

TRADEMARK RIGHTS TRUMP AESTHETICS

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The US Court of Appeals for the Ninth Circuit’s February 23, 2011, decision in *Fleischer Studios, Inc. v AVELA, Inc.*, had the potential to severely limit brand owners’ ability to protect their marks against third party merchandising and assert their rights in trademarks whose related copyrights had fallen into the public domain. On August 19, the court withdrew its February decision and filed a new opinion that avoids the potentially destructive consequences of the earlier ruling.

The case was brought by Fleischer Studios, which claimed ownership of copyright and trademark rights in the Betty Boop cartoon character, alleging infringement by AVELA, which licensed Betty Boop merchandise. Both the district court and the Ninth Circuit dismissed the copyright claims for lack of standing, but the grounds for dismissal of the trademark claims shifted on appeal with potentially far-reaching consequences for brand owners.

The Betty Boop character was created in 1930 by Max Fleischer of the Original Fleischer Studios, which sold all rights in its cartoon films and characters to Paramount Pictures in 1941. Plaintiff Fleischer traces its common law trademark rights to the continuous offering of merchandise bearing the Betty Boop image and name to the public since the early 1970s. Fleischer also submitted four federal registrations for the word mark “Betty Boop”.

The district court held that Fleischer’s evidence failed to establish ownership of common law trademark rights in the image or physical appearance of Betty Boop as it could not show that its use of the image dating to 1972 was the “first use” in the marketplace and could not account for the rights in the image or third party use between 1941 and 1972. Shifting its analysis to Fleischer’s federal trademark rights in the “Betty Boop” name, the court held that Fleischer had not presented any evidence that its marks indicate a single source of merchandise bearing the mark due to its “fractured history” of use, that AVELA’s use of the Betty Boop image was a use of Fleischer’s word mark in commerce, or that such use was likely to cause confusion. As a result, Fleischer’s trademark and unfair competition claims were dismissed.

On appeal, the Ninth Circuit affirmed the dismissal on the alternate basis of the “aesthetic functionality” doctrine as applied in its 1991 decision in *International Order of Job’s Daughters v Lindeburg & Co. Job’s Daughters* held that trademark law does not prevent third party use of the “functional” features of a product, which constitute the benefit sought by the consumer as distinguished from the source-identifying feature of that product. In other words, in case of use of a trademarked element deemed to be a functional aesthetic component of the product because it is aesthetically pleasing, rather than source-identifying to the consumer, there could be no infringement. Under the doctrine, the Ninth Circuit found AVELA’s use of the Betty Boop image to be a functional aesthetic component of its products, and affirmed the dismissal of Fleischer’s trademark claims.

“INTA ARGUED THAT THE DOCTRINE UNDER JOB’S DAUGHTERS WOULD ALLOW THIRD PARTIES TO USE ANY MARK THAT HAS ‘AESTHETIC’ VALUE TO CONSUMERS.”

The court stated further that even if Fleischer did hold trademarks in the Betty Boop name and image they could not be asserted because to do so would prevent the character from ever entering the public domain in contradiction of the Supreme Court’s 2003 holding in *Dastar Corp. v Twentieth Century Fox Film Corp.* With this language the court precluded the protections of trademark law where related copyright material has fallen into the public domain. Together these two lines of reasoning had the potential to markedly limit brand owner rights.

Fleischer petitioned for a rehearing or rehearing *en banc* and the International Trademark Association (INTA) submitted an amicus brief in support due to concern over the far-reaching consequences of the court’s reassertion of the ‘aesthetic functionality’ doctrine as well as its reading of *Dastar*. INTA argued that the doctrine under *Job’s Daughters* would allow third parties to use any mark that has “aesthetic” value to consumers, upending trademark law and effectively overruling the Ninth Circuit’s own 2006 decision in *Au-Tomotive Gold, Inc. v Volkswagen of America, Inc.*, which had substantially limited the doctrine’s application. Similarly, in addressing the court’s reading of the *Dastar*, INTA argued that it was inconsistent with established precedent recognising independent copyright and trademark rights in the same product. INTA urged the court to withdraw its opinion on this issue.

Without rehearing, the Ninth Circuit withdrew its February decision and issued the August 19 decision, which makes no reference to the “aesthetic functionality” doctrine or *Dastar*, and in fact vacates the dismissal of Fleischer’s trademark claims based on its federal registrations in the Betty Boop word mark. The new ruling dismissed the common law trademark claims on the same grounds as the district court, effectively relieving INTA’s concerns on behalf of brand owners by leaving the extremely limited application of the “aesthetic functionality” doctrine undisturbed and the relationship between copyright and trademark rights in a product unchanged. ■

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