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## TRADE DRESS

The Relevance of Alternative Designs 16 Years After *TrafFix*

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In 2001, the Supreme Court in *TrafFix Devices, Inc. v. Marketing Displays, Inc.* refined its test for determining whether a product design is functional—and thus ineligible for trade dress protection. 532 U.S. 23, 58 U.S.P.Q.2d 1001 (2001). In doing so, the Court addressed one factor commonly considered by lower courts analyzing functionality: the availability of alternative designs. *Id.* at 33-34. Generally, evidence that a product feature can be designed in different ways sup-

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ports the argument that each of those designs is not functional. However, the Court in *TrafFix* seemed to downplay the significance of such evidence, stating that in light of other indicia of functionality—in that case, the existence of an expired utility patent—there was no need “to engage . . . in speculation about other design possibilities.” 523 U.S. at 33-34.

Since *TrafFix*, courts have split on whether earlier approaches for assessing functionality are still valid. For example, several courts used the *Morton-Norwich* factors: “(1) whether the design yields a utilitarian advantage, (2) whether alternative designs are available, (3) whether advertising touts the utilitarian advantages of the design, and (4) whether the particular design results from a comparatively simple or inexpensive method of manufacture.” *Disc Golf Ass’n, Inc. v. Champion Discs, Inc.*, 158 F.3d 1002, 1006, 48 U.S.P.Q.2d 1132 (9th Cir. 1998) (endorsing *Morton-Norwich* factors). While some courts have questioned such an approach that places alternative design consideration on equal footing with other factors, others have deemed this analysis appropriate notwithstanding *TrafFix*. Sixteen years later, disagreements about the impact of *TrafFix* on the relevance of alternative designs endured, and courts continue to refashion their approaches toward such evidence.

This article sketches the enigmatic role played by alternative designs in the functionality inquiry, and offers

guidance to practitioners on how to navigate these murky waters.

## I. The Many Interpretations of *Traffix* on Alternative Designs

### A. The Two Primary Approaches: Fifth Circuit and Federal Circuit

Shortly after *Traffix*, two seemingly contradictory interpretations emerged. Under one interpretation, *Traffix* changed nothing. Alternative designs mattered as much after *Traffix* as they did before. The U.S. Court of Appeals for the Federal Circuit, the first to adopt this interpretation, held in *Valu Engineering Inc. v. Rexnord Corp.* that the *Morton-Norwich* analysis remained unaltered. 278 F.3d 1268, 1276, 61 U.S.P.Q.2d 1422 (Fed. Cir. 2002) (“We do not understand the Supreme Court’s decision in *Traffix* to have altered the *Morton-Norwich* analysis.”). The Fourth Circuit has adopted this same interpretation. See *McAirlaids, Inc. v. Kimberly-Clark Corp.*, 756 F.3d 307, 313, 111 U.S.P.Q.2d 1546 (4th Cir. 2014).

In contrast, the Fifth Circuit, in *Eppendorf-Netheler-Hinz GMBH v. Ritter GMBH*, held that the Supreme Court had created two separate tests for functionality: (1) the “traditional test,” which does not take account of alternative designs at all; and (2) the “competitive necessity test,” which does take stock of alternative designs but is only applied if the first test is not dispositive. 289 F.3d 351, 355, 62 U.S.P.Q.2d 1534 (5th Cir. 2002). The Eleventh Circuit has copied this approach. See *Dippin’ Dots, Inc. v. Frosty Bites Distribution, LLC*, 369 F.3d 1197, 1203, 70 U.S.P.Q.2d 1707 (11th Cir. 2004).

Exacerbating the confusion, other courts have created their own unique twists on these two approaches. (The Eighth Circuit and the First Circuit have yet to address trade dress functionality since *Traffix*.)

### B. Variations of the Fifth Circuit’s Two-Part Test

#### 1. The Sixth Circuit

In *Antioch Co. v. Western Trimming Corp.*, the Sixth Circuit followed the Fifth Circuit’s general approach and interpreted *Traffix* to create a two-part test. 347 F.3d 150, 155-56, 68 U.S.P.Q.2d 1673 (6th Cir. 2003). It affirmed the lower court’s rejection of alternative design evidence because application of the “traditional test” in that case resulted in a finding of functionality. See *id.* However, the Sixth Circuit further held that the “competitive necessity” test—which permits evaluation of alternative designs—only comes into play when the facts present an issue of “aesthetic functionality” (e.g., a pill’s color serving the function of distinguishing between heart medication and digestive tablets). See *id.* at 155-56.

Thus, the Sixth Circuit has relegated consideration of alternative designs to an even smaller subset of cases than the Fifth Circuit. See also *Groeneveld Transport Efficiency, Inc. v. Lubecore Intern., Inc.*, 730 F.3d 494, 505-06, 108 U.S.P.Q.2d 1022 (6th Cir. 2013).

#### 2. The Third Circuit: It’s Discretionary?

The Third Circuit examined this issue for the first time last year when it decided *Sweet Street Desserts,*

*Inc. v. Chudleigh’s Ltd.*, a case concerning trademark protection of a pastry crust design that resembled a blossom. 655 Fed. App’x 103, 104, 119 U.S.P.Q.2d 1641 (3d Cir. 2016). The court’s articulation of the proper functionality framework resembled the Fifth Circuit’s two-part test, and it rejected the mark owner’s contention that “it is appropriate to consider alternative designs to determine whether a design is functional *in the first instance.*” *Id.* at 109, n.5 (emphasis added). However, the court stated cryptically that “consideration of alternatives is allowed under *Traffix*, but not required,” citing for support the Federal Circuit’s *Valu Engineering* decision and the Fourth Circuit’s *McAirlaids* ruling following *Valu Engineering*. *Id.*

Thus, the Third Circuit seems to accord courts discretion to consider or ignore alternative design evidence. It remains to be seen how lower courts in the Third Circuit will apply *Sweet Street Desserts*.

#### 3. The Seventh Circuit: Moving Away From a Five-Factor Test

Until recently, the Seventh Circuit had espoused a unique flavor of the Federal Circuit’s approach: a five-factor test. It included the *Morton-Norwich* factors as the first four, and added a fifth factor that incorporated part of the traditional *Inwood* test: “the effect of the design feature on an item’s quality or cost.” *Georgia-Pacific Consumer Prods. LP v. Kimberly-Clark Corp.*, 647 F.3d 723, 727-28, 99 U.S.P.Q.2d 1538 (7th Cir. 2011) (applying language from *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 851 n.10, 214 U.S.P.Q. 1 (1982)); see also *Loggerhead Tools, LLC v. Sears Holding Corp.*, No. 12-cv-9033, Dkt. No. 367 (N.D. Ill. Sept. 20, 2016).

However, in its recently-decided *Arlington Specialties, Inc. v. Urban Aid, Inc.* case, the Seventh Circuit seemed to abandon that approach, even though it did not explicitly state that it was overruling its precedent (and indeed cited earlier Seventh Circuit decisions that had applied the five-factor test). 847 F.3d 415, 2017 BL 24803 (7th Cir. Jan. 27, 2017). Nevertheless, the court used a simplified version of the Fifth Circuit’s approach, asking only whether the design feature at issue “affect[ed] product quality or cost.” *Id.* at 420. Finding that it did, the court saw no need to “consider the availability of alternative designs for competitors.” *Id.* The court did not address the “competitive necessity” test, leaving open the question of whether alternative designs would be relevant under that test.

### C. Courts Adopting Variations of the Federal Circuit’s Approach

#### 1. The Ninth Circuit: Switching Sides

The Ninth Circuit once espoused an approach similar to the Fifth Circuit’s two-part test. See *Au-Tomotive Gold, Inc. v. Volkswagen of Am., Inc.*, 457 F.3d 1062, 1071-72, 80 U.S.P.Q.2d 1293 (9th Cir. 2006) (applying two-part functionality test and only alluding to Ninth Circuit’s pre-*Traffix* four factor test in a footnote). But it recently clarified its framework in *Millennium Labs., Inc. v. Ameritox, Ltd.*, where it created a hybrid of the competing *Traffix* interpretations. 817 F.3d 1123, 118 U.S.P.Q.2d 1459 (9th Cir. 2015). In that case, the Ninth Circuit set forth two tests, which it referred to as two

“steps”—the first modeled after the traditional *Inwood* test and the second after the competitive-necessity test. The court considered alternative designs and the other *Morton-Norwich* factors as part of the first step. *Id.* at 1129-31.

After considering those factors, courts should analyze aesthetic functionality, by applying the competitive-necessity test described in *TrafFix*: whether “protection of the feature as a trademark would impose a significant non-reputation-related competitive disadvantage.” *Id.* at 1129-30 (quoting *Automotive*, 457 F.3d at 1072 (citing *TrafFix*, 532 U.S. at 33)). As a result, courts in the Ninth Circuit must always consider evidence of alternative design availability. See *Toyo Tire & Rubber Co., Ltd. v. CIA Wheel Group*, No. SACV 15-0246-DOC (DFMx), 2016 BL 312669, at \*4-8 (C.D. Cal. Sept 15, 2016); *VIP Prods., LLC v. Jack Daniel’s Properties, Inc.*, No. CV-14-2057-PHX-SMM, 2016 BL 320898 (D. Ariz. Sep. 27, 2016).

Thus, the Ninth Circuit’s approach is functionally more similar to the Federal Circuit’s.

## 2. The Second Circuit: Internal Conflicts

The Second Circuit has yet to explicitly articulate the role of alternative designs after *TrafFix*, most recently mentioning them without detailed discussion in *Christian Louboutin S.A. v. Yves Saint Laurent America Holdings, Inc.*, 696 F.3d 206, 103 U.S.P.Q.2d 1937 (2d Cir. 2012); see also *Cartier, Inc. v. Sardell Jewelry, Inc.*, 294 F. App’x 615, 620–21, 2008 BL 202308 (2d Cir. 2008) (finding availability of alternative designs indicative of non-functionality without explaining how alternative designs fit into overall functionality framework). As explained in *Christian Louboutin*, the Second Circuit’s overall functionality framework seems to be the same as the Sixth Circuit’s two-part test: (1) apply the traditional *Inwood* test; (2) then, in cases involving aesthetic functionality, apply the competitive necessity test if the traditional test was not dispositive. 696 F.3d at 218-19. However, the Second Circuit has not explicitly rejected the *Morton-Norwich* factors in connection with the first part of the test. And, in *Christian Louboutin*, it alluded only briefly to alternative designs in discussing the competitive-necessity test, seeming to suggest without concrete confirmation that they were relevant to that part of the inquiry. See *id.* at 222.

Without clear guidance from the Second Circuit regarding the applicability of the *Morton-Norwich* factors, district courts in that circuit have differed on the questions of whether and when to look to alternative designs. Several district courts have expressed the view that the *Morton-Norwich* factors, including evidence of alternative designs, have no role in the functionality analysis post-*TrafFix*. See, e.g., *GTFM, Inc. v. Solid Clothing, Inc.*, No. 01-cv-2629, 2002 WL 31886612, at \*5 (S.D.N.Y. Dec. 27, 2002); *New Colt Holding Corp. v. RJG Holdings of Florida, Inc.*, 312 F. Supp. 2d 195, 213-14 (D. Conn. Mar. 29, 2004). However, at least one district court in the Southern District of New York has continued to utilize the four factors, citing the Federal Circuit for its statement that *TrafFix* did not alter the *Morton-Norwich* analysis. *Schutte Bagclosures Inc. v. Kwik Lok Corp.*, 193 F. Supp. 3d 245, 268, 2016 BL 190268 (S.D.N.Y. 2016).

## II. Guidance for Litigants

It is clear that choice of forum is likely to determine whether or not alternative design evidence is admissible in connection with the functionality analysis. Trade dress owners hoping to rely on alternative design evidence should seek a venue following the Federal Circuit’s approach or a variation thereof, while those defending against infringement claims would fare better with a court applying some version of the Fifth Circuit’s framework. However, selecting a particular variant of those two frameworks is slightly more nuanced, and may depend on the trade dress at issue and a party’s risk-tolerance, given the uncertain state of the law in some circuits.

For a party hoping to rely on alternative design evidence to demonstrate non-functionality, the Fourth Circuit would seem to be the most favorable forum because it requires consideration of alternative designs in applying the *Morton-Norwich* factors. However, trade dress owners also may wish to consider the Ninth Circuit. Although the Ninth Circuit has not always treated product configuration claims favorably, its 2015 *Millennium* decision requires district courts to consider alternative design evidence, and reversed a summary judgment finding of functionality. Post-*Millennium*, most district court decisions in the Ninth Circuit have found the trade dress at issue to be non-functional. See, e.g., *Moroccanoil, Inc. v. Zotos Int’l, Inc.*, No. CV 16-7004 DMG (AGRx), 2017 BL 26275 (C.D. Cal. Jan. 19, 2017); *VIP Prods., LLC v. Jack Daniel’s Prods., Inc.*, No. CV-14-2057-PHX-SMM, 2016 BL 320898 (D. Ariz. Sep. 27, 2016).

A party seeking to avoid alternative design evidence would prefer courts applying a variation of the Fifth Circuit’s two-test approach. Within those approaches, the Fifth Circuit and Sixth Circuit courts would seem to be the most favorable. Both circuits have issued clear pronouncements that severely limit the circumstances under which alternative design evidence may be considered. If neither of those jurisdictions is an option, the choice among the remaining circuits is likely to vary depending on how Third Circuit and Seventh Circuit law develops. While the Seventh Circuit seemed this year to articulate a more definitive approach than did the Third Circuit in 2016, the Seventh Circuit’s previous framework, which the court did not purport to overrule, was unfavorable for parties trying to preclude consideration of alternative design evidence. Thus, parties should monitor the district courts in those jurisdictions for potentially illuminating interpretations of these opinions.

Parties finding themselves in less-than-ideal jurisdictions should consider ways to use alternative design evidence even where the black-letter law suggests that it is irrelevant. For instance, a court applying the traditional *Inwood* test as its first step to a functionality inquiry, like the Fifth Circuit, would look for evidence that the trade dress feature affects the cost or quality of the product. Pointing out that other designs work as well or are no more costly to manufacture may be probative of this question. Indeed, in *New Colt Holding Corp. v. RJG Holdings of Florida*, the court considered whether the shape of the grip frame of a revolver was essential to its function. The court noted that it was “instructive to look to whether other [grip frame] shapes exist and whether they are similarly effective.” 312 F. Supp. 2d at 214.

Conversely, a party trying to overcome alternative design evidence in a forum that considers it relevant to functionality can minimize such evidence by framing the alternatives as other functional designs. Even the Federal Circuit view seems to recognize that some design features are clearly functional, even if there are other functionally similar replacements. *See Valu Eng'g*, 278 F.3d at 1276.

In addition, the applicable burden of proof will be important regardless of the jurisdiction. If the claimed trade dress is registered, the alleged infringer will bear the burden of demonstrating that the design is functional. *See* 15 U.S.C. § 1125(a)(3). In that case, the trade dress owner may be able to take advantage of the burden of proof to argue that the alleged infringer has failed to show that alternative designs are less effective

or cost more to manufacture. However, if the trade dress is unregistered, the burden of proving non-functionality lies with the trade dress owner. *See id.* Even in jurisdictions that require consideration of alternative designs, an alleged infringer may be able to argue that the trade dress owner cannot meet its burden simply by pointing to the existence of alternatives, but needs also to show that the alternatives are equally effective and cost the same to manufacture.

Alternative design evidence can have a substantial impact in trade dress litigation, and dealing with it effectively requires an understanding of how courts differ in their treatment of it and the nuanced ways alternative design evidence can be used.