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Did SCOTUS Kill Product Design Trade Dress?

Law360, New York (November 03, 2009) -- Some practitioners think the U.S. Supreme Court tried to kill product design trade dress with two decisions in the early 2000s. Did the court succeed? Is product design trade dress dead yet?

Courts are in agreement that the three core elements of a claim of infringement of product design trade dress are:

- 1) That the alleged trade dress is distinctive;
- 2) That the alleged trade dress is not functional; and
- 3) That the accused product design is likely to cause consumer confusion.

In two cases in 2000 and 2001, the Supreme Court took aim at elements (1) and (2), and, in both decisions, decried what it perceived as product design trade dress litigation's deleterious effect on competition.

Ready! — The Supreme Court's Wal-Mart Decision

In *Wal-Mart Stores Inc. v. Samara Brothers Inc.*, 529 U.S. 205, 120 S. Ct. 1339 (2000), the Supreme Court overturned what had been virtually a uniform rule in the lower federal courts: that a product's design could, under certain circumstances, be considered "inherently distinctive" and, therefore, automatically protectable as under trademark law.

Specifically, the Supreme Court viewed the lower federal courts' tests for determining "inherent distinctiveness" as too vague to effectively weed out the misuse of product design trade dress lawsuits as a means of keeping competitors out of lucrative markets. *Id.* at 213-14, 120 S. Ct. at 1344-45.

To rectify this perceived problem, the court held that, in all cases involving unregistered product design trade dress, the owner of the alleged trade dress must first prove that the design has “secondary meaning.” *Id.* at 216, 120 S. Ct. at 1346.

In other words, the owner must demonstrate that the public perceives the design primarily as an indicator of the source of the product, rather than as something appealing or useful about the product. *Id.* at 213, 120 S. Ct. at 1344.

The Supreme Court also urged the lower courts, in cases where it is not clear whether product packaging or product design is at issue, to err on the side of caution and require a demonstration of secondary meaning.

Aim! — The Supreme Court’s Traffix Decision

Apparently not convinced that requiring proof of secondary meaning in all cases sufficiently rectified product design trade dress law’s potential to hinder competition, less than one year later the Supreme Court again took out its product design pruning shears to address the critical issue of functionality.

In a previous case, the court had explained that the functionality inquiry “prevents trademark law, which seeks to promote competition by protecting a firm’s reputation, from instead inhibiting legitimate competition by allowing a producer to control a useful product feature.” *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 164, 115 S. Ct. 1300, 1304 (1995).

In *Traffix Devices Inc. v. Marketing Displays Inc.*, 532 U.S. 23, 121 S. Ct. 1255 (2001), the court explained that, under the “traditional” functionality rule it had previously articulated, “a product feature is functional, and cannot serve as a trademark, if it is essential to the use or purpose of the article or if it affects the cost or quality of the article.” *Id.* at 32; 121 S. Ct. at 1261.

The Traffix court held that product features claimed in a utility patent are presumptively functional. *Id.* at 29-30, 121 S. Ct. at 1260. But the court did not stop there.

It went further and strongly suggested that one of the most common methods of proving nonfunctionality — showing that the infringer had several equally effective design alternatives it could have used — was irrelevant. *Id.* at 33-34, 121 S. Ct. at 1262 (“There is no need ... to engage ... in speculation about other design possibilities ... Other designs need not be attempted.”)

Fire? — The Lower Courts’ Reaction to Wal-Mart and Traffix

Wal-Mart’s new requirement to show secondary meaning in all cases certainly was an initial signal that courts were looking more critically at product design cases, but showing secondary meaning is very familiar to trademark litigators, and this requirement has not been viewed as an insurmountable hurdle.[1]

TrafFix Devices' assault on alternative design evidence, however, presented a far more serious hurdle to plaintiffs asserting infringement of product design trade dress.

So what has happened in the various circuits in the wake of Wal-Mart and TrafFix Devices? The answer appears to be that, while product design trade dress is in the ICU, it's not quite dead. Yet.

Below is the post-Wal-Mart and TrafFix "won-loss" records of product design trade dress plaintiffs, along with summaries of the published dispositions that the various federal courts of appeal have made of their claims.[2]

First Circuit (0-1)

Following the Supreme Court's advice in a case involving both the labels and other design features of scented candles, the First Circuit held that the plaintiff was required to have proved secondary meaning, but failed to do so. *Yankee Candle Co. Inc. v. Bridgewater Candle Co. LLC*, 259 F.3d 25, 41-45 (1st Cir. 2001).

Second Circuit (0-2)

In *Yurman Design Inc. v. PAJ Inc.*, 262 F.3d 101 (2d Cir. 2001) — a case involving alleged trade dress in a line of jewelry designs — the Second Circuit mentioned Wal-Mart and TrafFix, see 262 F.3d at 115-16, but rejected the plaintiff's claim on a different ground: failure to articulate the specific common elements of the alleged trade dress within the line of jewelry. *Id.* at 118.

Again avoiding basing its decision directly on either Wal-Mart or TrafFix, the Second Circuit next rejected a claim of trade dress infringement concerning a water bottle design based on the lack of any genuine dispute of material fact on likelihood of confusion. See *Nora Beverages Inc. v. Perrier Group of Am. Inc.*, 269 F.3d 114, 120-25 (2d Cir. 2001).

In a footnote, however, the Second Circuit opined that the plaintiff's claim would likely have faltered on the issue of nonfunctionality as well. See *id.* at 120 n.4.

Third Circuit (0-1)

In *Shire US Inc. v. Barr Labs. Inc.*, 329 F.3d 348 (3d Cir. 2003), the Third Circuit affirmed a district court's ruling that a prescription drug manufacturer had failed to prove that the color and shape of its ADHD drug "Adderall" was nonfunctional under the TrafFix "traditional" functionality test. *Id.* at 353-59.

Fifth Circuit (0-1)

The Fifth Circuit took the TrafFix court's suggestion regarding evidence of "alternative designs" seriously, and fashioned it into what appears to be an absolute rule that, in a

product design trade dress case, “[t]he availability of alternative designs is irrelevant.” *Eppendorf-Netheler-Hinz GmbH v. Ritter GmbH*, 289 F.3d 351, 357 (5th Cir. 2002); see also *id.* at 358 (“alternative designs are not germane to the traditional test for functionality”).

Sixth Circuit (1-3)

In the only appellate win since *Wal-Mart* and *TrafFix*, General Motors successfully enforced the trade dress consisting of specified elements of the exterior of its Hummer/Humvee vehicle against a manufacturer of toys resembling it. See *General Motors Corp. v. Lanard Toys Inc.*, 468 F.3d 405 (6th Cir. 2006).

The asserted trade dress comprised “the exterior appearance and styling of the vehicle design, which includes the grille, slanted and raised hood, split windshield, rectangular doors, squared edges, etc.” See *id.* at 417.

With little discussion, the Sixth Circuit found that GM adequately proved nonfunctionality. *Id.* at 416-17.[3] The Sixth Circuit also affirmed the district court’s ruling that General Motors had adequately proved secondary meaning. See *id.* at 417-20.

Two months earlier, however, the Sixth Circuit relied on the *TrafFix* court’s functionality analysis to reject a trade dress claim by a manufacturer of fishing line guides, who had previously claimed various features of the guides in both utility and design patents, all of which had expired.

In *Fuji Kogyo Co. Ltd. v. Pacific Bay Int’l Inc.*, 461 F.3d 675 (6th Cir. 2006), the Sixth stressed that Fuji’s patents claimed the features, and its advertising touted the functions, of the very guides it was seeking to protect under trade dress law. *Id.* at 685.

Similarly relying on *TrafFix*, the Sixth Circuit also rejected as functional an alleged trade dress consisting of the multi-element configuration of a scrapbook album. See *Antioch Co. v. Western Trimming Corp.*, 347 F.3d 150, 156-61 (6th Cir. 2003).

And a party claiming trade dress protection for a line of clothing (like the plaintiff in *Wal-Mart*) actually cleared *Wal-Mart*’s secondary meaning hurdle only to find itself terminally stuck in *TrafFix*. That is, the plaintiff failed to prove that the alleged elements of its trade dress were non functional. See *Abercrombie & Fitch Stores Inc. v. American Eagle Outfitters Inc.*, 280 F.3d 619, 637-40 (6th Cir. 2002) (secondary meaning analysis); *id.* at 640-44 (functionality analysis).

Seventh Circuit (0-1)

The round shape of a home thermostat was held to be functional under *TrafFix*, and therefore unprotectable under trade dress law, in *Eco Mfg. LLC. v. Honeywell Int’l Inc.*, 357 F.3d 649, 653-55 (7th Cir. 2003).

Ninth Circuit (0-0)*

The Ninth Circuit has not yet issued a published opinion in a true product design trade dress case in the post- Wal-Mart and TrafFix world. It has, however, addressed the issues raised in Wal-Mart and TrafFix in two cases that came very close to product design cases.

In *Clicks Billiards Inc. v. Sixshooters Inc.*, 251 F.3d 1252 (9th Cir. 2001), the court found that the evidence of nonfunctionality and secondary meaning of the décor of a chain of pool halls sufficient to survive summary judgment.

In contrast, the Ninth Circuit rejected a claim that the design of a line of cartoon characters airbrushed on T-shirts had acquired secondary meaning. See *Art Attacks Ink LLC v. MGA Entertainment Inc.*, ___ F.3d ___, 2009 WL 2950659 (9th Cir. 2009).

Tenth Circuit (0-1)

In another case involving the exterior design of a Hummer vehicle, the Tenth Circuit ruled that the district court correctly denied a preliminary injunction where General Motors had failed to introduce sufficient evidence of a likelihood of confusion. See *General Motors Corp. v. Urban Gorilla LLC*, 500 F.3d 1222, 1228 (10th Cir. 2007).

Given that disposition, the court did not find it necessary to analyze the Wal-Mart/TrafFix duo of secondary meaning and functionality.

Eleventh Circuit (0-1)

In *Dippin' Dots Inc. v. Frosty Bites Distribution LLC*, 369 F.3d 1197 (11th Cir. 2004), the maker of "Dippin' Dots," a frozen ice cream confection in the form of small, flowing beads, asserted trade dress rights in the frozen beads themselves.

The Eleventh Circuit, however, found that the appearance of the beads was functional as a matter of law. *Id.* at 1206-07.

Federal Circuit (0-1)

The Federal Circuit gave a glimmer of hope to owners of product design trade dress by stating that "we do not read the court's observations in TrafFix as rendering the availability of alternative designs irrelevant." *Valu Eng'g Inc. v. Rexnord Corp.*, 278 F.3d 1268, 1276 (Fed. Cir. 2002).

The statement was small comfort to the owner of the trade dress at issue, however, for the court rejected his alleged trade dress — the cross-sectional design of a conveyor rail used in canning and bottling plants — because the owner apparently failed to put in any evidence of nonfunctionality. *Id.* at 1278-79.

Conclusion — While Not Dead Yet, Product Design Trade Dress is On Life Support

With a won-loss record of 1-12 in the various appeals courts since the Supreme Court erected tougher barriers in Wal-Mart and TrafFix, claims of product design trade dress infringement have not fared well in the past decade.

Yet comparatively, Wal-Mart's requirement of secondary meaning does not seem as effective a claim-killer as TrafFix's functionality analysis.

It would, therefore, seem that if product design trade dress claims are going to regain some of their old strength, it will likely be in circuits, such as the Federal Circuit, that take a more lenient view of TrafFix as continuing to allow proof of nonfunctionality through evidence that alternative, noninfringing designs were available to the accused infringer.

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[1] Secondary meaning can be shown by providing evidence of the length and manner of the use of a mark, the nature and extent of advertising and promotion of the mark, the sales volume of the product, and instances of actual confusion. Valid consumer surveys are also considered highly relevant. See, e.g., *Sunbeam Prods. Inc. v. West Bend Co.*, 123 F.3d 246, 254 (5th Cir. 1997).

[2] The Fourth, Eighth and D.C. Circuits have yet to address product design trade dress infringement in a published decision since the Supreme Court decided Wal-Mart and TrafFix, and so are not discussed.

[3] The Sixth Circuit's opinion does not mention whether the defendant introduced evidence that any of these elements performed a function, so it is unclear whether the court's seemingly easygoing take on functionality was the result of an implicitly lenient reading of TrafFix or simply of the defendant's failure to put in basic evidence of functionality. It is therefore unlikely that this result can be given much weight in future cases.