle's function is to hold COCA-COLA beverage and permit it to be poured out of the bottle, a job it certainly performs. But that does not make the bottle's shape or ribbing "functional" for trade dress purposes because those features are not necessary for the bottle to do its job.

A feature is *de jure* functional if competitors must use it in order to compete effectively. The U.S. Supreme Court has defined a functional feature as one which

> ...is essential to the use or purpose of the article or [that] 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.

Qualitex, slip op. at 6; citing *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 U.S. 844, 850-51 (1982). The Court of Appeals for the Federal Circuit recently said:

> In sum, the "crux" of the distinction between de facto and de jure functionality-determining eligibility for trademark protection or not-is a design's effect on competition. [citation omitted.] Thus, the policies underlying the functional limitation on trademark protection explicitly invoke an inquiry into competitive fairness.

Brunswick Corp. v. British Seagull Ltd., 35 F.3d 1527, 1531 (Fed. Cir. 1994), *cert pending*, No. 94-1075.

"Competitiveness" included visual desirability in addition to the use, quality and cost of the product in *Brunswick*. There, the trade dress sought to be registered was the color black for outboard motors. The color had no effect on either the cost of making the motors, their quality or ability to function. But black was held to be *de jure* functional and unprotectable because black outboard motors are compatible with many boats' color schemes, and black makes the motors look smaller. Competitors' inability to use black would therefore decrease their ability to effectively compete, and trademark protection was held to be unavailable. 35 F.3d at 1533.

Brunswick was decided on its facts. The Federal Circuit did *not* hold that color is always functional, and the Supreme Court has now expressly held that "the doctrine of 'functionality' does not create an absolute bar to the use of color alone as a mark." *Qualitex*, slip op. at 6.

Functionality is a major issue in virtually every trade dress case litigated in the United States. Functionality is a question of fact which must be determined by the trier of fact. There is a split of authority as to which party has the burden of proof on functionality. In some judicial circuits the courts require the plaintiff to prove that the features of his trade dress are not functional (First, Third, Ninth and D.C. Circuits). In other circuits, functionality is a defense which the accused infringer must prove (Second, Seventh and Tenth Circuits).

Some courts have analyzed the components of a claimed trade dress feature by feature to determine whether there are viable alternatives to each feature and/or to examine why a particular feature is the way it is. *See, e.g.*, *Service Ideas, Inc. v. Traex Corp.*, 846 F.2d 1118 (7th Cir. 1988). The more common approach is not to examine each feature of the trade dress to see whether it is functional, but, rather, to look at the amalgamation of the features to see whether the *overall* design is functional. *See, e.g.*, *LeSportsac Inc. v. K-Mart Corp.*, 754 F.2d 71, 76 (2d Cir. 1985). The Supreme Court implicitly approved this approach in *Two Pesos*, where the jury had been instructed to consider the "total image" of the decor and not "the functionality of individua[l] elements." *Taco Cabana*, 932 F.2d at 1118-9.

Some factors courts consider in assessing functionality are:

1. The existence of an expired utility patent disclosing utilitarian advantages of the design;
2. Advertising which touts the utilitarian advantages of the design;
3. The availability of alternative designs; and
4. Whether a particular design results from a comparatively simple or cheap method of manufacturing the article.

In re Morton-Norwich Products, Inc., 671 F.2d 1332, 1340-41 (C.C.P.A. 1982) - (configuration of spray bottle for household-liquids not functional).

If features of a design claimed to be trade dress are specifically covered in the claims of a utility patent, this is ve[ry] strong evidence that they are functional. *E.g.*, *Best Lock Corp. v. Schlage Lock Co.*, 413 F.2d 1195 (C.C.P.A. 1969) (claims of expired utility patent established functionality of figure eight loc[k] configuration). If a shape or appearan[ce] is covered by a design patent, that is evidence of non-functionality, but it does not in and of itself prove non-functionality. *In re Vico Products Mfg. Co.*, 229 U.S.P.Q. 364 (TTAB 1985).

If a trade dress is determined to be legally functional, it cannot be protected as a trademark even if the publi[c] does attribute that appearance or design to a single source (*de facto* secondary meaning) and even if there [is] confusion between the parties' products or their sources among members [of] the public.

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Application of Deister Concentrator Co., 289 F.2d 496 (C.C.P.A. 1961); *American Greetings Corp. v. Dan-Dee Imports, Inc.*, 807 F.2d 1136, 1141 (3d Cir. 1986).

DISTINCTIVENESS

If the claimed trade dress is not *de jure* functional, the next question is whether the plaintiff has established that its trade dress is "distinctive", i.e., protectable, either because of its inherent nature or because it has acquired secondary meaning. A U.S. trademark or service mark registration on the Principal Register of the PTO is *prima facie* evidence that the mark is a valid trademark and therefore distinctive. (15 U.S.C. §1057(b)).

A federal registration on the Principal Register is thus very valuable to the plaintiff in a trade dress case. (On the other hand, a registration on the Supplemental Register is not entitled to a presumption of validity. 15 U.S.C. §1094.)

Absent a registration, the plaintiff must show that its trade dress functions as a trademark in other ways.

The preferred way is to show that the trade dress is inherently distinctive. *Two Pesos* does not offer much guidance on determining whether a trade dress is inherently distinctive, but other courts have done so. The U.S. Court of Appeals for the Third Circuit, for example, quite recently held that a product configuration is inherently distinctive if it is: "(i) unusual and memorable; (ii) conceptually separable from the product; and (iii) likely to serve primarily as a designator of origin of the product." *Duraco Products, Inc. v. Joy Plastic Enterprises, Ltd.*, 32 U.S.P.Q. 2d 1724, 1725 (3d Cir. 1994). The Court distinguished product configurations from "traditional" trade dress cases, involving, for example, packaging.

In an older case which did involve package design, the Court of Customs and Patent Appeals said that in determining inherent distinctiveness the Court should look to whether the design

> ...was a "common" basic shape or design, whether it was unique or unusual in a particular field, whether it was a mere refinement of a commonly-adopted and well-known form of ornamentation for a particular class of goods viewed by the public as a dress or ornamentation for the goods, or whether it was capable of creating a commercial impression distinct from the accompanying words.

Seabrook Foods, Inc. v. Bar-Well Foods Ltd., 568 F.2d 1342, 1344 (C.C.P.A. 1977).

Although the Supreme Court did not expressly hold that color alone can never be inherently distinctive in *Qualitex*, everything in the opinion strongly indicates that secondary meaning in a color *per se* must be shown to be entitled to a trademark registration. *See, e.g.*, slip op. at 3 - 4.

Although the Supreme Court did not expressly hold that color alone can never be inherently distinctive in *Qualitex*, everything in the opinion strongly indicates that secondary meaning in a color *per se* must be shown to be entitled to a trademark registration.

Absent inherent distinctiveness, there are two types of evidence by which to prove acquired distinctiveness, i.e., secondary meaning. The first, direct evidence, entails either testimony of individual witnesses or survey evidence. The second type of evidence is indirect evidence from which secondary meaning can be inferred. The length of time the trade dress has been in use, the amount and number of sales under the trade dress and the amount of advertising featuring the trade dress are all factors to consider.

LIKELIHOOD OF CONFUSION

Once trademark rights are established, the next question is whether the defendant's trade dress creates a likelihood of confusion within the meaning of The Lanham Act. It is not necessary for there to be copying, actual confusion or direct competition for there to be likelihood of confusion.

The same factors are normally considered in deciding the issue of likelihood of confusion in trade dress as in other trademark infringement cases, i.e., strength of plaintiff's trade dress, degree of similarity between the parties' trade dress, the similarity of the parties' goods or services, the parties' marketing channels, actual confusion, defendant's intent, and the degree of care exercised by purchasers. Other factors may also be relevant.

The Third Circuit has recently held that in product configuration trade dress cases the most important factors are. the product's labelling, packaging and advertisements. The court also discussed how the other factors should be applied in product configuration cases specifically. *Versa Products Co., Inc. v. Bifold Co. (Manufacturing) Ltd.*, No. 94-5064 (3d Cir. February 15, 1995).

However, other courts have found likelihood of confusion even where the word marks are completely different, e.g., *Inverness Corp. v. Whitehall Laboratories*, 678 F.Supp. 436 (S.D.N.Y. 1987).

The Second Circuit, while acknowledging that word marks may not avoid trade dress infringement in many

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cases, held that prominent use of the well-known EXCEDRIN and TYLENOL word marks on competitors' trade dress packaging did dispel the likelihood of confusion in *Bristol-Myers Squibb Co. v. McNeil-P.P.C., Inc.*, 973 F.2d 1033, 1047 (2d Cir. 1992).

REMEDIES FOR TRADE DRESS INFRINGEMENT

If a trade dress is a registered trademark, a claim for trade dress infringement may be asserted under Section 32(1) of The Lanham Act (15 U.S.C. §1114(1)). When the trade dress is not registered, a trade dress infringement claim may be asserted under Section 43(a) of The Lanham Act (15 U.S.C. §1125(a)).

The action may be brought in a United States District Court where personal jurisdiction and venue are proper.

The remedies for trade dress infringement are the same as those for trademark infringement, i.e., injunctions (15 U.S.C. §1116), recovery of damages in the form of the defendant's profits or the plaintiff's actual damages (trebled in the court's discretion), and/or attorney's fees in "exceptional" cases. (15 U.S.C. §§1114-1119).

CONCLUSION

In conclusion, trade dress is a fascinating legal area in the United States and elsewhere. There are many issues which are not usually present in word trademark cases, such as functionality.

The standards for determining these issues-including likelihood of confusion-may vary from circuit to circuit or be specific to a particular type of trade dress. Even the question of whether to apply to register a trade dress is not always as clear-cut as it is for word trademarks. As trade dress law continues to evolve and be refined by the courts the area should remain of great interest to trademark practitioners. SMZMS

European Community Trademark Protection

Gary D. Krugman

> Beginning in 1996, U.S. trademark owners and others will be able to file a single trademark application for registration which will cover the 15 member countries of the European Community.

At the present time, U.S. companies seeking trademark protection in Europe must file individual applications in each country where protection is desired (except that a BENELUX application may be filed covering Belgium, the Netherlands, and Luxembourg). This process can be tedious, expensive and can lead to multiple litigations in various countries on the continent.

Relief is on the way. Beginning in 1996, U.S. trademark owners and others will be able to file a single trademark application for registration which will cover the 15 member countries of the European Community.

The European Community, at the present time, is a single market of 15 member countries consisting of Belgium, France, Germany, Italy, Luxembourg, the Netherlands, Denmark, Ireland, the United Kingdom, Greece, Portugal, Spain, Austria, Finland, and Sweden. A uniform European Community Trade Mark Law has been established. Rules have been drafted and a European Community Trade Mark Office has been established in Alicante, Spain. Under current timetables, applications for a Community trademark will be acted upon beginning April 1, 1996, although Community applications can be filed beginning January 1, 1996. All applications filed between January 1, 1996 and April 1, 1996 will be given an April 1, 1996 filing date. All nationals of countries which are signatories to the Paris Convention (of which the United States is one) are eligible to file for a Community trademark.

The availability of a Community trademark is potentially significant to U.S. and other trademark owners for several reasons. First, a Community trademark registration may be obtained covering all 15 countries for one fee. At the present time, it is estimated that the initial filing fee will be approximately $900.00, which will carry the application up to and including acceptance of the mark for registration. There will then be an additional issue fee which will be approximately $1,400.00, making a total of approximately $2,300.00 in fees for obtaining a Community trademark in 3 classes covering 15 countries containing over 350 million consumers. This is a significant cost savings over the current fees in the individual countries.

Another significant advantage of a Community trademark registration for trademark owners is that use of the trademark would be necessary in as few as one member country in order to maintain protection in all 15 countries in the European Community. At the present time, a U.S. or other trademark owner owning registrations in the individual countries would have to use the mark in each of the countries in order to maintain the individual national registrations.

A third significant advantage is that litigation involving a Community trademark will be centralized. Each European Community member country has designated existing courts as

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courts that will adjudicate Community trademark cases. A decision issued by a "trademark court" in a European Community member country will be valid and enforceable in all other member countries, thus obviating the need for country-by-country litigation.

The European Community trademark system will not replace the current national registration system, but will be a co-existing system. Circumstances can and will arise which will make a Community registration impracticable. For example, if the mark is barred by a previously registered mark in one or more member countries, a Community trademark will not be possible since the mark would have to be registrable in all member countries to qualify for a Community trademark registration. In such circumstances, the trademark owner would have to file in the individual countries where the mark is available. Provisions are in place at the European Community Trade Mark Office to allow for a Community trademark application that is refused registration to be converted into a national application, whereby the applicant can retain its original Community trademark application filing date. There are also provisions for claiming, in connection with a Community trademark application, the seniority of an earlier national registration which issued in one of the European Community member countries.

If it is determined that a Community trademark is desirable and feasible, the application may be filed in any of the approved languages (English is one) directly at the European Community Trade Mark Office in Alicante, Spain, or at any of the national Trade Mark Offices in any member country. Any application filed in one of the national offices will be forwarded to the European Community Trade Mark Office within two weeks of the filing of the application. If the application satisfies the minimum requirements for filing, it will be the equivalent of a regular national filing in each of the European Community member countries. If the Community trademark application does not meet the minimum requirements for a filing date, the European Community Office will allow the applicant the opportunity to remedy any deficiencies and, upon compliance, the application filing date will be the date the deficiencies are remedied.

The European Community trademark system will not replace the current national registration system, but will be a co-existing system.

If a trademark owner files a Community trademark application within six months from the filing of a corresponding application in any country that is a party to the Paris Convention for the same mark covering the same goods or services (or a more restrictive goods or services), the Community trademark application will be afforded a convention priority filing date equivalent to the filing date of the corresponding application.

Once the application is filed, the European Community Trade Mark Office will perform a search of earlier Community trademarks. The European Community Trade Mark Office will also send a copy of the Community trademark application to the national offices of all European Community member countries that have indicated to the European Community Trade Mark Office their intention to do their own search of their own registers (it is unclear at the present time which countries will undertake such searches). The Alicante office will then provide the applicant with a copy of its search as well as copies of any national searches that have been performed. The applicant may then elect to withdraw the application or amend it in some way in order to avoid a conflict with the earlier mark(s) that may be confusingly similar.

Following transmittal of the search reports, the mark will be published for opposition and an opposition may be filed within three months from the publication date. If an opposition is filed, the Alicante Office will either reject it and grant registration, or accept it and refuse the application in whole or in part.

Upon allowance, the registration will be effective for ten years, subject to payment of the registration fee. The registration can be renewed. At the present time, it is estimated that a Community trademark registration will issue in less than one year following filing, assuming no opposition is filed. While there are many questions regarding the details of the Community trademark registration process and the relative advantages/disadvantages of this system, all U.S. and other trademark owners interested in trademark protection in Europe should carefully examine their trademark portfolio and decide whether the Community trademark is a viable option. *SMZMS*

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