

## CASE LAW UPDATE

November 14, 2005

<b>CASE</b>	Valu Eng'g, Inc. v. Rexnord Corp., 278 F.3d 1268 (Fed. Cir. 2002)
<b>MAIN ISSUE(S)</b>	What is the standard for determining whether a product design is de jure functional and non-registerable as a trademark on the Principal Register? Is it appropriate to establish functionality by a single competitively significant application in the recited identification of goods?
<b>EXECUTIVE SUMMARY</b>	The Federal Circuit affirmed the Trademark Trial & Appeal Board's ("Board") decision sustaining Rexnord's opposition of three of Valu's trademark applications for conveyor guide rail configuration designs. The Federal Circuit affirmed that Valu's designs are de jure functional and concluded that the Board's decision to confine its functionality analysis to a single competitively significant application was not legally erroneous.
<b>KEY TERM(S)</b>	Trademark, Product Design, Principal Register, De Jure Functional
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<b>PROCEDURAL POSTURE</b>	Valu appealed the Board's decision sustaining Rexnord's opposition to the registration of Valu's designs as trademarks on the Principal Register. Rexnord cross-appealed the denial of its claims that registration should have been denied because of alleged inequitable conduct.
<b>FACTS</b>	Valu filed three applications seeking registration of conveyor guide rail configurations in ROUND, FLAT, and TEE cross-sectional designs as trademarks on the Principal Register. For each cross-sectional design, Valu asserted a claim of acquired distinctiveness under 15 U.S.C. §1052(f). The Trademark Examining Attorney approved the applications and Rexnord filed an opposition against each of the applications. Testimony from both parties showed that major customers of the guide rails include manufactures having "wet areas" in a substantial portion of their conveyor lines.
<b>HOLDING</b>	The Federal Circuit affirmed the Board's refusal to register Valu's designs and dismissed Rexnord's cross-appeal as moot.
<b>COURT'S REASONING</b>	The Court set forth the general precedent that "a mark is not registrable if the design described is functional" and recognized the distinction between de facto functional features, which may be entitled to trademark protection, and de jure functional features, which may not. The Court also noted that Congress has recognized the non-registrability of de jure functional designs in 15 U.S.C. §1052(e)(5), which applies to applications filed after October 30, 1998. In determining whether Valu's designs are de jure functional, the Board applied the "Morton-Norwich factors": 1) the existence of a utility patent disclosing the utilitarian advantages of the design; 2) advertising materials in which the originator of the design touts the design's utilitarian advantages; 3) the availability to competitors of functionally equivalent designs; and 4) facts indicating that the design results in a comparatively simple or cheap method of manufacturing the product. The Court found that in view of the utilitarian advantages of the designs in wet areas, each of the factors weighed in favor of a finding of functionality. The Court determined that the Morton-Norwich factors are still applicable after the Supreme Court's decision in <i>TrafFix Devices, Inc. v. Mktg. Displays, Inc.</i> , 532 U.S. 23 (2001). The Court then determined whether the Board erred in limiting its analysis to wet area applications. The Court noted that "the effect upon competition is really the crux of the functionality inquiry" and determined that "[f]unctionality may be established by a single competitively significant application in the recited identification of goods, even if there is no anticompetitive effect in any other areas of use, since competitors in that single area could be adversely affected." The Court found Rexnord had made a showing that Valu's designs are functional as used in the wet areas of bottling and canning plants, and that the wet areas of bottling and canning plants are a competitively-significant application. As such, the burden shifted to Valu to prove nonfunctionality, which it failed to prove.
<b>PANEL</b>	Newman, Bryson, and Dyk