

NINTH CIRCUIT REPORT

Ninth Circuit, Again, Finally Clarifies Trademark Doctrine of Aesthetic Functionality



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AU-TOMOTIVE GOLD, INC. V. VOLKSWAGEN OF AMERICA, INC., ET AL.¹

IN AN EXCELLENT DECISION the Ninth Circuit Court of Appeals clarifies the *aesthetic functionality* doctrine which, like the magic broom in *The Sorcerer's Apprentice*, never dies. This history and clarification of the doctrine was a straightforward suit brought in response to a declaratory judgment action by automobile manufacturers Volkswagen and Audi, against Au-Tomotive Gold ("Auto Gold"), a company making key fobs and license plate covers with the logos and trademarks of VW and Audi.

The Arizona District Court had granted the trademark infringement defendant Auto Gold's motion for summary judgment, and denied VW's. (Volkswagen and Audi are referred to collectively as "VW"

here.) The District Court had accepted the infringer Auto Gold's defense argument that the logos and trademarks used on key chains and license plate holders had "an aesthetic quality to the marks that purchasers are interested in having," and since this is why purchasers bought the goods, held that the doctrine of aesthetic functionality provided a defense to Auto Gold. As the District Court stated:

"[T]he VW and Audi logos are used not because they signify that the license plate or key ring was manufactured or sold (*i.e.*, as a designation of origin) by Volkswagen or Audi, but because there is a[n] aesthetic quality to the marks that purchasers are interested in having."²

Thus, the central issue on appeal was the scope of the doctrine of "aesthetic functionality" and its application to the VW trademarks as they are used on Auto Gold's products.

In a detailed opinion, which traces the origin of the doctrine of aesthetic functionality and concludes by, perhaps, resurrecting it as a clear but narrow vestige of functionality, the Court finds no aesthetic functionality in the use of the famous Volkswagen and Audi trademarks on Auto Gold's key fobs and license plate holders.

The Court noted first that, consistent with the role of trademark law to identify the source of goods, the law properly prevents functional product features from protection under the trademark law. Dissecting functionality, the Court stated that the functionality defense is

often referred to as "utilitarian" functionality, "which relates to the performance of the product in its intended purpose." The functionality doctrine promotes competition by protecting identity and reputation, but avoids "inhibiting legitimate competition by allowing a producer to control a useful product feature," as noted in the Supreme Court decision in *Qualitex Co. v. Jacobson Products Co.*³

The Court noted that the difficulty comes about in assessing competition because "famous trademarks have assumed an exalted status of their own in today's consumer culture" beyond their historic function of designating source. As the Court noted, consumers sometimes buy products bearing the Nike swoosh, the Playboy bunny, the Mercedes tri-point star, and sports franchise logos, for the appeal of the mark itself, without regard to whether it signifies origin or sponsorship of the product.

Noting, indeed, the checkered history of the aesthetic functionality doctrine, the Ninth Circuit said that its origin may be traced to a comment in the 1938 Restatement of Torts:

When goods are bought largely for their aesthetic value, their features may be functional because they definitely contribute to that value and thus aid the performance of an object for which the goods are intended.⁴

The seminal Ninth Circuit case of *Pagliari v. Wallace China Co.*⁵ gave birth to the doctrine, at least for the Ninth Circuit. There, Wallace China, brought

a trademark suit to prohibit a competitor from using a series of decorative patterns and flower names on hotel china. The 1952 opinion of the Ninth Circuit noted that, while secondary meaning might have existed in customers' association of the patterns with Wallace China, the china patterns were deemed "functional" because the "attractiveness and eye-appeal" of the design is the primary benefit that consumers seek in purchasing china. Thus, Wallace's designs were "at the heart of basic consumer demand for the product and could not be protected as trademarks."

Other circuits began to apply the aesthetic functionality doctrine. Thirty years later the Ninth Circuit applied it in *International Order of Job's Daughters v. Lindeburg & Co.*⁶ to preclude a jewelry maker from selling jewelry bearing the Job's Daughters organization insignia. Bad cases may make bad law, and the Ninth Circuit in *Au-Tomotive Gold* here noted that Job's Daughters had "submitted no evidence that the defendant's use of the mark either caused confusion as to source or was likely to do so and suggested the emblem did not designate a source at all." Distinguishing *Job's Daughters* for its collective mark and lack of proof of source confusion and identification, the court today referred to *Job's Daughters* as a "somewhat unique case, which was soon clarified and narrowed."

In the Ninth Circuit case of *Vuitton et Fils S.A. v. J. Young Enters., Inc.*,⁷ the defendant had argued that defendant's very similar copying of the LV logo and fleur-de-lis insignia was likewise functional because the marks were "related to the reasons consumers purchase the product" and that without using the marks it could not compete with the plaintiff Vuitton. The *Vuitton* court held that the use of the Vuitton marks was not functional in a utilitarian sense since, of course, luggage or handbags were no better or serviceable with or without the marks. The *Vuitton* court rejected the aes-

thetic functionality argument as applied, and rejected the notion that "any feature of a product which contributes to the consumer appeal and saleability of the product is, as a matter of law, a functional element of that product."

With this as a background, the Ninth Circuit today noted that in several cases the Ninth Circuit, as well as other circuits, had criticized the "aesthetic functionality" doctrine.⁸ Described as a leading commentator by the Ninth Circuit, McCarthy's treatise even noted that the *Click Billiards*⁹ case appeared "to mark the final end of the Ninth Circuit's fifty-year flirtation with the aesthetic functionality theory."¹⁰ But is the doctrine still alive? Yes. Perhaps thanks to the Supreme Court.

The excellent scholarly opinion of Judge McKeown then continues to recognize, as have many scholars, that although the Supreme Court has not directly addressed aesthetic functionality, it has crept into two major Supreme Court opinions in the last few years, *Qualitex*,¹¹ and *Traffix Devices, Inc. v. Marketing Displays, Inc.*¹² In *Qualitex*, in considering whether a distinctive green-gold color used on dry-cleaning press pads could be protected as a trademark, the Court observed that color can be a trademark if it is a source identifier, and held that the plaintiff's color so functioned. The Court in *Qualitex* underscored, however, that the functionality defense protects against a defendant being disadvantaged competitively if its use of the alleged trademark was functional in that others found a "competitive need for the color in order to compete in the product." In *Qualitex*, the Court noted that while the use of some color on the pads served a non-trademark function, that is, to avoid noticeable stains on the pad, other colors were equally usable, so that the alleged functionality of this color did affect competition and thus not defeat protection.

The Supreme Court decision in *Traffix*, which the Ninth Circuit noted

was "surprisingly not cited by the parties," also considered the question whether there was a "competitive necessity for the feature" sought to be protected.

In a nod to the continued viability of "aesthetic functionality," the Ninth Circuit noted that the Supreme Court in *Qualitex* went on to suggest that "it is proper to inquire into a 'significant non-reputation-related disadvantage' in cases of aesthetic functionality, the question involved in *Qualitex*." The Court described aesthetic functionality as "the central question [in *Qualitex*], there having been no indication that the green-gold color of the laundry press pad had any bearing on the use or purpose of the product or its cost or quality."¹³ Applying *Qualitex*, the Ninth Circuit stated that "As to functionality, we read the Court's decision to mean that consideration of competitive necessity may be an appropriate but not necessary element of the functionality analysis. If a design is determined to be functional under the traditional test of *Inwood Laboratories*,¹⁴ there is no need to go further to consider indicia of competitive necessity, such as the availability of alternative designs." Thus, aesthetic functionality considerations may come into play only because a "functional feature is one the 'exclusive use of which would put competitors at a significant non-reputation related disadvantage.'"

Then, applying all of this law background to Auto Gold's use of the Volkswagen mark here, the case becomes an easy one for the Ninth Circuit. Auto Gold did not argue that the trademarks were functional in the utilitarian sense. Of course, "Auto Gold's products would still frame license plates and hold keys just as well without the...marks."

In assessing aesthetic functionality, the Ninth Circuit then asks whether VW's "marks, as they appear on Auto Gold's products, perform some function such that the 'exclusive use of the marks would

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put competitors at a significant non-reputation-related disadvantage.”¹⁵ The answer is clearly no. The trademarks function only as source identifiers, notwithstanding Auto Gold’s argument. Any disadvantage to Auto Gold is only based upon not being able to trade upon the goodwill of the VW trademarks.

The Court squarely rejects the notion that “any feature of a product which contributes to the consumer appeal and saleability of a product is, as a matter of law, a functional element of that product,” since such a rule would eviscerate the very competitive policies that functionality seeks to protect. As the Court noted, “Consumers here want ‘Audi’ and ‘Volkswagen’ accessories, not beautiful

accessories.” The demand for them is tied to the reputation and association with VW and Audi.

The Ninth Circuit thus reverses the summary judgment for Auto Gold and grants partial summary judgment of infringement for VW under the eight factor *Sleekcraft*¹⁶ test.

To paraphrase Mark Twain, “the rumors of the death of the doctrine of aesthetic functionality, noted by professor McCarthy, may have been greatly exaggerated.” While not providing a defense here, aesthetic functionality is alive and well once again in the Ninth Circuit. However, the opinion of Judge McKeown places it in its narrow context, limiting it solely to non-reputational advantages that competitors might take from a product design or trade dress, which must be considered in a court’s decision whether to grant trademark rights to a plaintiff

against its competitors. ©

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Endnotes

1. Case No. 04-16174, ___ F.3d ___, 2006 WL 2325105 (9th Cir. August 11, 2006).
2. *Slip Opinion*, p. 9419.
3. 514 U.S. 159, 170 (1995).
4. *Restatement of Torts* § 742, comment a (1938) (see *Restatement 3d of Unfair Competition*, § 17 (1995)).
5. 198 F.2d 339 (9th Cir. 1952).

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