Executive Summary: Trademark law enables businesses to build brand reputation and recognition by affording legal protection to marks that are distinctive, non-functional, and used in commerce. Federal trademark protection is codified in the Lanham Act, which additionally protects trade dress—features of a product’s design or packaging. As opposed to patents, which protect useful designs, trademark protection exclusively extends to features that are deemed to be non-functional. Trade dress and functionality are central issues in the recent Third Circuit case Ezaki Glico Kabushiki Kaisha v. Lotte International America Corp., which is summarized below.

I. BACKGROUND OF TRADEMARK LAW

Trademark law is the protection and enforcement of brand names used to sell goods and services. Companies like Apple, Nike, and Disney use their brand names to create reputations that have their own value separate from the companies’ products and services. Companies rely on the value of their reputation, or goodwill, to compete in the global marketplace. In addition to protecting companies’ goodwill from other entities’ exploitation and illegal use, trademark law also prevents consumer confusion by ensuring that consumers do not purchase goods from one company when they intended to purchase goods from another company (for example, buying “6 Hour Power” when you really wanted “5 Hour Energy”).

Unlike copyright law and patent law, which protect intellectual property for a limited duration before forcing it to enter the public domain, trademark rights last indefinitely—as long as the mark’s owner is continuously using the mark in commerce. This is because United States trademark law is enabled under the Commerce Clause of the U.S. Constitution and confers rights based on a company’s use of a mark; whereas, copyright and patent law—enabled by Article 1, Section 8 of the U.S. Constitution—incentivize creativity and invention by providing a period of exclusive rights.

As discussed below, the United States Patent and Trademark Office (USPTO) grants federal registrations to parties whose trademarks meet the federal requirements for protectability. Federal registration confers several important rights under the Lanham Act, the federal codification of trademark law. However, trademark rights have their basis in common law: mark owners may enforce their rights using the federal Lanham Act, state common law, and trademark statutes (often called unfair competition statutes) to sue other mark owners for infringement, dilution, false advertising, right of publicity, and other

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1 Marks used in connection with services are often called “service marks.” This memo will use the term “trademark” to refer to both trademarks and service marks.
2 Goodwill is a term of art that refers to a business’s reputational value. J. THOMAS MCCARTHY, 1 MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 2.17 (5th ed. 2020).
4 “Use in commerce” refers to a “sale or transportation of the trademarked goods in United States interstate or international commerce. McCarthy, supra note 2, at § 19:117.
6 MCCARTHY, supra note 2, at § 6.3.
unfair competition claims. Only parties whose own marks or likenesses have been exploited can sue under the Lanham Act, as the Lanham Act does not give disinterested consumers a right of action. If consumers wish to report a party for false advertising or for using a mark confusingly similar to another party’s mark, they may file a complaint with the Federal Trade Commission.

II. WHAT IS A TRADEMARK?

While trademarks are commonly thought of as words or logos, trademark law also protects “trade dress,” colors, designs, sounds, scents, and textures. In the United States, a trademark is a protectable (and thus enforceable) property right only if it is (1) distinctive of source, (2) non-functional, and (3) used in commerce.

To be source distinctive a mark must instantly communicate to the consumer the source of a good or service. In a landmark case, the Second Circuit created a spectrum of distinctiveness from least distinctive (generic) to most distinctive (fanciful). At the least distinctive end of the spectrum are generic marks, which are never enforceable. Generic marks name the actual type of good or service and do not serve any source-identifying function. Recently, the court held the mark “Pretzel Crisps” to be generic and unprotectable for “pretzel crackers” after twelve years of litigation. Next on the
distinctiveness spectrum are *descriptive* marks, which merely describe qualities or characteristics of the good or service without serving as an immediate source-identifier. The next category of marks are *suggestive* marks, which are distinctive enough to be enforceable without a showing of secondary meaning. A suggestive mark “requires imagination, thought and perception to reach a conclusion as to the nature of the goods,” therefore acting as an indicator of source rather than as a description of the goods themselves. Finally, the most distinctive marks—*arbitrary* and *fanciful*—are unrelated to the actual goods or services (ex. Apple for computers), or are completely made-up words (ex. Pepsi for soda), respectively. Arbitrary and fanciful marks instantly refer to the source of the goods or services without describing the characteristics of the goods or services and the strongest marks conferring the greatest scope of protection.

Trademark owners have several means to enforce their rights, including federal registration, *ex parte* and *inter partes* actions at the Trademark Trial and Appeal Board (TTAB), and federal district court litigation.

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18 Examples include “Fish-Fry” for batter mixes to fry fish and “Supreme” for vodka. Zatarains, Inc. v. Oak Grove Smokehouse, Inc., 698 F.2d 786, 793 (5th Cir. 1983); Supreme Wine Co. v. Am. Distilling Co., 310 F.2d 888, 889 (2d Cir. 1962).

19 See supra note 13.

20 Innovation Ventures, LLC, 694 F.3d at 730.


23 Two Pesos, Inc., 505 U.S. at 786 (Thomas, J., concurring).

24 See generally In re Morton-Norwich Prods., Inc., 671 F.2d 1332 (C.C.P.A. 1982) (creating a four-factor test to determine whether trade dress is functional). Note that the United States Court of Customs and Patent Appeals (C.C.P.A) has since become the Court of Appeals for the Federal Circuit.

25 This contrasts with many other countries that grant trademark registrations without evidence that the mark is used in commerce. See MCCRUTCHEN, supra, at § 16:1:50. See also Tara M. Aaron & Axel Nordemann, The Concepts of Use of a Trademark under European Union and United States Trademark Law, 104 T.M.R. 1186, 1189 (2014) (noting parties seeking trademark registration in the European Union do not have to prove use or intent to use).

26 See Couture v. Playdom, Inc., 778 F.3d 1379, 1382 (Fed. Cir. 2015) (establishing that a company must actually render service using the mark to constitute use in commerce).
A. Federal Registration

One of the most important steps in securing broad trademark rights is to secure a federal trademark registration. There are numerous benefits to obtaining a federal registration, including nationwide priority as of the application date, constructive use and notice to potential competitors, presumption of validity, basis for obtaining registration in foreign countries, right to request the U.S. Custom and Border Patrol to prevent infringing imports, statutory remedies, and right to use ®.27

The USPTO, an executive office within the Department of Commerce, is responsible for granting or refusing federal registration.28 Individuals and businesses seeking to register a new trademark may apply through the USPTO’s online portal independently or through a licensed attorney.29 Once a party submits an application, the USPTO assigns an Examining Attorney to review the application for compliance with USPTO regulations and the Lanham Act.30

If a mark is approved by the USPTO, it is published in The Trademark Official Gazette and open to challenge for thirty days by “any person who believes that he would be damaged by the registration of a mark.”31 The grounds for opposing a mark vary, but usually the petitioner asserts that there is a likelihood of confusion between its mark and the opposed mark.32 If no opposition (or extension) is filed, the mark proceeds to allowance and ultimately to registration, once use has been demonstrated.33 The term of registration is ten years, with the ability to renew indefinitely, provided compliance with the USPTO post-registration and maintenance requirements.34 If the USPTO refuses to register an applicant’s mark, the applicant can appeal the refusal as an ex parte action35 to the Trademark Trial and Appeal Board (TTAB).36

B. Trademark Trial and Appeal Board (TTAB) Proceedings and Appeals

The TTAB is a neutral body of administrative trademark judges responsible for adjudicating trademark disputes in the first instance.37 The TTAB is not authorized to

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28 The USPTO may refuse registration on several grounds, including a likelihood of confusion with any third-party mark, being deceptively misdescriptive, and being primarily geographically descriptive. 15 U.S.C. § 1052.
30 Id.
32 Likelihood of confusion is also the test for whether a party has engaged in trademark infringement against another’s mark and is decided by a multi-factor test. The TTAB and Federal Circuit use the factors set forth in In re E I. du Pont de Nemours & Co., 476 F.2d 1357 (C.C.P.A. 1973), but each circuit has its own multi-factor test.
33 BEEBE, supra note 27, at 273.
35 This is an “ex parte” action because there is no claim of action between opposing parties—just a disagreement between an applicant and the PTO about whether a mark is registrable.
36 Note that all ex parte TTAB and appellate hearings decide only whether a mark is registrable, not whether a party’s use of a mark infringes upon another party’s mark.
determine whether applicants may legally use a trademark, but it is allowed to determine whether applicants have the right to register trademarks with the federal government. The TTAB is authorized to handle five types of cases, but the three that it most commonly deals with are (1) *ex parte* appeals, (2) oppositions, and (3) cancellations. First, in an *ex parte* appeal, the applicant may challenge the USPTO Examining Attorney’s decision to refuse trademark registration. Second, a party may initiate an opposition proceeding to challenge the registration of a trademark as published in The Trademark Official Gazette. Finally, a party may initiate a cancellation proceeding with the TTAB in an attempt to invalidate and remove from the register the existing trademark registration of another party.

If a party is unsatisfied with the TTAB’s decision in an appeal, opposition, or cancellation proceeding, the party can either (1) appeal to the Federal Circuit—the Article III court with appellate jurisdiction over TTAB decisions—or (2) appeal to any federal district court. There are two advantages of the district court route. First, the record in the case may be supplemented with additional evidence. Second, the district court’s rulings may be appealed to its reviewing appellate court, thus making it possible to forum shop and avoid the Federal Circuit.

**C. Federal Litigation**

Parties can also enforce their trademark rights by bringing suit in district court, alleging trademark infringement, dilution, or any other cause of action enabled by the Lanham Act or common law. Parties with a federal trademark registration can bring trademark causes of action in any federal district court with jurisdiction; appeals are heard by the respective circuit court.

**IV. THE TRADEMARK MODERNIZATION ACT OF 2020**

Enacted in December 2020, the Trademark Modernization Act of 2020 (TMA) amended the Lanham Act in three important respects. First, the TMA created two new *ex parte* procedures: expungement and reexamination. In an expungement proceeding, third parties may challenge a trademark registration by submitting evidence amounting to a *prima facie* showing that the mark has never been used in commerce on or in connection

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38 *Id.*
39 *Id.*
40 *Id.*
41 *Id.*
42 *Id.*
43 *Id.* at 1071.
45 *Id.*
48 *Id.* at 17–18.
with some or all the goods or services recited in the registration. In a reexamination proceeding, third parties may challenge a trademark registration by submitting evidence amounting to a *prima facie* showing that the mark was not in use in commerce on or in connection with some or all the goods or services as of the alleged use date.

Second, the TMA changes the application process by allowing trademark examiners to alter the response deadlines for applicants. Finally, the TMA clarifies the appropriate standard of proof for trademark litigation. For a court to grant injunctive relief in a trademark case, courts must find that a plaintiff would suffer “irreparable injury” if an injunction is not ordered. Historically, federal courts held that the “irreparable injury” element is satisfied when the alleged trademark infringement is likely to cause customer confusion, but federal courts have recently weakened this requirement by holding that customer confusion does not automatically create an assumption of irreparable injury. The TMA addresses this issue by reestablishing the traditional principle that a showing of customer confusion is dispositive of the plaintiff’s irreparable injury.

V. **Trade Dress**

In addition to protecting traditional trademarks, the Lanham Act also protects trade dress, which is the “appearance of a product when that appearance is used to identify a producer.” Trade dress may include a product’s size, shape, color, graphics, or configuration. The purpose of trade dress law is to prevent confusion about the source of a product. There are two principal categories of trade dress: product design and product packaging. Product packaging (ex. restaurant layout) may be inherently distinctive and therefore eligible for trade dress protection without a showing of secondary meaning. On the other hand, product design (ex. shape of Coca-Cola bottle) cannot be inherently distinctive, so the applicant or trademark holder must show that the design has acquired secondary meaning in order to receive trade dress protection.

VI. **The Functionality Doctrine**

Non-functionality is one of three requirements a trademark must satisfy to qualify for protection—the Lanham Act explicitly states that a trademark must be refused

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49 *Id.* at 18.
50 *Id.*
51 *Id.* This provision has not yet gone into effect.
52 *Id.* at 18–19.
54 Azrin, *supra* note 47, at 18–19.
56 *Wal-Mart Stores*, 529 U.S. at 209.
60 *Id.*
61 *See Two Pesos, Inc.*, 505 U.S. at 767 (holding that trade dress can be inherently distinctive); *see also Wal-Mart*, 529 U.S. at 215 (explaining that the trade dress examined in *Two Pesos* qualifies as product packaging).
62 *Wal-Mart Stores*, 529 U.S. at 216.
63 *See supra* text accompanying note 12.
registration when it “comprises any matter that, as a whole, is functional.”64 The functionality doctrine operates to maintain separation between patent and trademark protections.65 Whereas patents are specifically designed to protect useful inventions, trademark law protects non-functional branding features.66

“Functionality” within trademark law can refer to either utilitarian functionality or aesthetic functionality.67 Under the utilitarian approach to functionality, “a product feature is functional if it is essential to the use or purpose of the article or if it affects the cost or quality of the article.”68 The existence of a utility patent for a feature, although not dispositive, creates a strong presumption of the feature’s utility.69 The doctrine of aesthetic functionality “looks to whether the [trade] dress makes [a product] more appealing to the public by aesthetic means.”70 Aesthetic features are functional when they are necessary for a product to compete in its market.71 Even when a plaintiff successfully presents a prima facie case for trademark infringement, the defendant is not liable if it can prove either utilitarian or aesthetic functionality.72

VII. EZAKI Glico Kabushiki Kaisha v. Lotte International America Corp.73

For over 50 years, Japanese confectionary Ezaki Glico has made and manufactured Pocky, a stick-shaped cookie partially coated in chocolate (see image above).74 Ezaki Glico registered two of Pocky’s product configurations as trade dresses.75 Pocky’s first trade dress is an “elongated rod comprising biscuit or the like, partially covered with chocolate,” and the second is similar, with the addition of almonds on top of the chocolate coating.76 In 1986, an American confectionary named Lotte International began making the Pepero, another partially coated stick-shaped cookie that looks nearly identical to Pocky.77 In 2015, Ezaki Glico sued Lotte for allegedly infringing upon the Pocky’s registered trade dresses.78 The District Court granted summary judgment for Lotte upon finding that Pocky’s product configuration is functional.79

66 Id. at 255.
71 Id.
74 Id. at 253.
75 Id.; see supra note 10 (defining “trade dress”).
76 Ezaki Glico, 986 F.3d at 259.
77 Id. at 254.
78 Id.
79 Id. at 254–55.
On appeal, the Third Circuit again considered whether the Pocky’s trade dress is functional. The Third Circuit applied the utility-based approach to functionality: “if a design gives a product an edge in usefulness, then it is functional.” The Court reasoned the usefulness of a design should not be determined at the level of the entire product, but at the level of the specific design chosen for a product’s features.

The court identified four factors to consider in determining whether a feature is functional: (1) whether the feature makes the product work better, (2) whether the product’s marketing advertises the feature’s usefulness, (3) whether there are few ways to design the product, and (4) whether the manufacturer holds a utility patent on the feature. In its analysis, the Court determined that Pocky’s trade dress makes it work better as a snack, because the uncoated part of each stick allows consumers to hold the snack without getting chocolate on their hands. Ultimately, the Court held that Pocky’s trade dress was functional, meaning that the Lanham Act did not protect the snack’s design and features from being copied by Lotte. Ezaki Glico filed a petition for a writ of certiorari, which is now pending before the Supreme Court.

VIII. TRADEMARK LAW IN THE NEWS

SATANIC SHOES: In March 2021, rapper Lil Nas X, in collaboration with MSCHF Product Studio, made headlines when he released modified Nike Air Max 97 shoes containing a drop of human blood in the soles that displayed Nike’s logo alongside satanic iconography. Nike filed suit, alleging trademark infringement and dilution by tarnishment. MSCHF appeared ready to defend its shoes by arguing that they are protected by the First Amendment, but the parties ultimately settled after a court ordered MSCHF to stop selling the shoes.

WEED AND TRADEMARK LAW: Despite the rapid growth of the marijuana industry in states that respectively allow for its recreational consumption, the USPTO found in 2019 that affording federal trademark protection to marijuana violates federal law. Cannabis companies’ need to protect their branding as the industry expands has led businesses to explore three options to protect cannabis brands: utilizing state trademark law, attempting to federally register trademark for related services, and adopting contractual provisions that establish the companies’ ownership over a certain mark.

80 Id. at 255.
81 Id. at 256–57.
82 Id. at 257 (elaborating that although “french press coffeemakers need some handle, there is no functional reason to design the particular handle in the shape of a ‘C’” (citing Bodum USA, Inc. v. A Top New Casting Inc., 927 F.3d 486, 492–93 (7th Cir. 2019))).
83 Id. at 258.
84 Id. at 259.
85 Id. at 260–61.
88 Id.
89 Id.
91 Id.