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# “That’s the way the cookie crumbles!” Third Circuit Court of Appeals Considers Differences Between Trade Dress and Patent Protection

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In *Ezaki Glico Kabushiki Kaisha v. Lotte International America Corp.*, the U.S. Court of Appeals for the Third Circuit considered a trade dress infringement dispute between two confectioners.<sup>1</sup> Ezaki Glico (Ezaki), a Japanese company, has since 1978 sold in the U.S. a stick-shaped cookie that is partially dipped in chocolate, which it markets as “Pocky.”<sup>2</sup> For over three decades, Lotte International (Lotte) has sold in the U.S. a visually similar product named “Pepero.”<sup>3</sup> In 2015, Ezaki sued Lotte in federal court alleging trade dress infringement and unfair competition under the Lanham Act and New Jersey state laws.<sup>4</sup> The district court granted Lotte’s motion for summary judgment, finding that Ezaki’s design of its Pocky product was functional and thus not protected as a trade dress.<sup>5</sup> On appeal, Ezaki argued that because the stick-shaped cookie design was not an “essential feature” of its product, it was not functional.<sup>6</sup> The Third Circuit panel disagreed and affirmed the district court’s decision.

In reaching its decision, the Third Circuit panel distinguished between the scope of protection provided by trade dress and patents. As the Court explained: “Trade dress protects features that serve only to identify their source. It does not cover functional (that is, useful) features. That is the domain of patents, not trademarks.”<sup>7</sup> The Court also considered several ways of determining what constitutes the “functionality” of a design for trade dress purposes, and cautioned against invading the

territory of patent law when assessing whether aesthetic features may be eligible for trade dress protection.

## Summary of Facts

For more than half a century, Ezaki has made and sold Pocky, a product that is made with thin, stick-shaped cookies (what the British call biscuits).<sup>8</sup> These cookies are partly coated with chocolate or a flavored cream, and some have crushed almonds too.<sup>9</sup> The end of each stick is left partly uncoated to serve as a handle.<sup>10</sup> Ezaki has two Pocky product configurations that are federally registered as trade dress.<sup>11</sup> Ezaki makes Pocky with both a standard design, and also an ultra-slim variant.<sup>12</sup> In addition to the trade dress registrations, Pocky is also covered through a utility patent titled “Stick Shaped Snack and Method for Producing the Same.”<sup>13</sup>

In 1983, Lotte started making its own thin, stick-shaped cookie, which it markets as Pepero.<sup>14</sup> Pepero is also partly coated in chocolate or a flavored cream, and some have crushed almonds too.<sup>15</sup> From 1993 to 1995, Ezaki sent letters to Lotte, notifying Lotte of its registered trade dress and asking Lotte to cease and desist selling Pepero in the United States.<sup>16</sup> Initially, Lotte assured Ezaki that it would stop until they resolved their dispute.<sup>17</sup> However, Lotte resumed selling Pepero.<sup>18</sup> For the next two decades, Ezaki took no further action.<sup>19</sup> But in 2015, Ezaki sued Lotte alleging trademark infringement and unfair competition in violation of the Lanham Act §§ 32 and 43(a), 15 U.S.C. §§ 1114, 1125(a)(1)(A).<sup>20</sup> Ezaki also sued Lotte under New Jersey law, alleging trademark infringement and unfair competition in violation of both common law and the New Jersey Fair Trade Act, N.J.S.A. §§ 56:4-1 and 2.<sup>21</sup>

## Opinion

The Third Circuit panel focused its opinion on federal trademark law.<sup>22</sup> However, the Court first articulated the

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scope of protection under patent and trademark law. The decision states that both utility and design patents have constitutional time limits on the protection that they provide.<sup>23</sup> The Court further explained that the nature of patent protection is that once the patent expires, or in its absence, sellers can use and build on another's innovations, thereby increasing competition, improving quality, and lowering consumers' costs.<sup>24</sup> But while patents protect inventions, trademark law protects a product's "trade dress, which is the overall look of a product or business."<sup>25</sup> The Court explained that trade dress is limited to protecting the owner's goodwill and preventing consumers from being confused about the source of a product.<sup>26</sup>

The opinion specifically explains that trade dress protection should be construed narrowly such that it does not extend to protecting all of a product's features because "product design almost invariably serves purposes other than source identification."<sup>27</sup> The opinion further states that "[t]rade dress protection is not intended to create patent-like rights in innovative aspects of product design."<sup>28</sup> "If it did, trade dress protections could override restrictions on what is patentable and for how long."<sup>29</sup>

The Court explained that the doctrine of functionality is what separates the realm of patents and trademarks. Whether or not there is "functionality" is a consideration when registering and defending a trademark.<sup>30</sup> "The U.S. Patent and Trademark Office cannot register any mark that 'comprises any matter that, as a whole, is functional.'"<sup>31</sup> "Even after a mark is registered, it is a defense to infringement '[t]hat the mark is functional.'"<sup>32</sup> Therefore, as the Court explained, "even if copying of a particular design would confuse consumers about a product's source, competitors may copy unpatented functional designs."<sup>33</sup>

Before looking into whether Pocky's design is functional or not, the Court addressed Ezaki's contention that "functionality" is equated to an "essential feature."<sup>34</sup> As the Court explained, functional features need not be essential, just useful.<sup>35</sup> The Court reasoned that since the Lanham Act does not define "functionality," it should start its analysis by looking into its ordinary dictionary meaning.<sup>36</sup> The Court noted that Webster's Dictionary defined the term "functional" as something "designed or developed chiefly from the point of view of use: UTILITARIAN."<sup>37</sup> The Court further explained, referring to the Oxford Dictionary, that "something is functional as long as it is 'practical, utilitarian'—in a word, useful."<sup>38</sup> The Court noted that the "word requires nothing more."<sup>39</sup>

The Court then explained how its definition of "functionality" fits within the framework of patent and trademark law. The Court opined that if an applicant sought trade dress protection of a design that had some utility to it, but that utility was not essential to its design, this would usurp the domain of patents.<sup>40</sup>

The Court corroborated its definition of functionality with Supreme Court precedent. The Court cited *Qualitex* to explain that "the functionality doctrine protects competition by keeping a producer from monopolizing 'a useful product feature.'"<sup>41</sup> The Court also cited *TrafFix*, which described functionality as "depending on whether 'the feature in question is shown as a useful part of the invention.'"<sup>42</sup> The Court explained that the *TrafFix* decision contrasted functional features with "arbitrary, incidental, or ornamental aspects" that "do not serve a purpose within the terms of a utility patent."<sup>43</sup> Finally, the Court cited *Wal-Mart*, which contrasted designs that only "identify the source" with those that "render the product itself more useful or more appealing."<sup>44</sup> The Court reasoned that "[m]ore useful or more appealing" was a far cry from Ezaki's proposition that "functional" should be equated to "essential."<sup>45</sup>

Then, the Third Circuit panel explained what aspects of a product's design make it functional. It explained that functionality can be shown if a feature "is essential to the use or purpose of the article" or if "it affects the cost or quality of the article."<sup>46</sup> The Court also explained that a feature could be functional if the "exclusive use of the feature would put competitors at a significant non-reputation-related disadvantage."<sup>47</sup> The Court explained that "functional" means useful, "that includes features that make a product cheaper or easier to make or use."<sup>48</sup>

After explaining the functionality doctrine, the Court suggested several ways to look for functionality in a product, while noting that the list is not exhaustive.<sup>49</sup> "First, evidence can directly show that a feature or design makes a product work better."<sup>50</sup> "Second, it is 'strong evidence' of functionality that a product's marketer touts a feature's usefulness."<sup>51</sup> "Third, 'a utility patent is strong evidence that the features therein claimed are functional.'"<sup>52</sup> "Fourth, if there are only a few ways to design a product, the design is functional."<sup>53</sup> However, the Court also explained that the converse is not true: "the existence of other workable designs is not enough to make a design non-functional."<sup>54</sup>

The Court then turned its analysis towards assessing Pocky's registered trade dress and found it to be functional. The Court opined that "every feature of Pocky's registration related to the practical functions of holding, eating, sharing, or packing the snack."<sup>55</sup> The Court also considered Ezaki's internal documents, which showed that Ezaki "wanted to make a snack that people could eat without getting chocolate on their hands."<sup>56</sup> Therefore, the Court noted that Pocky was designed for its handle to be useful.<sup>57</sup> The Court also found Pocky's stick shape to be functional.<sup>58</sup> Ezaki's own submission highlighted that the stick shape makes it "easy to hold, so it can be shared with others to enjoy as a snack."<sup>59</sup> The Court noted that Pocky's design "lets people eat the cookie without having

to open their mouths wide. And the thin, compact shape lets Ezaki [] pack many sticks in each box, [so that there are] enough to share with friends.”<sup>60</sup>

The Court further found that Ezaki’s marketing promoted Pocky’s utilitarian and convenient design.<sup>61</sup> Pocky was advertised as “‘the no mess handle’, which ‘makes it easier for multi-tasking without getting chocolate on your hands.’”<sup>62</sup> Ezaki also described Pocky as “portable,” since “one compact, easy-to-carry package holds plentiful amounts of Pocky.”<sup>63</sup> The Court further noted that “[w]ith plenty of sticks in each package, Pocky lends itself to sharing anytime, anywhere, and with anyone.”<sup>64</sup> Therefore, the Court determined that the way the product was advertised and marketed confirmed that Pocky’s design was functional.<sup>65</sup>

The Court was not persuaded by Ezaki’s argument that there existed nine other possible ways to manufacture partly-chocolate-coated snacks and therefore Lotte could have shaped its Pepero differently.<sup>66</sup> This, according to the Court, did not make the design non-functional.<sup>67</sup>

The Court also considered Lotte’s argument that because Ezaki’s product was covered by a utility patent, it shows that the product was functional.<sup>68</sup> The Court disagreed.<sup>69</sup> Citing *TrafFix*, the Court explained that “[a] utility patent is strong evidence that the features therein

claimed are functional.”<sup>70</sup> However, the Court noted that “the question is whether the ‘central advance’ of the utility patent is also ‘the essential feature of the trade dress’ that the owners want to protect.”<sup>71</sup> The Court explained that the shape is not the “central advance” of Ezaki’s utility patent.<sup>72</sup> Ultimately, the Court found Ezaki’s patent to be irrelevant, because it covered a better method of making the shape, regardless of whether the shape itself is useful for anything.<sup>73</sup>

## Conclusion

This opinion offers thorough guidance about the scope of trade dress protection and the meaning of “functionality” when considering such protection. According to the Third Circuit panel, “[so] long as product’s design improves cost, quality, or the like, it cannot be protected as trade dress. The shape need only be useful, not essential.”<sup>74</sup> To decide whether trade dress is functional, and thus ineligible for protection under the Lanham Act, the Third Circuit panel “look[ed] at the usefulness of the exact feature or set of features claimed by the trade dress.”<sup>75</sup>

1. *Ezaki Glico Kabushiki Kaisha v. Lotte Int’l Am. Corp.*, No. 19-3010 (3d Cir. Oct. 8, 2020) (Slip Op.), available at <https://www2.ca3.uscourts.gov/opinarch/193010p.pdf>; see also *Ezaki Glico Kabushiki Kaisha v. Lotte Int’l Am. Corp.*, No. 19-3010, 2020 U.S. App. LEXIS 31926 (3d Cir. Oct. 8, 2020).

2. Slip op. at 4.

3. *Id.* at 5.

4. *Id.* at 6.

5. *Id.*

6. *Id.* at 9.

7. *Id.* at 17.

8. *Id.* at 4.

9. *Id.*

10. *Id.*

11. *Id.*; Registration Nos. 1,527,208 and 2,615,119.

12. *Id.*

13. U.S. Patent No. 8,778,428.

14. Slip op. at 4.

15. *Id.*

16. *Id.* at 5.

17. *Id.*

18. *Id.*

19. *Id.*

20. *Id.* at 6.

21. *Id.*

22. *Id.* at 7.

23. *Id.*

24. *Id.* at 8.

25. *Id.* (citing *Fair Wind Sailing Inc. v. Dempster*, 764 F.3d 303, 308 (3d Cir. 2014)).

26. *Id.* (citing *Shire US Inc. v. Barr Labs., Inc.*, 329 F.3d 348, 353 (3d Cir. 2003)).

27. *Id.* (citing *TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 29 (2001)).

28. *Id.* (citing *Shire*, 329 F.3d at 353).

29. *Id.* at 8–9 (citing *Qualitex Co. v. Jacobson Products Co., Inc.*, 514 U.S. 159, 164–65 (1995)).

30. *Id.* at 9.

31. *Id.* (citing 15 U.S.C. § 1052(e)(5)).

32. *Id.* (quoting 15 U.S.C. § 1115(b)(8)).

33. *Id.*

34. *Id.*

35. *Id.*

36. *Id.*

37. *Id.* (quoting *Functional (def. 2a)*, WEBSTER’S THIRD NEW INTERNATIONAL DICTIONARY (1966)).

38. *Id.* (quoting *Functional (def. 2d)*, OXFORD ENGLISH DICTIONARY (2d ed. 1989)).

39. *Id.*

40. *Id.* at 10.

41. *Id.* (quoting *Qualitex*, 514 U.S. at 164).

42. *Id.* (quoting *TrafFix*, 532 U.S. at 34).

43. *Id.*

44. *Id.* (quoting *Wal-Mart Stores, Inc. v. Samara Bros.*, 529 U.S. 205, 213 (2000)).

45. *Id.*

46. *Id.* at 11 (quoting *Qualitex*, 514 U.S. at 165).

47. *Id.* (quoting *TrafFix*, 532 U.S. at 32).

48. *Id.* at 12 (quoting 1 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 7:63).

49. *Id.*

50. *Id.* (citing *Am. Greetings Corp. v. Dan-Dee Imports, Inc.*, 807 F.2d 1136, 1142 (3d Cir. 1986)).

51. *Id.* (citing *Am. Greetings Corp.*, 807 F.2d at 1142–43).

52. *Id.* (quoting *TrafFix*, 532 U.S. at 29).

53. *Id.* (citing *Keene Corp. v. Paraflex Indus., Inc.*, 653 F.2d 822, 827 (3d Cir. 1981)).

54. *Id.* (citing *Keene Corp.*, 653 F.2d at 827).

55. *Id.* at 14.

56. *Id.*

57. *Id.*

58. *Id.*

59. *Id.*

60. *Id.*

61. *Id.* at 15.

62. *Id.*

63. *Id.*

64. *Id.*

65. *Id.*

66. *Id.*

67. *Id.*

68. *Id.* at 16.

69. *Id.*

70. *Id.* (quoting *TrafFix*, 532 U.S. at 29).

71. *Id.* (quoting *TrafFix*, 532 U.S. at 30).

72. *Id.*

73. *Id.*

74. *Id.* at 12.

75. *Id.* at 13 (citing *Am. Greetings Corp.*, 807 F.2d at 1141).

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