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Non-Traditional Trademarks: The Error Costs of Making an Exception the Rule

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I. Introduction

In the United States over the last sixty years, courts have engaged in an ill-advised expansion of trademark subject matter. Where once only words or emblems affixed to a product or its packaging could receive protection as a trademark, today a product’s design or packaging itself may receive such protection. Although there are undoubtedly cases where a product’s design or packaging is serving the same function as a trademark and could be protected without reducing, to any extent, competition in the marketplace or otherwise harming consumers, such cases are the exception, not the rule. For that reason, Congress, in enacting the Trademark Act of 1946 (commonly known as the Lanham Act), expressly excluded product packaging and design from substantive trademark protection.

Would-be trade dress owners did not, however, graciously accept this outcome. Instead, they repeatedly petitioned the United States Patent and Trademark Office (USPTO) and courts to overrule Congress and to protect trade dress under the Lanham Act. Unlike Congress, the USPTO and courts are institutionally incapable of examining the economy generally. Instead, courts and the USPTO have a much narrower focus directed at the facts of the precise case before them. As a result, in a classic example of hard facts making bad law, they turned the exceptional case into the rule. Facing that rare instance where a product’s design or packaging may have served as a source of brand-specific information, the USPTO and courts threw open the doors of trademark protection to product design and packaging generally.

This was a mistake. By making the exception into the rule, courts and the USPTO may have ensured protection for the rare trade dress case that warrants such protection. But they established a legal framework that has invited abuse. Instead of suing only when imitation yields material consumer confusion, companies routinely use the threat of trade dress litigation to stifle imitation that produces only competition.

Courts and the USPTO tried to reduce the costs of their mistake by requiring proof of secondary meaning for product design and by prohibiting protection for functional features. But these after-the-fact efforts have proven to be too little and...
have come too late. Today, a plaintiff may assert a triable claim of trade dress infringement by showing that: (i) its product was popular; and (ii) the defendant imitated the popular product. Yet, these same two facts also establish that the product at issue is precisely the product that, from a consumer or social welfare perspective, should be imitated. As a result, too often today, parties assert claims of trade dress infringement not to forestall unfair competition, but to forestall fair competition, where I define competition as fair or unfair depending on whether it increases or decreases social welfare.

From a plaintiff’s perspective, this misuse of trade dress protection makes perfect sense. When a company loses sales as a result of competition, it does not matter to the company whether that competition is fair or unfair. In either case, the potential prize successful trade dress litigation or a successful threat of such litigation offers is the same: the potential rents from eliminating or forcing further differentiation on a would-be competitor’s product or service. As long as a company can state a plausible trade dress claim, even if there is no serious risk of confusion, they have an incentive to do so. Moreover, the stakes in trade dress litigation are often sharply asymmetric. If a plaintiff prevails, it captures the resulting monopoly profits that flow from eliminating or forcing further differentiation on a competitor. Perhaps the result is only a little more market power (a small monopoly, if there were such a thing), but the resulting rents must be real or the company would not have invested in a lawsuit to capture them. If a defendant prevails, on the other hand, and establishes its right to add the chocolate flavor to its medicine,1 or to sell its shredded wheat in a pillow shape,2 for example, it gains not monopoly, not even a small one, but competition. In some cases and for some defendants, their market share, economies of scale, or task-specific human capital may offer potential rents sufficient to justify the expense of defending a trade dress lawsuit. But often, they will not. In many cases where a successful trade dress defense would increase social welfare, even sharply, most of the resulting welfare increase would flow to consumers in the form of lower prices and greater choices, and not to any one (or even all) of the potential trade dress defendants.

In such cases, would-be defendants may capture too little of the resulting welfare gains to cover the expense and risk of litigation. As a result, a potential trade dress defendant, if threatened, will too often concede, rather than fight. Indeed even without an explicit threat, potential defendants will too often modify their behavior to minimize the risk of potential litigation. They will refrain from imitating popular products, even when imitation would increase welfare. Where they decide to risk entry, they will differentiate their product or service offerings more than they otherwise would have, again even when less differentiation would increase welfare. In many cases, potential defendants have too little to gain to make litigation, or even a slight risk of litigation, worthwhile.

As a general matter, the economic rents that are available to potential trade dress plaintiffs, and largely unavailable to potential trade dress defendants, create

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asymmetric stakes that drive: (i) trade dress plaintiffs to over-enforce, and (ii) trade dress defendants to under-defend, whatever legal rights we establish. As a result, we should not adopt legal rules that attempt to mimic the degree or kind of competition we want to have in the marketplace. The legal rules provide only a starting point. The effective degree of competition in the market will depend not only on the legal rules, but on the parties' incentives to vindicate their respective interests under the legal rules. If trade dress plaintiffs systematically over-enforce and trade dress defendants systematically under-defend, then the resulting degree of competition we will observe in the marketplace will be less, perhaps far less, than the legal rules may appear to formally provide.

In such a situation, where parties on one side will systematically over-enforce, and parties on the other side will systematically under-defend, achieving the optimal level of rights enforcement in the marketplace requires us to under-define the rights that the law provides. If asymmetric stakes will lead to systematic over-enforcement of whatever rights we provide in the trade dress context, then efficient legal rules must under-protect trade dress. As a result, rather than tinker further with the secondary meaning and functionality doctrines, we should return to the rule that Congress adopted in 1946 and bar product design and packaging from receiving trademark protection altogether. This may mean that some meritorious trade dress claims fail, but that is a small price to pay to eliminate the vast array of anticompetitive strike suits that constitute the bulk of trade dress litigation today.

To explore these issues, I will begin in Section II with a brief exploration of how the USPTO and the courts came to overrule Congress and extend trademark protection under the Lanham Act to product packaging and design. In Section III, I will examine the error costs of making an exception into the rule. As part of this discussion, I will also examine the parties' incentives to litigate or avoid litigation over product design similarities and show that the asymmetric stakes facing the parties are likely to lead to over-enforcement of trade dress rights. Because of this systematic over-enforcement, if we want to achieve a given degree of competition in the marketplace, we cannot adopt legal rules that mimic the degree of competition we would like to see. Instead, we must sharply under-define trade dress rights in order to ensure the degree and the kind of competition we desire within the marketplace. In Section IV, I will conclude.

II. How the USPTO and Courts Overruled Congress on Trade Dress

Before the enactment of the Lanham Act in 1946, trademark protection was available only for words, emblems, or symbols, affixed to, or emblazoned on, products. Today, this is often referred to as the "technical" trademark limitation.

The shape or configuration of a product could not qualify as a trademark. At best,
imitation of the configuration of a product or its packaging could give rise to a claim for unfair competition.4

This distinction between technical trademark protection and unfair competition was not mere semantics, but critical substance. While both trademark and unfair competition claims focus on whether a defendant’s actions are likely to trick or deceive consumers as to the source of the goods they are buying, for a trademark claim, both secondary meaning and a likelihood of confusion can be inferred from the nature and similarity of the marks alone. In contrast, for unfair competition, the deception had to be shown.5 It was not enough to show that a defendant had imitated a popular product.6 Proving unfair competition required something more.7

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4 See, e.g., Coats v. Merrick Thread Co., 149 U.S. 562, 566 (1893); Lucien Lelong, Inc. v. Lenal, Inc., 181 F.2d, 3–5 (5th Cir. 1950) (“It is elementary that a color or container cannot be a trade-mark. . . . [T]here can be no trade-mark in a package, the shape of a bottle, or a letter of the alphabet.”); Philadelphia Novelty Mfg. Co. v. Rouss, 40 F. 585, 587 (C.C.S.D.N.Y. 1889) (“[I]n ordinary circumstances, the adoption of packages of peculiar form and color alone, unaccompanied by any distinguishing symbol, letter, sign, or seal, is not sufficient to constitute a trade-mark.”); Adams v. Heisel, 31 F. 279, 280 (C.C.N.D. Ohio 1887); William Henry Browne, TRADEMARKS §§ 89b, 89c, at 137–38 (2d ed. 1885) (“There are decisions which, at the first glance, seem to hold that the mere form of a vendible article may constitute a technical trademark. Careful analyses cannot fail to induce the conclusion, that the principles of unfair competition, rather than those appertaining to trade-marks, were the bases of judgment.”); Societe Anonyme de la Distillerie de la Liqueur Benedictine de L’Abbaye de Fecamp v. Puziello, 250 F. 928, 928 (E.D.N.Y. 1918) (granting relief for imitation of packaging under theory of unfair competition) (“The statute of February 20, 1905, allowing the registration of a trade-mark in use for more than 10 years, does not alter the fundamental proposition, that a trade-mark is a design or mark rather than a container or package.”); James Love Hopkins, The Law of Trademarks, Tradenames, and Unfair Competition §§ 53, 54, 57 (4th ed. 1924).

5 See Zangerle & Peterson Co. v. Venice Furniture Novelty Mfg. Co., 133 F.2d 266, 269–70 (7th Cir. 1943) (“The essence of unfair competition is fraud. And like fraud, it is never presumed, and its existence must be established by a clear preponderance of the evidence.”) (citations omitted).

6 Kellogg Co., supra note 2, 120–22 (1938); William R. Warner & Co., supra note 1, 531 (“The petitioner or anyone else is at liberty under the law to manufacture and market an exactly similar prepara-
tion . . . [b]ut the imitator of another’s goods must sell them as his own production.”); Feathercombs, Inc. v. Solo Prods. Corp., 306 F.2d 251, 257 (2d Cir.), cert. denied, 371 U.S. 910 (1962); Modern Aids, Inc. v. R.H. Macy & Co., 264 F.2d 93, 94 (2d Cir. 1959) (per curiam) (“Even where a plaintiff is enti-
tled to relief under unfair competition against an imitator), however, the relief would go no further than to require the defendant to make plain to buyers that the plaintiff was not the source of the machines sold by it.”); Paramount Indus., Inc. v. Solar Prods. Corp., 186 F.2d 999, 1001–02 (2d Cir. 1951); Elizabeth Arden, Inc. v. Frances Denney, Inc., 99 F.2d 272, 273 (3d Cir. 1938) (per curiam); Vogue Ring Creations, Inc. v. Hardman, 410 F. Supp. 609, 613 (D.R.I. 1976) (“It is well established that copying another’s article is not, standing alone, unfair competition. It must be shown that the defendant so con-
fusingly presented his product through packaging, labeling or otherwise as to lead purchasers to believe that they were buying the plaintiff’s article.”); Remco Indus., Inc. v. Toyomenka, Inc., 286 F. Supp. 948, 952, 955 (S.D.N.Y. 1968); Key West Hand Print Fabrics, Inc. v. Serbin, Inc., 244 F. Supp. 287, 292 (S.D. Fla. 1965). For other differences, see Milton Handler & Charles Pickett, Trade Marks and Trade Names—An Analysis and Synthesis: I, 30 Colum. L. Rev 168 (1930) (describing greater requirements for and narrower scope of protection for trade names under doctrine of unfair competition as compared to protection of and for trademarks).

7 See Crescent Tool Co. v. Kilborn & Bishop Co., 247 F. 299, 301 (2d Cir. 1917) (noting that so long as defendant was careful to identify goods as its own, the defendant was fully entitled to “copy the plaintiff’s goods slavishly down to the minutest detail”); see also William R. Warner & Co., supra note 1, 532; Day-Brite Lighting, Inc. v. Sandee Mfg. Co., 286 F.2d 596, 600 (7th Cir. 1960); West Point Mfg. Co. v. Detroit Stamping Co., 222 F.2d 581, 586, 589, 595 (6th Cir. 1955); Gum, Inc. v. Gumakers of Am., Inc., 136 F.2d 957, 960 (3d Cir. 1943); Zangerle & Peterson Co., supra note 5, 269; Sinko v. Snow-Craggs Corp., 105 F.2d 450, 452 (7th Cir. 1939); Remington-Rand, Inc. v. Mastercraft Corp., 67 F.2d 218, 220 (6th Cir. 1933); Meccano, Ltd. v. Wamamaker, 250 F. 450, 452–53 (2d Cir. 1918), aff’d, 253
Moreover, even where deception was shown, relief was usually limited to a requirement of proper labeling.\(^8\)

In enacting the Lanham Act, Congress retained this traditional approach. While Congress expressly expanded the definition of a technical trademark to encompass descriptive word marks, at the same time, it expressly barred the registration of trade dress on the principal register or its protection under section 43(a). Congress expressly allowed registration of trade dress on the supplemental register in order to facilitate registration of domestic companies’ trade dress in those foreign jurisdictions that chose to recognize it.\(^9\) But the supplemental register provided then, and still provides today, no substantive, domestic rights. Within the United States, a mark registered on the supplemental register is entitled only to the protection that it would otherwise receive under state or common law.\(^10\)

During the legislative debates leading to the enactment of the Lanham Act, no one expressed support for changing the pre-existing common law framework in a way that would allow the registration or protection of trade dress as a technical trademark. Nevertheless, the Department of Justice expressed concern that the use of the word “mark” in section 2(f) might allow cross-over registration.\(^11\)

\(\text{U.S. 136 (1920); John H. Rice & Co. v. Redlich Mfg. Co., 202 F. 155, 158–60 (3d Cir. 1913); Marvel Co. v. Pearl, 133 F. 160, 161 (2d Cir. 1904) (“Unfair competition is not established by proof of similarity in form, dimensions, or general appearance alone.”); Globe-Wemicke Co. v. Fred Macey Co., 119 F. 696,704 (6th Cir. 1902).}

\(^8\) See, e.g., William R. Warner & Co., supra note 1, 532–33 (holding injunction may properly prohibit defendant and its agents from suggesting to its customers feasibility of substituting its product for that of the plaintiff, and may even require the defendant to attach a label to its products stating that its product is not to be sold or dispensed in response to a request for the plaintiff’s product, but a prohibition on the use of the product feature at issue, chocolate, “goes too far” and was improper); Bose Corp. v. Linear Design Labs., Inc., 467 F.2d 304, 310 (2d Cir. 1972) (finding no unfair competition despite similarity between original and imitator given that defendant had plainly labeled its product as its own); Modern Aids, Inc., supra note 6, 94 (2d Cir. 1959) (per curiam) (noting that even if plaintiff can show consumer deception as a result of defendant’s imitation, relief is limited to requirement of proper labeling); West Point Mfg. Co., supra note 7, 588, 589 (6th Cir. 1955); J.C. Penney Co., 120 F.2d at 955–56 (ruling that “[l]abeling is the usual and accepted method of distinguishing the goods of one manufacturer from those of another in the market” and limiting relief to requirement of proper labeling and accuracy in statements made concerning defendant’s products).


\(^10\) For example, § 33(a) of the Act provides that registration of a mark on the principal register shall constitute “prima facie evidence of the validity of the registered mark and of the registration of the mark, of the registrant’s ownership of the mark, and of the registrant’s exclusive right to use the registered mark in commerce on or in connection with the goods or services specified in the registration.” 15 U.S.C. § 1115(a) (2016); see also 15 U.S.C. § 1057(b) (2016) (same). No similar evidentiary presumption attaches for the registration of a mark on the supplemental register. Similarly, only principal register registrations may become incontestable, 15 U.S.C. § 1065 (2016), and provide constructive nationwide use and notice. 15 U.S.C. §§ 1057(c), 1072 (2016).

\(^11\) See Trade-Marks: Hearings Before the Subcomm. of the Senate Comm. on Patents, 78th Cong. 62 (1944) 62 (Report of Department of Justice) (“Section 23 provides for a supplemental register for almost any conceivable mark.… [A]fter citing the definition of a “mark” from section 23, the Report continued:] This broad authorization would appear to extend to functional packages and shapes of products, unpatentable designs, and to even include combination packages identified by tying two or more products together … [and] by transfer to the principal register [such “marks” may] become the exclusive property of a registrant. This result would not only bypass the patent laws in establishing exclusive rights in the shape and design of articles and packages, but might well create widespread commercial
of the broad definition of a “mark” eligible for registration on the supplemental register, an applicant could register a product’s design or packaging on the supplemental register. Then, once it had acquired secondary meaning, the registration could argue for cross-over registration on the principal register under section 2(f). Proponents of the bill denied any intention to enable or allow such cross-over registration. Nevertheless, Congress *inter alia* expressly amended the definition of trademarks eligible for registration on the principal register to foreclose such a possibility. At the behest of the Department of Justice, Congress amended the bill to limit the subject matter of “trademarks” and “service marks” eligible for registration on the principal register and for protection under section 43(a) to “any word, name, symbol, or device, or any combination thereof.” Congress took this language from the Court’s nineteenth-century definition of a trademark in *McLean v. Fleming* and thereby expressly embraced the traditional categorical limitations of the common law’s technical trademark doctrine.

Five principles of statutory construction establish that Congress intended to preclude registration and substantive protection for trade dress by this amendment. First, terms of art in a statute are to be given their technical meaning within their field, rather than their ordinary meaning. The word “symbol” in the statute should, thus, not be given its broad ordinary language meaning, but the narrower meaning of “emblem” that it carried as part of the definition of a technical trademark. Similarly, the word “device” did not refer to a mechanical device, but to a coat of arms or other heraldry. Second, when Congress expressly amends a bill’s language during the legislative process, that amendment should be given effect and not ignored.

See *Hearings on H.R. 4744 Before the Subcomm. on Trade-marks of the House Comm. on Patents, 76th Cong. 127* (1939) (statement of Edward S. Rogers, Chairman of the Patent and Trade Mark Association of the American Bar Association and principal draftsman of the bill); *Trade-marks: Hearing on H.R. 9041 Before the Subcomm. on Trade-marks of the House Comm. on Patents, 75th Cong. 180* (1938) (statement of Mr. Rogers); *Hearing on S. 4811 Before the Senate Comm. on Patents, 69th Cong. 29–30* (1927) (statement of Mr. Rogers).

Trademark Act of 1946 § 45, codified as amended at 15 U.S.C. § 1127 (2016) (“The term ‘trade-mark’ includes any word, name, symbol, or device, or any combination thereof . . ., used by a person . . . to identify and distinguish his or her goods . . . from those manufactured or sold by others . . .”). For a more detailed discussion of these issues, please see Lunney, *supra* note 9, at 1148–50.

96 U.S. 245, 254 (1877) (“Subject to the qualification before explained, a trade-mark may consist of a name, symbol, figure, letter, form, or device, if adopted and used by a manufacturer or merchant in order to designate the goods he manufactures or sells to distinguish the same from those manufactured or sold by another, to the end that the goods may be known in the market as his, and to enable him to secure such profits as result from his reputation for skill, industry, and fidelity.”).

See McDermott Int’l, Inc. v. Wilander, 498 U.S. 337, 342 (1991); Morissette v. United States, 342 U.S. 246, 263 (1952) (“And where Congress borrows terms of art in which are accumulated the legal tradition and meaning of centuries of practice, it presumably knows and adopts the cluster of ideas that were attached to each borrowed word in the body of learning from which it was taken . . . .”); Woods v. Lawrence County, 66 U.S. 386,399 (1861) (“[T]erms of art are to be understood in their technical sense when used in a statute.”).

See, e.g., Cardoza-Fonseca, 480 U.S. at 442–43 (“Few principles of statutory construction are more compelling than the proposition that Congress does not intend *sub silentio* to enact statutory language that it has earlier discarded in favor of other language.”) (quoting Nachman Corp. v. Pension Benefit Guaranty Corp., 446 U.S. 359, 392–93 (1980) (Stewart J., dissenting)); see also Stone v. INS, 514 U.S.
Before the 1943 amendment, the bill defined a trademark broadly, without categorical limitations and focused solely on distinctiveness. For example, S. 2679, introduced in 1924, and H.R. 9041, introduced in 1938, both defined trademarks registrable on the principal register as follows: “The term ‘trade-mark’ includes any mark so used as to distinguish the source or origin of the user’s goods . . ..” The 1943 amendment rewrote this language and limited trademarks eligible for registration on the principal register and substantive protection under section 43(a) to those that fell within the ontological categories “word, name, symbol, or device.” Third, every word in a statute should be given effect. Interpretations that render statutory language superfluous or redundant are disfavored. Interpreting “symbol” as “emblem” leaves room for the other statutory categories, “words” and “names.” Interpreting “symbol” as “anything at all that is capable of carrying meaning” does not. Fourth, when Congress uses different language in different sections of an Act, those sections should be given correspondingly different meanings. Congress intentionally included language in defining “marks” eligible for registration on the supplemental register much broader than the language it used to define “trademarks” eligible for registration on the principal register or for protection under section 43(a). It specifically included “package” and “configuration of goods” in the definition of “marks” eligible for registration on the supplemental register. It specifically excluded this language in defining “trademarks” eligible for the principal register and section 43(a) protection. Again, interpreting “symbol” as “emblem” gives effect to this difference; interpreting “symbol” broadly does not. Fifth, if it were necessary, in the legislative history, Congress explained that it was adopting the 1943 amendment specifically to bar trade dress protection.

Following the bill’s enactment in 1946, for twelve years, the USPTO followed Congress’ stated intentions. Applicants repeatedly tried to register various forms of trade dress, and the USPTO consistently rejected the applications. In 1952,
for example, Minnesota Mining & Manufacturing (or “3M”) sought to register the now-classic shape of a cellophane tape dispenser on the principal register. But the USPTO refused. In doing so, the Chief Examiner specifically rejected the argument that Congress intended “symbol or device” to be interpreted broadly. As the Chief Examiner explained with respect to the word “device,” for example:

The word “device” appearing in the definition of trademark cannot aid applicant. The word “device,” which also appears in the older definitions, is not used as referring to a mechanical or structural device but is used in the sense of one of the definitions of the word; “an artistic figure or design used as a heraldic bearing or as an emblem, badge, trade mark, or the like,” rather than in one of the other meanings of the word.

Rather than refer to a mechanical device, Congress intended the word “device” to carry its technical meaning as a term of art within trademark law, as a coat of arms or other form of heraldry.

But would-be trade dress owners did not give up. The potential rents trade dress protection offered were too lucrative. As such, they kept attempting to register product, packaging, and designs until finally, in 1958, they found a sympathetic administrative ear. And with a stroke of her administrative pen, the new Commissioner of Trademarks, Daphne Robert Leeds, overturned Congress’ decision on the issue and allowed trade dress on the principal register.

Once the USPTO started the federal trade dress ball rolling, the Court of Customs and Patent Appeals was eager to lend a hand. Over the next forty years, it repeatedly rebuffed the USPTO’s efforts to constrain the scope of registrable trade dress.

cases that such configuration, if registrable, cannot be registered on the Principal Register but only the Supplemental Register.”; Ex parte Boye Needle Co., 100 U.S.P.Q. (BNA) 124, 124 (Chief Exam’r 1953); Burgess Battery Co. v. Marzall, 92 U.S.P.Q. (BNA) 90, 91–92 (D.D.C. 1951) (“The omission of reference to labels or dress of goods in connection with the principal register and the inclusion thereof on the supplemental register would seem to indicate an intention to confine such matters to the supplemental register.”); Ex parte American Enka Corp., 81 U.S.P.Q. (BNA) 476,478 (Comm’r Pat. 1949) (“While applicant apparently regards the definition in section 45 of the Act of 1946 as a new standard for determining what may be a trade mark, it is to be noted that this definition was apparently taken, directly or indirectly from that contained in the treatise on the ‘Law of Trade-Marks,’ by Francis H. Upton, published in 1860, prior to the enactment of any provision in Federal law for the registration of trade marks.”).

24 See id. at 76.
26 See In re Kotzin, 276 F.2d 411, 414–15 (C.C.P.A. 1960) (overruling the USPTO’s refusal to register the placement and shape of a clothing tag, on its own, without the associated words or symbols that appeared on the tag, so long as the applicant could show secondary meaning); In re Mogen David Wine Corp., 328 F.2d 925 (C.C.P.A. 1964) (reversing USPTO’s refusal to protect shape of wine bottle protected by design patent); In re Honeywell, Inc., 497 F.2d 1344 (C.C.P.A. 1974) (reversing USPTO’s refusal to register the shape of a home thermostat as a trademark where a design patent protected the shape and the shape was the product itself); In re Morton-Norwich Products, 671 F.2d 1332 (C.C.P.A. 1982) (reversing the USPTO’s refusal to register the shape of a bottle for glass cleaner and sharply narrowing the definition of functionality); In re Owens-Corning Fiberglas Corp., 774 F.2d 1116 (Fed. Cir. 1985) (reversing the USPTO’s rejection of a single color uniformly applied to a product as a trademark). Given that the PTO initially rejected the notion that a uniform color could serve as a trademark and only changed its position when the Federal Circuit forced it to, it is more than a little curious that Justice Breyer in his Qualitex opinion relies on the PTO’s position as support for the Court’s conclusion.
The other federal appellate courts, although a bit late to the game, soon joined in. In 1976, the Eighth Circuit became the first federal appellate court to protect trade dress under section 43(a). But other circuits were not far behind. Strikingly, in all of these decisions, the fact that Congress specifically amended the language of section 43(a) during the legislative process to preclude trade dress protection was not even raised. As the circuit courts gleefully jumped on the trade dress express, the Court was eventually presented with the opportunity to do its job and fix the lower courts’ mistake. However, rather than do its job, the Court in its 1992 Two Pesos v. Taco Cabana decision joined the parade. And in a truly embarrassing opinion, the Court further loosened the standards for protecting trade dress by holding that trade dress could be inherently distinctive and thus receive protection without proof of secondary meaning. In its opinion, the Court offered no explanation or basis for rewriting section 43(a) to encompass trade dress protection, but simply took it for granted that Congress must have intended such protection all along. Just three years later in Qualitex Corp. v. Jacobsen Prods., the Court had a second chance to correct the lower courts’ mistaken expansion of the subject matter eligible for trademark protection. Instead, it chose again to rubber stamp those mistakes. Indeed, it went a step further and tried to justify the judicial recognition of trade dress protection by pointing to the broad ordinary language meaning of the phrase “symbol or device” in the statute. In doing so, the Court interpreted the language not merely incorrectly, but in precisely the opposite manner from the one Congress had intended. Congress had specifically added the “word, name, symbol or device” language to section 43(a) to preclude trade dress protection; the Qualitex Court interpreted it to encompass trade dress protection.

that a uniform color could serve as a trademark. See Qualitex Co. v. Jacobson Prods. Co., 514 U.S. 159, 172 (1995) (noting that “the Patent and Trademark Office had adopted a clear policy (which it still maintains) permitting registration of color as a trademark”).


29 Although there are a number of aspects of the decision that are embarrassing, two are particularly so. First, the Court insisted that there was no textual basis for treating traditional trademarks and trade dress differently. See Two Pesos, Inc. v. Taco Cabana, Inc., 505 U.S. 763, 774 (1992) (“It would be a different matter if there were textual basis in section 43(a) for treating inherently distinctive verbal or symbolic trademarks from inherently distinctive trade dress.”). Contrary to the Court’s insistence, however, Congress added the “word, name, symbol, or device” language to § 43(a) specifically to preclude trade dress protection. There is therefore a quite clear and express statutory basis for treating traditional trademarks and trade dress differently. Second, the Court further insisted that it cannot “engraft, onto section 43(a), a requirement of secondary meaning” not otherwise found in the statutory language. Id. Yet at the same time, the Court had no trouble “engrafting” onto the statute a functionality limitation. Id. (noting that “[a]lly nonfunctional, distinctive trade dress is protected under § 43(a)” ). Of course, there was no functionality limitation in the statute in 1992. Because Congress intended to preclude trade dress protection altogether in 1946, there was no need for a functionality limitation in the statute, and Congress did not add such a limitation until the courts forced its hand in 1998 and 1999. See Trademark Law Treaty Implementation Act, Pub. L. No. 330, 105th Cong., 2d Sess., § 201(a)(2)(A) (ii), 112 Stat. 3064, 3069 (1998), codified at 15 U.S.C. § 1052(e)(5) (2016); Trademark Amendments Act of 1999, Pub. L. No. 43, 106th Cong., 1st Sess., § 5, 113 Stat. 218, 220, codified at 15 U.S.C. § 1125(a)(3) (2016).

30 Two Pesos, Inc., supra note 29, 776.
While they were busy formally recognizing product design and packaging as a type of trademark, despite Congress’ expressly stated intention to the contrary, courts also watered down the requirements for, and broadened the scope of, the protection available against product imitation. Where the common law once required actual proof of secondary meaning, the Two Pesos decision eliminated that requirement for non-generic, non-descriptive product packaging.31 Even where courts required proof of secondary meaning, they allowed the trier of fact to infer it from the uniqueness of a design, the extent of sales or advertising, or from the fact of imitation itself.32 Where the common law once defined a product feature as functional, so long as it served “a substantial and desirable use,”33 courts redefined the functionality to encompass only those features that were “essential to the use or purpose of the article or . . . affect[ed] the cost or quality of the article.”34 Where the common law once required deceptive acts in addition to mere product similarity, courts held that similarity alone was sufficient to support an infringement finding.35 Where the common law once limited relief to a requirement of proper labeling, courts held that proper labeling was no longer sufficient to avoid an infringement finding, and courts would prohibit the imitation of


32 Cf. A.C. Gilbert Co. v. Shemitz, 45 F.2d 98, 99 (2d Cir. 1930) (ruling that similarity resulting from imitation and “many sales and much advertising” did not establish secondary meaning in design of article), and General Time Instruments Corp. v. United States Time Corp., 165 F.2d 853, 854–55 (2d Cir.) (ruling that sale of 3,000,000 clocks and expenditure of $2 million in advertising from 1939 to 1946 insufficient to establish secondary meaning), cert. denied, 334 U.S. 846 (1948), with Clamp Mfg. Co. v. Enco Mfg. Co., Inc., 870 F.2d 512, 517 (9th Cir.) (finding secondary meaning based upon sales and advertising expenditures alone), cert. denied, 493 U.S. 872 (1989).

33 William R. Warner & Co., supra note 1, 531 (finding that defendant could imitate the exact chocolate flavoring of medication because it “serves a substantial and desirable use”). See also Norwich Pharmacal Co. v. Sterling Drug, Inc., 271 F.2d 569, 572 (2d Cir. 1959) (finding color pink for a stomach remedy was functional because it was “designed to present a pleasing appearance to the customer and to the sufferer”); Pagliero v. Wallace China Co., 198 F.2d 339, 343 (9th Cir. 1952); J.C. Penney Co. v. H.D. Lee Mercantile Co., 120 F.2d 949, 954 (8th Cir. 1941) (“A feature of goods is functional . . . if it affects their purpose, action or performance; or the facility or economy of processing, handling or using them.”) (quoting restatement (first) of torts § 742 (1938)); Crescent Tool Co., supra note 7, 300; Smith v. Krause, 160 F. 270, 271 (C.C.S.D.N.Y. 1908) (refusing to protect the words “Merrie Christmas,” woven into a ribbon as a trademark because “the fact that it has ‘Merrie Christmas’ inscribed upon it adds a value to it over the value of a plain ribbon”).

34 Inwood Labs., Inc. v. Ives Labs., Inc., 456 U.S. 844, 850 n.10 (1982).

35 The evidence of confusion in the Sears and Compco cases has become entirely typical of the type of evidence sufficient to establish infringement. See Sears, Roebuck & Co. v. Stiffel Co., 376 U.S. 225, 226 (1964) (holding evidence of confusion consisted of similar appearance plus: (1) labels were not attached to showroom lamps; (2) customers had asked manufacturer of higher priced lamp about the difference in the lamps; and (3) two customers, who purchased the more expensive lamp, complained to the manufacturer of the more expensive lamps when they learned that “substantially identical lamps” were available at a “much lower price”); Compco Corp. v. Day-Brite Lighting, Inc., 376 U.S. 234, 236–37 (1964) (explaining evidence of confusion consisted of similar appearance plus request by a single plant manager that Day-Brite service what turned out to be Compco fixtures); see also American Safety Table Co. v. Schreiber, 269 F.2d 255, 270 (2d Cir. 1959) (finding unfair competition from product simulation even though court recognized that “[t]here is some but not much evidence of actual confusion”).
desired product features even where a defendant was careful to identify the imitation as its own.\textsuperscript{36}

This brings us to where we are today, where simply copying a popular and successful product can establish a triable claim of actionable trade dress infringement.

**III. The Costs of Making an Exception the Rule**

The judicial recognition of product packaging and product design as technical trademarks was, and is, a mistake. It was not the result of judicial wisdom or foresight where courts recognized that markets have changed and adapted the legal rules accordingly. Despite some early wishful thinking in the field of law and economics,\textsuperscript{37} courts are institutionally incapable of recognizing changes in markets and identifying how legal rules should change as a result. Instead, courts focus on the parties and the facts before them. In trademark law generally, and in trade dress protection specifically, this myopia has led courts badly astray.

If we start from the general proposition that the purpose of trademark and unfair competition law is to promote competition,\textsuperscript{38} trademark and unfair competition law must strive to ensure: (i) that consumers have perfect information about the goods and services available; and (ii) that those goods and services have perfect substitutes available. As a general matter, words, symbols, product packaging, and product design can play a mixture of roles for consumers. They may convey brand-specific information. The word “Apple” on a laptop immediately signals the company that made the computer. Words may also or alternatively convey information that is not brand-specific. The word “ale,” for example, on a bottle of ale informs consumers of the nature of the product irrespective of who made it. Similarly, with respect to substitutability, consumers may accept products with different words, symbols, product designs, or packaging as substitutes for each other, or they may not.

\textsuperscript{36} Indeed, some courts have gone so far as to say that proper labeling is itself a wrong. See, e.g., Truck Equipment Serv. Co., supra note 27, 1220–21 (“Fruehauf’s reliance upon the fact that its trailer was labeled as its own product and sold through its own channels of distribution is not only misplaced, but also self-defeating. . . . [S]uch a marketing practice by a dominant figure in the market tends to promote rather than ensure against confusion.”) (citation omitted).

\textsuperscript{37} See, e.g., Paul H. Rubin, \textit{Why is the Common Law Efficient?}, 6 J. Leg. Stud. 51 (1977); Robert Cooter & Lewis Kornhauser, \textit{Can Litigation Improve the Law Without the Help of Judges?}, 9 J. Legal Stud. 139, 145 (1980) (showing that if every rule but the best rule is challenged, then eventually the legal system tends toward a stable state in which the best rule always prevails).

\textsuperscript{38} For purposes of this chapter, I will simply assume that this is true, but I would note that economists have formally proven that perfect competition yields a Pareto optimal allocation of resources. In making this assumption, I reject the view that the sole or primary function is to reduce search costs. Cf. Ty, Inc. v. Perryman, 306 F.3d 509, 510 (7th Cir. 2002) (“The fundamental purpose of a trademark is to reduce consumer search costs by providing a concise and unequivocal identifier of the particular source of particular goods.”). If our sole goal is to reduce search costs, we should simply prohibit competition altogether. If there is only one manufacturer of jeans, bread, or beer, then consumers will never buy the wrong brand by mistake. Rather than merely reduce search costs, trademark law seeks to reduce search costs without impairing the availability of substitutes in the market. Moreover, this goal of promoting competition is an intrinsic part of trademark law and is not imposed by some external body of law, such as antitrust, though the procompetitive purposes of the two may coincide.
To promote competition, trademark and unfair competition law should readily protect something that conveys only brand-specific information if extending protection would not impair the availability of substitutes in the market. Such protection is procompetitive. It improves the information available to consumers, without impairing the substitutes available in the market. On the other hand, trademark and unfair competition law should not protect something that conveys no information, conveys information that is not brand-specific, or conveys a mixture of brand-specific and non-brand information, nor should it protect something if protection would impair the availability of substitutes in the market.\(^{39}\) Such protection would be anticompetitive. It would not improve, and may well reduce, the information available to consumers, and it may reduce the availability of substitutes in the market.

From this framework, we can place things claimed as trademarks along a spectrum: from cases where granting protection would be purely anticompetitive at one end to cases where granting protection would be purely procompetitive at the other. Now, any given thing claimed as a trademark, whether word or product design, might fall anywhere along this spectrum. But categories of things are likely to fall closer to one end or the other. For example, arbitrary or fanciful words used on a product, in the location where consumers expect to find a brand, generally convey only brand-specific information. By definition, fanciful marks have no other meaning, and arbitrary marks convey no other, non-brand-specific information about the product at issue. At the same time, protecting arbitrary and fanciful words as marks in no way limits the ability of would-be competitors to offer substitutes. As long as there are other words that can be made up or that convey no information regarding the product at issue, a competitor can offer their product with a different brand name. For these reasons, the protection of arbitrary and fanciful words as trademarks will almost always prove procompetitive. A corresponding default set of rules, allowing protection from the moment of use as a trademark and with strong presumptions regarding infringement, is therefore appropriate.

Protecting product design and packaging, on the other hand, will almost always prove anticompetitive. As the Court has recognized, consumers are likely to perceive product features or packaging as features of the product, rather than as a means to convey brand-specific information about the product.\(^{40}\) Moreover, given the availability of word marks, even product features or packaging that serve as a brand-specific information source, serve a secondary and subsidiary role.\(^{41}\)

\(^{39}\) I understand that even fanciful word marks may generate market power and thus render products, such as Coke and Pepsi, imperfect substitutes for each other. That is not my point here, but I have addressed it elsewhere. See Glynn S. Lunney, Jr., Trademark Monopolies, 48 Emory L.J. 367 (1999); see also Mark A. Lemley & Mark P. McKenna, Owning Mark(ets), 109 Mich. L. Rev. 137 (2010).

\(^{40}\) Wal-Mart Stores, Inc., \textit{supra} note 31, 213 (“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.”); see also \textit{Restatement (Third) of Unfair Competition} § 16 cmt. b (1995) (making the same point).

\(^{41}\) See \textit{Gunm, Inc.}, \textit{supra} note 7, 960 (noting that the parties had both printed their respective corporate names on their packaging); Turner & Seymour Mfg. Co. v. A & J Mfg. Co., 20 F.2d 298, 301 (2d Cir. 1927) (denying claim for unfair competition as a result of defendant’s imitation of plaintiff’s coloring scheme based upon defendant’s proper labeling of its products, and stating: “Where attention by
really want to know a product’s source, they can always check the label. At the same time, because product features and packaging often make the product at issue more desirable directly, protecting them is more likely to limit the ability of competitors to offer products that consumers will recognize and accept as substitutes. Furthermore, if a would-be competitor mis-estimates the boundaries of fair competition for a word mark, it can simply rebrand its product with a different word on the next production run. If it mis-estimates those boundaries for a restaurant's design or décor, to take a litigated example, “rebranding” may prove ruinously expensive. 42

For these reasons, while any given word or product feature claimed as a trademark might fall anywhere on the spectrum, the distribution of potential trademark claims based upon arbitrary or fanciful words is likely to fall decidedly toward the end of the spectrum where protection is procompetitive. The distribution of potential trade dress claims, on the other hand, is likely to skew toward the anticompetitive end of the spectrum, as shown in Figure 11.1.

As noted, the fact that distribution of potential arbitrary and fanciful word mark claims falls decidedly on the procompetitive side of the spectrum is precisely why the common law has long protected such as technical trademarks. Because such protection is generally procompetitive, presumptions that brand significance arises at the moment use begins, and that the use of the same mark on similar goods constitutes infringement, make sense. At the same time, that the distribution of potential trade dress claims falls decidedly on the anticompetitive side of the spectrum is precisely why the common law traditionally, and Congress in enacting the Lanham Act in

the purchaser of the article will enable him to at once distinguish one from the other, a court of equity will not interfere.”); see also Lunney, supra note 9, at 1164–65.

42 Thus, when the Court found that Two Pesos had infringed Taco Cabana’s trade dress in its restaurant design and décor, Two Pesos went out of business and sold its restaurants to Taco Cabana. See, e.g., Greg Hassell, Houston Chronicle Marketing Column, Houston Chronicle, July 22, 1998.
1946, relegated such claims to the realm of unfair competition and denied them technical trademark status. While there may be exceptional cases where trade dress deserves protection, such cases are the exception, not the rule. Denying trade dress claims formal or technical trademark status, and relegating them to the realm of unfair competition, properly recognizes which case is the exception and which the rule. By requiring plaintiffs to prove affirmatively that deception is occurring and by limiting their relief to proper labeling, unfair competition provides protection for that exceptional case. Moreover, it is not just the difference in doctrinal elements that make unfair competition a better fit for claims regarding imitation of product design and packaging. The very name “unfair competition” reminds the court that the issue is regulatory, regarding the kind and nature of competition permissible in the marketplace. In doing so, it frames the dispute not merely as a question of trespass as between the parties, as the more property-like trademark claim might, but as a claim that necessarily involves the best interests of consumers who are the principal beneficiaries of competition. As a result, relegating claims based on imitation of, or similarities in, product design or packaging to unfair competition frames the question presented in a way that tends to limit the potential for that protection to become anticompetitive.

Equally important, providing broader protection to technical trademarks and lesser protection to other potential brand indicators serves a critical channeling function. It encourages companies to focus their efforts and investments in conveying brand-specific information to consumers through arbitrary and fanciful word marks. Even strong proponents of trade dress protection must concede that the protection of arbitrary and fanciful word marks will almost certainly have less tendency to reduce the ability of competitors to offer substitutes than the protection of product features or packaging. If companies desire to convey brand-specific information, the law should encourage them to convey that information through the lowest cost mechanism available. This generally means encouraging companies to tie their investments in brand-specific information to their word marks. For example, if there is any chance that some consumers desire goldfish-shaped crackers for their own sake, rather than for what brand-specific information that shape may convey, then we should design trademark and unfair competition law to encourage Pepperidge Farms to link the brand-specific desirability of its product to its arbitrary and fanciful word marks, not to the product shape. Otherwise, if trademark and unfair competition law protects the product shape as a trademark because it conveys brand-specific information, even though there are other means to convey that same brand-specific information to consumers at a lower cost to competition, trademark law will restrict competition unnecessarily.

Unfortunately, courts and administrative agencies acting as courts are institutionally incapable of seeing the full distribution of potential trade dress claims. They see, and are supposed to see, only the facts of the case before them. As mentioned, there

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43 This example is based upon Nabisco, Inc. v. PF Brands, Inc., 191 F.3d 208 (2d Cir. 1999) (extending dilution protection to shape of goldfish crackers and enjoining potential competitor from offering goldfish-shaped crackers).
are undoubtedly instances where a product’s design or packaging serves to convey only brand-specific information and where protection of that design or packaging would not in any way impair the availability of substitutes in the market. Perhaps, the pinch whiskey bottle that Commissioner Leeds allowed on the principal register in 1958 might be an example of such a case.\textsuperscript{44} Failing to recognize these specific cases as exceptions, courts and the USPTO made trade dress protection the rule. By doing so, they inappropriately extended to product design and packaging many of the strong, property-like presumptions traditionally, historically, and properly available only to technical trademarks.\textsuperscript{45}

I understand the impulse. Presented with a trademark claim to the shape of the Coca-Cola bottle and focusing on that claim alone, I sympathize with the desire to extend protection. Unfortunately, it turns out that protecting the shape of the Coca-Cola bottle as a trademark also means protection for such bland and utilitarian product packaging as the Glass-plus bottle.\textsuperscript{46} The hope that courts could protect the first as a trademark while refusing to protect the second has proven false.\textsuperscript{47} That leaves us with either protecting both or refusing to protect either. There may be some, albeit small welfare gains from protecting the shape of the Coke bottle, but any such gains are likely far outweighed by the welfare losses from protecting the shape of the Glass-plus bottle. Moreover, it is not a one-to-one welfare comparison. For every one case involving something like the Coke bottle, the parties’ asymmetric stakes ensure that there are a hundred cases or threatened cases involving something like the Glass-plus bottle.

By protecting product design and packaging as trademarks, courts and the USPTO have fashioned trade dress protection into an anticompetitive weapon that the creators of new and popular products use to scare off competitive entry. Courts and the USPTO have tried to use the secondary meaning requirement and functionality to constrain the anticompetitive potential of trade dress litigation. Again, however, they have failed to see the whole picture. With respect to functionality, for example, they have tried to define the legal doctrine in terms of the line between fair and unfair competition that they would like to see in the marketplace.\textsuperscript{48}

\textsuperscript{44} Or perhaps Commissioner Leeds already knew that Haig & Haig would become one of her first clients when she stepped down as trademark commissioner. See Haig & Haig Ltd. v. Maradel Prods., Inc., 249 F. Supp. 575, 576 (S.D.N.Y. 1966) (listing “Daphne Robert Leeds” as “of counsel” for plaintiff in a case in which Haig & Haig sought to enforce the registration that Ms. Leeds had awarded Haig & Haig when she was Assistant Commissioner). In any event, it is less clear what possible justification the Eighth Circuit had for reaching out and protecting a grain hauler's shape as a trademark in Truck Equipment Co., supra note 27.

\textsuperscript{45} See Lunney, supra note 9, at 1165–66.

\textsuperscript{46} In re Morton-Norwich Prods., Inc., 671 F. 2d 1332 (C.C.P.A. 1982).

\textsuperscript{47} Id. at 1341–43 (holding that bottle shape was not functional and remanding for determination of distinctiveness).

\textsuperscript{48} See, e.g., Qualitex, supra note 26, 165 (1995) (holding that “[i]n general terms, a product feature is functional, and cannot serve as a trademark, ‘if it is essential to the use or purpose of the article or if it 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”) (quoting Inwood Labs., Inc., supra note 34, 850, n.10 (1982)).
What they have failed to recognize is that whatever doctrinal lines they draw are not the lines we will in fact see in the marketplace. Trade dress plaintiffs have a strong incentive to over-enforce whatever legal rights we recognize. Trade dress defendants, on the other hand, tend to under-defend their rights to compete. The reason for this is simple: if a plaintiff wins a trade dress lawsuit, it captures the resulting rents from whatever monopoly its victory; and the resulting exclusivity in a product design or packaging, offers. If a defendant wins, on the other hand, it wins not monopoly, not even a small one, but competition. If a defendant successfully establishes, for example, that the chocolate flavor in medicine, the pillow-shape of a shredded wheat cereal, or the design of a crescent wrench is functional or otherwise unprotected, then not only may that defendant copy that product feature, but as a result of non-mutual collateral estoppel, so may any other would-be competitor as well.

Because the rents from a more competitive market are usually less than the rents available in a less competitive market, trade dress defendants usually have far less to gain from winning a trade dress lawsuit. Because they do, potential trade dress defendants will tend to stay well back from the lines that the law draws. Potential trade dress defendants will avoid conduct that may lead not only to successful claims of trade dress infringement, but also to merely plausible claims. As potential competitors’ behavior changes, so too will markets and consumer expectations from those markets. All of these changes will make it appear that overbroad trade dress protection is desirable even when it is not. These changes result not from courts getting it right, but instead simply from would-be competitors’ inadequate incentive to challenge inefficient and over-broad trade dress protection.

Given these asymmetric stakes, there are two possible solutions. First, we can alter the stakes in litigation to reduce the asymmetry. The law has embraced this approach in antitrust law, with treble damages and mandatory awards of attorneys’ fees for prevailing plaintiffs, and in patent law, by establishing a 180-day period of

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49 One example that my colleague Irene Calboli has pointed out is Christian Louboutin S.A.’s efforts to claim the exclusive right to a red sole even on a uniformly red shoe. See Christian Louboutin S.A. v. Yves Saint Laurent America Holdings, Inc., 696 F.3d 206, 228 (2d Cir. 2012) (holding that Louboutin’s trade dress “extends only to the use of a lacquered red outsole that contrasts with the adjoining portion of the shoe”). As consumers, we are fortunate that Yves Saint Laurent generated sufficient rents from its own shoe sales to justify vindicating the right to red shoes for all.

50 See William R. Warner & Co., supra note 1, 531.

51 See Kellogg Co., supra note 2, 120–22 (1938).

52 See Crescent Tool Co., supra note 7, 300.

53 See Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found., 402 U.S. 313, 350 (1971) (recognizing non-mutual collateral estoppel in patent litigation and holding that a patentee is estopped from asserting a patent against a defendant after a court has found the patent invalid in litigation involving another defendant).


56 See Zenith Radio Corp. v. Hazeltine Research, Inc., 395 U.S. 100, 130–31 (1969) (“[T]he purpose of giving private parties treble-damage and injunctive remedies was not merely to provide private relief, but was to serve as well the high purpose of enforcing the antitrust laws.”); Funeral Consumers Alliance, Inc. v. Service Corp. Int’l, 695 F.3d 330, 338 (5th Cir. 2012) (“These attorneys’ fees and costs are mandatory, Congress decided, in order to encourage individuals to bring suits to enforce the
duopoly for generic drug manufacturers that successfully challenge pharmaceutical patents.\textsuperscript{57} I have proposed using a similar approach in trademark law elsewhere.\textsuperscript{58}

In this chapter, however, I will propose a second approach: if trade dress rights will generally\textsuperscript{59} be over-enforced, then they must be under-defined. If potential trade dress defendants are going to stay well back from the line that the law draws, at least on average, then to get the degree and kind of competition that we desire in the marketplace, the law must draw the line between fair and unfair competition, not at the exact place where competition becomes unfair. Rather, the law must draw the line between lawful and unlawful competition to leave room for some unfair behavior. Only by doing so will we see the kind of vigorous and fair competition we desire in the marketplace. Otherwise, if we attempt to draw the line precisely at the boundary of fair and unfair competition, we risk chilling the very competition we desire and that the law might seem formally to allow. Because of the asymmetric stakes, trade dress plaintiffs will strategically assert claims against behavior on the legally fair side of the line. They will do so both to throw sand in their would-be competitor’s gears and in an attempt to persuade courts to shift the line to define more and more competition as unfair. At the same time, potential trade dress defendants will stay well back from the formal line because they have little to gain from winning the right to compete. As a result, to achieve the desired competition in the market, the law must prohibit only the most pernicious and egregious forms of unfair competition and should leave less pernicious forms, even if still recognizably unfair, alone. Leaving less pernicious forms of unfair competition formally legal does not mean that we will actually see much of such forms of unfair competition in the marketplace, however.\textsuperscript{60} Because of the generally asymmetric stakes, competitors will not engage in forms of competition right up to the “formally legal” side of the line. Whatever line we draw in this area will cast a strong and one-directional shadow that will tend to inhibit nearby and often procompetitive conduct.

antitrust laws and to discourage potential defendants from violating antitrust laws.\textsuperscript{57}); see also Pfizer, Inc. v. Gov’t of India, 434 U.S. 308, 314 (1978) (making the same point for treble damages).


\textsuperscript{58} See Lunney, supra note 55.

\textsuperscript{59} The key point here is “generally.” There will of course be instances where particular trade dress plaintiffs will under-enforce their rights.

\textsuperscript{60} We will undoubtedly see some exceptional cases however, and courts must steel themselves to allow conduct in the exceptional case that strikes them as unfair in order to leave room for vigorous competition in the usual case—a case that courts will likely never see. Courts should also recognize that trademark law’s prohibition on counterfeiting itself provides the incentive to engage in counterfeiting, just as prohibition in the 1920s provided an incentive for bootlegging. The stronger the prohibition on counterfeiting, the greater the incentive to engage in it.
Unfortunately, courts and administrative agencies acting as courts have not seen this either. They have therefore tended to define doctrines, such as functionality, in terms of the precise boundary between fair and unfair competition that they would like to see in the market. However, even if they defined these doctrines to embody perfectly the kind and degree of competition we want to see in the marketplace, the asymmetric stakes generally present in trade dress cases mean that such perfectly defined rules would not yield the kind and degree of competition we want in the marketplace. Instead, we would, and do see, far less competition than the legal doctrine formally would, and does, allow.

IV. Conclusion: It’s Never Too Late to Fix a Mistake

Procompetitive trade dress claims are the exception and not the rule. Trade dress claims should not therefore receive the same favorable presumptions and strong protection we afford technical trademarks. Moreover, given the asymmetric stakes generally present in trade dress litigation, to see the kind and degree of competition we want in the marketplace, we must substantially under-define trade dress rights. For these reasons, courts and the USPTO should correct the mistake they first made in 1958. They should bar product design and packaging from the principal register and from substantive protection under section 43(a). They should once again relegate trade dress claims to the realm of state law, unfair competition. In short, they should restore the rules that Congress expressly adopted in enacting the Lanham Act in 1946.

By doing so, courts will formally under-protect trade dress. However, the asymmetric stakes generally present in trade dress litigation will ensure that, in practice, the effective scope of trade dress protection becomes just right.