

In Precedential Opinion, Third Circuit Clarifies Intersection of Trade Dress Protection and Functionality

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In a recent precedential opinion that proves especially tasty to trademark practitioners, the Third Circuit Court of Appeals affirmed a district court grant of summary judgment that rejected trademark infringement and unfair competition claims under the Lanham Act and analogous New Jersey state law claims due to the functionality, and thus unprotectability, of the claimed trade dress.

In Ezaki Glico Kabushiki Kaisha v. Lotte Int’l Am. Corp., 2020 U.S. App. LEXIS 31926 (3d Cir. 2020), Ezaki Glico alleged Lotte’s Pepero cookie stick, a stick-shaped cookie partly coated in chocolate or a flavored cream with the other end uncoated to serve as a handle, infringed on its preexisting cookie stick. Before Lotte sold its cookie sticks, Ezaki Glico had registered two product configurations as trade dresses. Thus, it eventually sued for infringement.

Under trademark and trade dress law, functionality provides a defense to infringement, and Lotte claimed that the registered trade dresses were functional and not protectable. Thus, on appeal, the key disputed issue for the Court was how to define “functional” and apply it to the claimed trade dress.

Ezaki Glico argued the term “functional” meant “essential,” but the Court disagreed. Instead, looking to the ordinary meaning of “functional” and Supreme Court precedent, the panel determined that “functional” meant “useful.” (Usefulness, as noted by the Court, is the province of patent law.) In light of this, the Court set forth what appears to be a bright-line rule: “So long as the design improves cost, quality, or the like, it cannot be protected as trade dress.”

Having held this, the Court provided a nonexhaustive list of types of evidence that can establish functionality: evidence that a feature or design makes a product work better; a product’s marketer advertising of a feature’s usefulness; a utility patent; and evidence that there are only a few ways to design a product.

Then, turning to the facts, the Court noted that Ezaki Glico’s design made its cookies work better as a snack because it allowed consumers to avoid getting chocolate on their hands while eating, and its stick shape makes it easy to package and to share with others. These features, the Court noted, are not arbitrary – indeed, Ezaki Glico’s advertising promoted these features as useful – and do not relate to source identification. The Court also noted that although Lotte could have designed its product differently, that does not make Pocky’s design less functional. Finally, the Court determined that Ezaki Glico’s utility patent, which protected a method for making its

stick-shaped cookie, was not relevant to the trade dress comprising the appearance of the cookie itself.

In light of these findings, the panel affirmed the lower court's holding that Ezaki Glico's trade dress was invalid.

A copy of the Third Circuit's opinion is enclosed.