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Revived trademark doctrine creates uncertainty

By Andrew J. Thomas and L. David Russell

Does a shoe manufacturer have rights in the distinctive color of its soles? Can the owner of trademark rights in a cartoon character prevent another party from selling merchandise featuring that character? Courts recently have analyzed these questions through the lens of a rejuvenated “aesthetic functionality” doctrine — once a moribund corner of the law.

Trademark law prevents the unauthorized use of marks and designs that identify a product’s source. It does not protect a product’s “functional” features, however, out of concern that legitimate competition not be inhibited. Generally speaking, a feature is functional if it is essential to the use or purpose of the product or affects the cost or quality of the product.

Over time, this rule has broadened from a purely utilitarian theory to cover ornamental features as well. In 1952, the 9th U.S. Circuit Court of Appeals became the first appellate court to invoke “aesthetic functionality” in denying trademark protection. In *Pagliero v. Wallace China Co.*, 198 F.2d 339, the court denied trademark protection to a popular floral design used on hotel china. The design, though decorative, was deemed functional because it was “an important ingredient in the commercial success of the product.”

9th Circuit: a checkered history

In 1980, the 9th Circuit shifted the doctrine’s focus from the validity of the plaintiff’s claimed trademark to the defendant’s conduct, holding that a defendant could escape liability for unauthorized use of a valid mark if its use was aesthetically functional. In *International Order of Job’s Daughters v. Lindeburg & Co.*, 633 F.2d 912, the court held that a defendant’s sale of jewelry bearing a fraternal organization’s insignia was not actionable. Because the court found that customers purchased the insignia solely for its value as a symbol, and not out of a belief that the jewelry was produced with the organization’s approval, it held that the jeweler’s use of the mark was “functional” and non-infringing.

By the early 2000s, the doctrine was criticized as an “oxymoron” and considered practically dead by many. In 2006, the 9th Circuit in *Au-tomotive Gold v. Volkswagen*, 457 F.3d 1062, stressed that the doctrine had been “restricted over the years” and retained only “limited vitality.”

Against this backdrop, the court surprised everyone by breathing new life into the doctrine in its 2011 decision in *Fleischer Studios v. A.V.E.L.A.*, 636 F.3d 1115. In *Fleischer*, the owner of the rights

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to the Betty Boop cartoon character sued a company that displayed the character’s name and image on unlicensed merchandise. After the Central District of California disposed of the trademark claims on other grounds, the 9th Circuit invoked the “aesthetic functionality” doctrine *sua sponte*. It held the defendant was “not using Betty Boop as a trademark, but instead as a functional product” for which there was no trademark protection.

This decision was widely criticized as threatening to upend long-established brand licensing and merchandising practices in the entertainment industry. In an amicus brief in support of rehearing, the Motion Picture Association of America argued that the court’s expansive view of aesthetic functionality threatened to “eviscerate” protection for trademarks that consumers “find aesthetically appealing and attractive” but that “still serve as source indicators for the consumer.” As critics pointed out, people who buy Betty Boop merchandise do not just want “cute” items or “beautiful” items; they want “Betty Boop” items — demand that is tied directly to the source-identification and reputation-enhancing value of the trademark itself.

Apparently stung by the severity of the criticism, six months later the 9th Circuit withdrew its *Fleischer* opinion and substituted a new opinion in its place that did not mention aesthetic functionality. 654 F.3d 958. On remand, however, the district court adopted the aesthetic functionality analysis at the heart of the 9th Circuit’s withdrawn opinion, finding that “the reasoning set forth ... is nevertheless sound and applicable.” 2012 WL 7179374 (C.D. Cal. Nov. 14, 2012). That decision was not appealed; it has yet to be cited by any court.

Courts within the 9th Circuit have essentially ignored the *Fleischer* trademark rulings, taking a more limited view of the aesthetic functionality doctrine as a question of trademark validity only. In the *Apple v. Samsung* litigation, for example, the Northern District of California considered claims that the trade dress of Apple’s iPhone and iPad was aesthetically functional and thus not protectable. In two decisions on Jan. 29

of this year, the court first upheld protection of the iPhone trade dress, finding that evidence of “the limited role of aesthetics in purchasing decisions” supported the jury’s implicit finding that Samsung “did not need to infringe Apple’s trade dress in order to compete with the iPhone.” 2013 WL 412861, at *7.

The court further determined, however, that the jury’s finding that the iPad trade dress was *not* protectable was supported by substantial evidence, citing testimony that the reason for the iPad’s success was that it was “absolutely beautiful.” A jury thus properly could conclude that “excluding Samsung from selling products with this claimed trade dress would impose a significant non-reputation-related competitive disadvantage.” See 2013 WL 412859, at *3.

Red wax and red shoes: skepticism in other circuits

The 6th U.S. Circuit Court of Appeals last year tackled aesthetic functionality in the context of liquor bottles. In *Maker’s Mark Distillery v. Diageo North America*, 679 F.3d 410, Maker’s Mark challenged Jose Cuervo’s use of a dripping red wax seal on its bottles of premium tequila, asserting that it infringed the dripping red wax Maker’s Mark used to seal its bottles of bourbon. Assuming the doctrine applied within the circuit, the court held that Maker’s Mark’s red wax was not aesthetically functional because “[t]here is more than one way to seal a bottle with wax to make it look appealing.” Finding that red “is not the only pleasing color of wax,” the court concluded that it does not put competitors “at a significant non-reputation related disadvantage to be prevented from using red dripping wax.”

2nd Circuit courts tackled the doctrine in *Louboutin S.A. v. Yves Saint Laurent America Holding* — a case where the upscale shoe manufacturer, Louboutin, sought to enforce trademark rights in its distinctive lacquered red soles. Louboutin claimed that its competitor YSL infringed by selling shoes with a monochrome red sole and red upper. A New York district court denied Louboutin’s motion for preliminary injunction, finding that its trademark would likely be held invalid. Reasoning that “in the fashion industry color serves ornamental and aesthetic functions vital to robust competition,” the court held that single colors could never function as trademarks in that industry. 778 F. Supp. 2d 445, 457 (S.D.N.Y. 2011).

On appeal, the 2nd U.S. Circuit Court of Appeals rejected the district court’s *per se* rule as inconsistent with the Supreme Court’s decision in *Qualitex v. Jacobson*

Products, 514 U.S. 159 (1995), where the Supreme Court reversed a decision holding that color can never be eligible for trademark protection. The 2nd Circuit concluded there was “no reason why a single-color mark in the specific context of the fashion industry could not acquire secondary meaning” — and therefore serve as a source identifier — if it is used consistently and prominently by a particular designer. 696 F.3d 206, 226. The 2nd Circuit then proceeded to duck the functionality question. Based on the evidence in the record as to secondary meaning, the court limited Louboutin’s trademark rights to designs where the color of the shoe’s sole contrasted with the upper part of the shoe. Because the YSL shoes were monochrome, with matching soles and uppers, the court’s inquiry ended there.

Aesthetic functionality inquiries force courts to draw difficult distinctions — asking whether a design is favored by consumers because it suggests an affiliation with a source or simply because it is visually pleasing. This is especially true when the design is a cartoon character or other entertainment image, as in *Fleischer*. In such cases, a claim of aesthetic functionality should not provide a shortcut to the traditional analysis of likelihood of confusion.

Consumers may buy a product decorated with a popular character not just because the image is pleasing to the eye, but also (and primarily) because of the image’s connection to movies, television programs, or theme parks that the consumers enjoy. The popularity of the image derives in large part from the reputational strength of the mark, which is precisely the type of goodwill that trademark law is designed to protect.

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