

## How Trade Dress Law Has Evolved During COVID

By **Howard Hogan and Laura Mumm** (June 11, 2021, 3:43 PM EDT)

This past year has been a tremendously challenging time for the retail industry.

Not only have consumers largely stayed home from stores and shifted further toward online shopping, but they also rapidly shifted their consumption habits, picking up items geared toward making their time at home more comfortable.

This confluence of events has driven retailers to stock up not only on hand sanitizer and masks, but also sweatpants and puzzles. As an increasing percentage of Americans are being vaccinated, however, retailers once again need to shift strategies and try to boost their products' shelf appeal as consumers return to browsing store aisles in person.

As brands — and their competitors — update their packaging and refresh their looks in an effort to draw consumers' attention, it is important to catch up on the changes to trade dress law that have occurred while we have all been waiting at home.

### The Fine Line Between Functional And Useful

Adopting unique and appealing trade dress is one of the most important aspects of marketing a consumer product, particularly as consumers return to browsing in person.

Trade dress is a species of trademark law that protects the visual appearance of a product and/or its packaging in order to signify the source of the product. But elements of trade dress are protectable under the Lanham Act, and most parallel state laws, only if they are both distinctive and nonfunctional.

When a trade dress design is done well, it allows consumers to both identify the source of the product and distinguish it from other, similar products. But the boundaries of trade dress can be difficult to police, particularly when competing products enter the market and purposefully adopt a similar look or design in order to mimic popular products.

Recent developments in case law have made it even more difficult to identify what elements might be protectable, as a circuit split has emerged regarding the standard for determining if a design element is



Howard Hogan



Laura Mumm

impermissibly functional.

Ezaki Glico Kabushiki Kaisha v. Lotte International America Corp.[1] was the most recent to enter the fray when the U.S. Court of Appeals for the Third Circuit considered whether the shape and design of the Pocky cookie could constitute protected trade dress.

For those who are not familiar, Pocky sells thin, stick-shaped cookies that are predipped in either chocolate or other flavored coatings at one end, with the other end left uncoated for the eater to hold.

The company that produces Pocky, Ezaki Glico Co. Ltd., holds a series of trademarks and design patents to protect the unique elements of its packaging and appearance.

After Lotte International entered the market with a similar product, Pepero cookies, Pocky brought suit under the Lanham Act and parallel state laws, alleging that Lotte's cookies violated Pocky's protected trade dress in its product configuration.

The Third Circuit held in October 2020 that Pocky's design is functional because it was useful, with every feature of Pocky's registration relating to "the practical functions of holding, eating, sharing, or packing the snack." [2]

The panel justified its decision, in part, on the distinctions between trademark and patent law, stating that:

The functionality doctrine keeps trademarks from usurping the place of patents [and because] [t]here is no real dispute that Pocky's design is useful [...] the trade dress is not protectable.[3]

The usefulness standard relied on by the Third Circuit was a departure from other circuits.

For instance, the U.S. Court of Appeals for the Eleventh Circuit applies a so-called traditional test to determine if an alleged trade dress is functional. Under that test, "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." [4]

If a design passes this traditional test, then the Eleventh Circuit might apply the "competitive necessity" test, under which "a functional feature is one the 'exclusive use of [which] would put competitors at a significant non-reputation-related disadvantage.'" [5]

For example, in *Dippin' Dots Inc. v. Frosty Bites Distribution LLC*, the U.S. Court of Appeals for the Eleventh Circuit found in 2004 that the color, size and shape of the Dippin' Dots ice cream product were all functional, as they contributed to, among other things, the "creamy quality of the finished product." [6]

The U.S. Court of Appeals for the Second Circuit has put its own spin on that test, finding in its 1996 decision in *Landscape Forms Inc. v. Columbia Cascade Co.* that:

[A] trade dress is considered 'functional' where a competitor will be put at a significant disadvantage because the feature at issue is 'essential to the use or purpose' of the product or 'affects its cost or quality,' [which includes an assessment of] the feasibility of alternative designs that would not impair the utility of the product. [7]

Applying that test in *Rubik's Brand Ltd. v. Flambeau Inc.*, a magistrate judge in the U.S. District Court of

the Southern District of New York recently held that the design of the well-known Rubik's Cube was not functional, as, among other things, the unique colors applied on the 3x3 squares of a Rubik's Cube did not "significantly hinder competitors from competing in the United States puzzle cube market." [8]

Thus, there appears to be a burgeoning circuit split as to the appropriate test for determining what constitutes a "functional" feature, which adds a layer of complexity as brands refresh or renew their designs.

### **Use of Color as an Indicator of Source**

Brands often use color schemes as a means to attract the eyes of shoppers, as well as to provide shoppers with information about the products themselves, including flavors.

But the question of when color schemes can be protectable can be complex, as courts have found colors to be protectable in some instances and functional in others.

For instance, in the realm of food and beverage products, it has been widely acknowledged that the use of color to identify a flavor is a functional, rather than protected, feature. [9]

However, when product packaging uses consistent colors to build brand identity, it may be protectable. For instance, last year, the U.S. Court of Appeals for the Federal Circuit reversed a decision of the U.S. Patent and Trademark Office's Trademark Trial and Appeal Board rejecting a color claim in the *In re: Forney Industries Inc.* case. [10]

The TTAB had held that "product packaging marks that employ color cannot be inherently distinctive in the absence of an association with a well-defined peripheral shape or border." [11]

Forney had used a distinctive color gradient mark featuring a black band and then shades of yellow into red to build a consistent identity across its line of welding and machining tools.

This gradient would cover the whole of the packaging, rather than appearing in a particular, bounded spot. The Federal Circuit found that this use of color on packaging could be inherently distinctive.

As brands seek a leg up in attracting the eyeballs of consumers to store shelves, they must carefully consider whether it is more important to use the design of the product or packaging to communicate a feature of the product, such as flavor, or communicate to consumers instantly that the product emanates from one specific source.

To be protectable, a color scheme must show signs of so-called secondary meaning; that is, consumers see those colors not as an indicator of what they are buying, but from whom they are buying a desired product.

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*Howard Hogan is a partner and Laura Mumm is an associate at Gibson Dunn & Crutcher LLP.*

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[1] 986 F.3d 250 (3d Cir. 2021), as amended, (Mar. 10, 2021).

[2] *Id.* at 259 (emphasis added).

[3] *Id.* at 256, 261.

[4] *Dippin' Dots, Inc. v. Frosty Bites Distribution, LLC*, 369 F.3d 1197, 1203 (11th Cir. 2004) (quoting *TraFFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 31, 121 S. Ct. 1255, 1261, 149 L. Ed. 2d 164 (2001)).

[5] *Id.* (quoting *Qualitex Co. v. Jacobson Prod. Co.*, 514 U.S. 159, 164 (1995)).

[6] *Id.* at 1206.

[7] *Rubik's Brand Ltd. v. Flambeau, Inc.*, 2021 WL 363704, at \*6 (S.D.N.Y. Jan. 31, 2021) (quoting *Landscape Forms, Inc. v. Columbia Cascade Co.*, 70 F.3d 251, 253 (2d Cir. 1995)).

[8] 2021 WL 363704, at \*11.

[9] *E.g.*, *Dippin' Dots, Inc.*, 369 F.3d at 1203-04.

[10] 955 F.3d 940 (Fed. Cir. 2020).

[11] *Id.* at 945.