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By Jeremy C. Beutler

FAILURE TO FUNCTION:

The Color of Unicorn Tears

Failure-to-function refusals for trademark applications are being issued with increasing frequency by the U.S. Trademark Trial and Appeal Board. Trademark attorneys are undoubtedly aware of the situation, but need to know that such refusals typically arise in the context of trademark examination.





TRADEMARK ATTORNEYS ARE UNDOUBTEDLY aware of the increasing frequency with which the U. S. Trademark Trial and Appeal Board (TTAB) has issued failure-to-function refusals for trademark applications.

Although such refusals typically arise in the context of trademark examination, the case of *Glow Concept Inc. v. Too Faced Cosmetics*, illustrates how a party can also use the failure-to-function doctrine in an *inter partes* proceeding brought before the Board.¹

The case is notable because it contrasts with the Second Circuit's approach when confronted with an analogous issue in trademark infringement actions.

Also, it exemplifies the higher standard trademark applicants and petitioners face when they choose to bring claims before the TTAB rather than before, at least some federal courts.

As background, a trademark examiner may issue a failure-to-function refusal to an applicant that has applied to register a trademark when the applied-for mark does not function as a trademark. By definition, a trademark does not serve as a trademark when it does not identify or distinguish the source of goods or services to consumers.

Simple information—for example, 'DRIVE SAFELY' when used in connection with the operation of motor vehicles, or 'I♥DC' when printed on shopping bags, clothing, and plush toys—cannot be registered.

In the view of the TTAB, consumers are likely to perceive those uses as conveying general information rather than as a means to distinguish a brand's goods or services.

The doctrine also applies more broadly to any matter that consumers are unlikely to associate with a single source of goods or services, such as merely ornamental features or certain non-distinctive repeating patterns.

The doctrine is loosely based on the Lanham Act of which Sections 1, 2, and 3 address trademark eligibility requirements, while Section 45 contains the actual definition of a trademark. These sections do not use the phrase 'failure to function' or otherwise set out criteria for when a mark 'functions' as a source identifier.

Incoherent Rulings

Although there is some guidance from federal courts on

the issue, much failure-to-function jurisprudence has been laid out by the Trademark Trial and Appeal Board through its own inconsistent rulings.²

Indeed, commentators have characterized the TTAB's failure-to-function framework as wholly extra-statutory and, at times, incoherent.^{3 4}

The Board has increasingly relied on this doctrine to refuse registration for a significant number of trademarks. By some counts, the number of failure-to-function refusals quintupled between 2010 and 2019.⁵

And although the number of failure-to-function refusals has dropped off since its 2019 peak, trademark examiners at the U. S. Patent and Trademark Office (USPTO) continue to rely on the doctrine, which was cited in more than 3,600 refusals from trademark examiners in 2020 alone.⁶

The cancellation proceeding the *Glow Concept* case illustrates how the TTAB's failure-to-function doctrine has diverged from the text of the Lanham Act and now imposes a heavier burden on applicants and petitioners to demonstrate that their marks function as trademarks.

In *Glow Concept*, the cosmetics company Glow Concept, Inc. filed a petition to cancel Too Faced Cosmetics, LLC's Unicorn Tears trademark based on its earlier use of the Unicorn Tears mark. Both companies used the trademark for their cosmetics products.

Glow's petition to cancel asserted ownership and prior acquisition of common law rights in the 'Unicorn Tears' mark and that there was a likelihood of confusion between the two marks. As a result, the company filed an application seeking to register the trademark.

In response to Glow's cancellation petition, Too Faced presented a failure-to-function argument, namely that Glow had used the name 'Unicorn Tears' solely as a shade name for a lip gloss.

As a result, the name did not function as an indicator of source as consumers were unlikely to associate 'Unicorn Tears' with a particular source of lip gloss—i.e., Glow.

According to Too Faced, consumers would rely on other source indicators, like Glow's other mark GLOSSY BOSS, to identify the source of its goods.

The TTAB found Too Faced's arguments persuasive and denied the petition to cancel. In particular, the Board agreed that Glow merely used the name as a shade name and not to identify and distinguish the company's goods.



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As such, the TTAB found that Glow’s ‘Unicorn Tears’ trademark failed to function as a mark and, thus, the company had never acquired proprietary rights to the mark through actual use as a trademark. Because Glow had no rights in the term ‘Unicorn Tears’ as a trademark, the Board held that Glow’s likelihood of confusion claim must also fail.

The TTAB’s decision is somewhat surprising given that the term Unicorn Tears is likely an arbitrary or suggestive name—it is not merely descriptive like the words blue and pink are for colors.

As such, the term is capable of functioning as both a shade name and a trademark. Indeed, unicorns are mythological creatures, and as such, it is up to consumers’ imaginations to picture the color of their tears.

As an evidentiary matter, the Unicorn Tears name appears more prominently than some of Glow’s other trademarks.

Perhaps most ironically, Too Faced’s specimen of use showed that the company had also similarly used the ‘Unicorn Tears’ moniker as a shade name.

Acceptance and Rejection

Despite that, Too Faced maintained its registration while Glow’s application to register the same mark was rejected.

Putting aside the TTAB’s treatment of the evidence in Glow Concept, the Board’s decision is troubling for a separate reason.

By adopting the requirement that a petitioner show it made use of an alleged mark before the Board considers the issue of likelihood of confusion, the TTAB has adopted an approach that contrasts with that of the Second Circuit in an analogous scenario that imposes a higher burden on applicants and petitioners.

In *Kelly-Brown v. Winfrey*, the Second Circuit addressed the issue, as a threshold matter, as to whether a plaintiff in a trademark infringement action must prove that the defendant made use of the plaintiff’s mark as a trademark.⁷

The plaintiff in the case owned a motivational services business doing business as Own Your Power Communications, Inc. and had registered a trademark for OWN YOUR POWER in connection with those services.

The defendants were involved in the publication of a magazine, event, and website that used the phrase *Own Your Power*.

When the plaintiff discovered this, she brought a suit for trademark infringement. The lower court found that the defendant’s use of the phrase was fair use under existing trademark law and dismissed the claim. The plaintiff then appealed to the Second Circuit.

At issue on appeal was whether, as a threshold matter, the plaintiff had to show that the defendants used the phrase “Own Your Power” as a trademark. The Second Circuit responded to that question in the negative. In its reasoning, the panel observed that defendants had conflated two distinct concepts under trademark law—use in commerce and trademark use.

Section 45 of the Lanham Act requires that a mark be “use[d] in commerce” to be eligible for registration. The use in commerce requirement is merely a “bona fide use of a mark in the ordinary course of trade.”⁸

To satisfy such a requirement, the Second Circuit observed that “[a] plaintiff is not required to demonstrate that a defendant made use of the mark in any particular way to satisfy the ‘use in commerce requirement. The element is satisfied if the mark is affixed to the goods ‘in any manner.’”⁹

Trademark Use Context

The concept of trademark use, on the other hand, arises in the context of the classic fair use defense.



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connection with the
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vehicles, or
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A defendant may claim the classic fair use defense when the defendant has used a mark only to describe some aspect of the defendant's goods, not to identify or distinguish the source of the goods in question.

For example, a producer of cranberry juice may use the term "sweet-tart" to describe the flavor of its juice without infringing a candy company's "SWEETARTS" registered trademark.

As part of the classic fair use defense, defendants have the burden of showing that the defendant used the plaintiff's mark otherwise than as a trademark—for example, the plaintiff's mark was not used as a symbol to attract public attention.

After clarifying this distinction, the Second Circuit held that, although the plaintiffs must satisfy the relatively light burden of showing use in commerce, there is no separate statutory requirement that the plaintiff must also show trademark use.

In such a case, the court will only consider the issue of trademark use after the plaintiff has established its prima facie case of trademark infringement and only if a defendant asserts classic fair use as a defense.

Notably, the Second Circuit in *Kelly-Brown* rejected the Sixth Circuit's contrary approach of adopting a requirement that, as a threshold matter in a plaintiff's trademark infringement claim, the plaintiff must show the defendant made a trademark use of the plaintiff's trademark.

Like the Trademark Trial and Appeal Board's failure-to-function jurisprudence, the Sixth Circuit has been criticized for imposing an extra-statutory requirement on plaintiffs that effectively shifts the burden of the fair use defense from the defendant to the plaintiff.

In response, a panel of the Sixth Circuit has acknowledged that criticism, but has not reconsidered its approach.¹⁰

Failure-to-Function

Putting aside the disagreement between the Second and Sixth Circuits, the Board's decision in *Glow Concept* epitomizes many scholars and commentators' concerns with the Board's failure-to-function jurisprudence.

By requiring that petitioners in a cancellation action demonstrate that they have made a trademark use of its alleged mark, the Board has effectively required them to meet a standard higher than what is required by the Lanham Act.

As the Second Circuit noted, to bring a claim for trademark infringement, a plaintiff need only show that the mark has been affixed to goods "in any manner."

The same standard should apply to applicants seeking to register a trademark and petitioners filing cancellation or opposition actions before the TTAB.

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In general, the Board designates its decisions as precedential, in which case the decision is binding on the TTAB, or non-precedential, in which case the decision is not binding.

The Board designated the *Glow Concept* case as non-precedential, and, although it may be easy to dismiss it as so, such decisions “*may be cited for whatever persuasive weight to which they may be entitled.*”¹¹


Trademark attorneys commonly cite non-precedential decisions for general propositions of law.

But, more importantly, *Glow Concept*’s outcome was driven by the TTAB’s precedential failure-to-function jurisprudence, which has strayed from the use of commerce standard that the Lanham Act requires.

The disparity between the Board’s failure-to-function jurisprudence and the Second Circuit’s delineation of the “use in commerce” standard leaves brand owners with an important consideration when contemplating filing an action at the TTAB or pursuing a trademark infringement case in federal court.

A brand owner should carefully consider how its use of its trademarks and how the defendant’s use of an infringing mark will be viewed under the use in commerce standard when compared with the trademark use standard.

The disparity between the Trademark Trial and Appeal Board’s failure-to-function jurisprudence and the Second Circuit’s delineation of the use in commerce standard leaves brand owners with an important consideration.

When contemplating the filing of an action or pursuing a trademark infringement case in federal court, a brand owner should carefully consider not only the use of its trademarks, but how a defendant’s use of an infringing mark will be viewed and compared under both commerce and trademark use standards. 

¹ *Glow Concept Inc. v. Too Faced Cosmetics, LLC*, Cancellation No. 92067143 (T.T.A.B. Nov. 2, 2020).

² See Lucas Daniel Cuatrecasas, *Failure to Function and Trademark Law’s Outermost Bound*, 96 N.Y.U. L. Rev. 101, 113 (forthcoming).

³ Theodore H. Davis Jr. & John L. Welch, *United States Annual Review: The Seventy-Second Year of Administration of the Lanham Act of 1946*, 110 Trademark Rep. 1, 7 (2020).

⁴ Cuatrecasas, *supra* note 1 at 105.

⁵ *Id.* at 114. See also Davis Jr. & Welch, *supra* note 1 at 7.

⁶ *Failing to Function – A Short Defense of a Frustratingly Vague Refusal*, TM TKO Blog (Mar. 23, 2021) <https://blog.tmtko.com/2021/03/23/failing-to-function-a-short-defense-of-a-frustratingly-vague-refusal/>.

⁷ *Kelly-Brown v. Winfrey*, 717 F.3d 295 (2d Cir. 2013).

⁸ 15 U.S.C. § 1127.

⁹ *Kelly-Brown*, 717 F.3d at 305 (quoting 15 U.S.C. § 1127).

¹⁰ *Sazerac Brands, LLC v. Peristyle, LLC*, 892 F.3d 853, 859–60 (6th Cir. 2018).

¹¹ U.S. Pat. & Trademark Off., U.S. Trademark Trial and Appeal Board Manual of Procedure (TBMP) § 101.03 (2020).

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Failure to Function: The Color of Unicorn Tears

Test No. 157

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- A trademark is used to identify and distinguish the goods of one manufacturer or seller from another and to indicate the source of the goods to consumers.
 True False
- According to the U.S. Patent and Trademark Office (USPTO), a word, name, or symbol fails to function as a trademark when it conveys merely informational matter and consumers are unlikely to associate the word, name, or symbol with a single source of goods or services.
 True False
- The term "failure to function" appears in Section 1 of the Lanham Act.
 True False
- Although issues concerning the "failure-to-function" doctrine typically arise during trademark examination, the doctrine can also be used by a party in an inter partes proceeding before the Trademark Trial and Appeal Board (TTAB).
 True False
- In *Glow Concept Inc. v. Too Faced Cosmetics, LLC*, Cancellation No. 92067143 (T.T.A.B. Nov. 2, 2020), Glow Concept Inc. asserted a failure-to-function argument against Too Faced Cosmetics.
 True False
- To be eligible for registration as a trademark, Section 45 of the Lanham Act states that the mark be "use[d] as a trademark in commerce."
 True False
- The TTAB's "failure-to-function" doctrine is based on the plain text of Sections 3 and 45 of the Lanham Act.
 True False
- In *Glow Concept*, the TTAB agreed with the defendant that plaintiff's UNICORN TEARS mark was merely used as a shade name for lip gloss and so failed to function as a trademark.
 True False
- The primary issue on appeal in *Kelly-Brown v. Winfrey*, 717 F.3d 295 (2d Cir. 2013) was whether the phrase "Own Your Power" was capable of functioning as a trademark.
 True False
- The number of failure-to-function refusals issued by the TTAB has remained steady since 2010.
 True False
- In *Glow Concept*, the TTAB relied on evidence of widespread use of the term "Unicorn Tears" as a shade name for cosmetics to invalidate Glow Concept Inc.'s claim that it had trademark rights in the term.
 True False
- Under trademark law's classic fair use defense, the defendant has the burden of showing that the defendant used plaintiff's mark otherwise than as a trademark.
 True False
- All federal circuits agree that, as a matter of standing, a plaintiff in a trademark infringement action must show that the defendant made a "trademark use" of plaintiff's trademark.
 True False
- A cranberry juice manufacturer's use of the term "sweet-tart" to describe the flavor of its juice does not likely infringe a candy company's registered trademark SWEETARTS for sugar candy because the cranberry juice manufacturer's use of the term "sweet-tart" is likely a classic fair use.
 True False
- In the Sixth Circuit, a plaintiff is required to show, as a threshold matter, that the defendant used plaintiff's trademark as a trademark.
 True False
- In the Second Circuit, the phrase "use in commerce" in the Lanham Act means a *bona fide* use of a mark in the ordinary course of trade.
 True False
- The TTAB's decision in *Glow Concept Inc. v. Too Faced Cosmetics, LLC*, Cancellation No. 92067143 (T.T.A.B. Nov. 2, 2020) decision is precedential.
 True False
- Non-precedential decisions from the TTAB are not binding on the TTAB but may be cited for whatever persuasive weight to which they may be entitled.
 True False
- The TTAB's "failure-to-function" jurisprudence is exclusively based on rulings from federal courts.
 True False
- In the Second Circuit, the issue of "trademark use" arises only if a defendant asserts classic fair use as a defense and the plaintiff has established its prima facie case of trademark infringement.
 True False

Failure to Function: The Color of Unicorn Tears

MCLE Answer Sheet No. 157

INSTRUCTIONS:

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6. True False

7. True False

8. True False

9. True False

10. True False

11. True False

12. True False

13. True False

14. True False

15. True False

16. True False

17. True False

18. True False

19. True False

20. True False