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**Raising the Dead: How the Ninth Circuit Avoided the
Supreme Court's Guidelines Concerning Aesthetic
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Raising the Dead: How the Ninth Circuit Avoided the Supreme Court's Guidelines Concerning Aesthetic Functionality and Still Got Away with It in *Au-Tomotive Gold*

By Yevgeniy Markov*

I. INTRODUCTION

¶1 Aesthetic functionality, a doctrine that attempts to classify some “visually attractive and aesthetically pleasing designs . . . as ‘functional’ and hence free for all to copy and imitate,”¹ has faded over the course of the past three decades.² Even the Ninth Circuit, which authored the opinion that led to the blossoming of the doctrine of aesthetic functionality in *Pagliari v. Wallace China Co.*, has “limited, if not rejected” the doctrine in its subsequent decisions.³ Indeed, the legal landscape has been shaped in such a way during the preceding decade as to allow another circuit to openly flout the previously revered *Pagliari* decision by reaching a different result in nearly identical circumstances.⁴

¶2 The “fading” theory of aesthetic functionality has, however, recently gained a powerful new ally in the United States Supreme Court, which has attempted to “put some life” into the doctrine⁵ with its opinion in *TrafFix Devices, Inc. v. Marketing Displays, Inc.*⁶ However, the *TrafFix Devices* decision has come under fire from some of the leading commentators⁷ for possibly misinterpreting the earlier holding of *Qualitex Co. v. Jacobson Products Co., Inc.*⁸ At the same time, the opinion in *TrafFix Devices* never reached the issue of aesthetic functionality on the merits, but rather merely suggested its application to other related cases.⁹ Thus, it is possible that the entirety of the recent Supreme Court case law relating to the doctrine of aesthetic functionality currently rests upon an incorrect interpretation of the *Qualitex* decision supported by dicta.

¶3 Faced with such procedurally convoluted guidance from the Supreme Court, the circuits have been forced to make a difficult choice. On one hand, a circuit court may

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¹ J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 7.79 (4th ed. 2006).

² See *id.* § 7.80.

³ See *First Brands Corp. v. Fred Mayer, Inc.*, 809 F.2d 1378, 1382 (9th Cir. 1987).

⁴ See *Villeroy & Boch Keramische Werke K.G. v. THC Sys., Inc.*, 999 F.2d 619 (2d Cir. 1993).

⁵ MCCARTHY, *supra* note 1, § 7.80.

⁶ 532 U.S. 23 (2001).

⁷ MCCARTHY, *supra* note 1, § 7.80 (the statement that *Qualitex* dealt with aesthetic functionality is amazing and incomprehensible”).

⁸ *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159 (1995).

⁹ See *Au-Tomotive Gold, Inc. v. Volkswagen of Am., Inc.*, 457 F.3d 1062, 1071 (9th Cir. 2006).

decide to treat *TrafFix Devices* as good law and follow the aesthetic functionality prong suggested by its dicta.¹⁰ On the other hand, a circuit court may declare that it will use its existing case law instead of following *TrafFix Devices* until the Supreme Court decides the issue of aesthetic functionality on its merits. Such was the precise dilemma confronted by the Ninth Circuit in its recent decision of *Au-Tomotive Gold, Inc. v. Volkswagen of America, Inc.*¹¹ In the opinion, the Ninth Circuit cited and comprehensively discussed *TrafFix Devices*, ostensibly choosing to follow its treatment of aesthetic functionality.¹² However, a more thorough analysis of the *Au-Tomotive Gold* opinion reveals that it contains reasoning that is based not on the test established by the Supreme Court in *TrafFix Devices*, but rather on the Ninth Circuit's own pre-*TrafFix Devices* case law.

II. FACTS OF THE CASE

¶4 Appellees, Volkswagen of America, Inc. and Volkswagen Aktiengesellschaft (Volkswagen) as well as Audi of America, Inc. and Audi Aktiengesellschaft (Audi), are two well-known automobile manufacturers that also manufacture a plethora of parts and accessories. Appellant, Au-Tomotive Gold, Inc. (Auto Gold), produces and sells a variety of accessories that “complement specific makes of cars.”¹³ Auto Gold has sold key chains, license plates, and license plate frames bearing insignia that indisputably belong to Volkswagen and Audi, and is accused of selling these accessories bearing distinctive Volkswagen and Audi trademarks without either of the latter companies' permission.¹⁴ While the Volkswagen-and Audi-related accessories sold by Auto Gold came with disclaimers asserting that they were not products that were officially endorsed by either of the two car manufacturers, these disclaimers were both invisible once the product had been removed from its packaging and used and were also sometimes not entirely clear, with the product label stating that “the product ‘may or may not’ not be dealer approved.”¹⁵ Following an unrelated lawsuit that resulted in Auto Gold being prevented from selling goods bearing unauthorized trademarks of another car manufacturer,¹⁶ Auto Gold filed a lawsuit seeking declaratory judgment against Volkswagen and Audi based on various claims in order to prevent the two car manufacturers from seeking injunctive relief in a similar fashion, while Volkswagen and Audi themselves filed counterclaims.¹⁷ The district court entered a partial summary judgment in favor of Auto Gold, ruling that Auto Gold's unauthorized products bearing Audi and Volkswagen insignia could not be considered trademark infringements and/or trademark counterfeiting because they fell under the doctrine of aesthetic functionality.¹⁸ The district court was of the opinion that the logos used by Volkswagen and Audi “are

¹⁰ *Id.*

¹¹ *Id.* at 1068.

¹² *Id.* at 1070-72.

¹³ *Id.* at 1065.

¹⁴ *Id.*

¹⁵ *Au-Tomotive Gold, Inc. v. Volkswagen of Am., Inc.*, 457 F.3d 1062, 1071 (9th Cir. 2006).

¹⁶ *See BMW of N. Am., Inc. v. Au-Tomotive Gold, Inc.*, No. 96-384-CIV-J-20, 1996 WL 1609124, at *1 M.D.Fla. June 19, 1996).

¹⁷ *Au-Tomotive Gold*, 457 F.3d at 1065-66.

¹⁸ *Id.* at 1066.

used not because they signify that the license plate or key ring was manufactured or sold . . . by Volkswagen or Audi, but because there is a[n] aesthetic quality to the marks that purchasers are interested in having.”¹⁹ Volkswagen and Audi timely appealed to the Court of Appeals of the Ninth Circuit, asking for a reversal of this partial summary judgment.²⁰ In its resulting opinion, the Ninth Circuit found itself wrestling with the ever-changing definition of aesthetic functionality, its own wealth of case law precedent, and the uncertain guidance given to it by the Supreme Court in several of its recent decisions.

III. WHAT IS AESTHETIC FUNCTIONALITY?

¶5 The doctrine of aesthetic functionality apparently originates from a comment in the 1938 Restatement of Torts,²¹ which states that “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.”²² This definition had been used infrequently until the Ninth Circuit’s aforementioned landmark decision in *Pagliario v. Wallace China Co.*²³

¶6 *Pagliario* stated that a functional feature is “an important ingredient in the commercial success of the product,” as opposed to “a mere arbitrary embellishment . . . primarily adopted for purposes of identification and individuality and hence, unrelated to basic consumer demands.”²⁴ Under this test, the distinctive China patterns used by Wallace China were deemed aesthetically functional because the attractiveness and eye-appeal of their design constituted the primary benefit that the company’s customers sought when purchasing its china products.²⁵ This widely cited decision formed the basis of the aesthetic functionality doctrine in several circuits for nearly three decades until the Ninth Circuit itself dealt it a devastating, limiting blow in its subsequent decision of *Vuitton et Fils S.A. v. J. Young Enterprises, Inc.*²⁶

¶7 In *Vuitton*, the counterfeiter of the famous Louis Vuitton handbags argued that its use of the well-known Louis Vuitton insignia was aesthetically functional because the insignia were “related to the reasons consumers purchase [the] product.”²⁷ Under the *Pagliario* test, which involved the analysis of a product feature as “an important ingredient in the commercial success of the product,”²⁸ the unauthorized use of the well-known Louis Vuitton insignia should have been considered aesthetically functional and thus “free for all to copy and imitate.”²⁹ However, this counterintuitive decision was avoided by the Ninth Circuit in *Vuitton*, as the court specifically rejected the notion that “any feature of a product which contributes to the consumer appeal and saleability of the

¹⁹ *Id.*

²⁰ *Id.*

²¹ MCCARTHY, *supra* note 1, § 7.79.

²² RESTATEMENT OF TORTS § 742 cmt. a (1938).

²³ MCCARTHY, *supra* note 1, § 7.80.

²⁴ *Pagliario v. Wallace China Co.*, 198 F.2d 339 (9th Cir. 1952).

²⁵ *Id.* at 343-44.

²⁶ 644 F.2d 769, 773 (9th Cir. 1981).

²⁷ *Id.*

²⁸ *Pagliario*, 198 F.2d at 343-44.

²⁹ MCCARTHY, *supra* note 1, § 7.80.

product is, as a matter of law, a functional element of that product.”³⁰ Under the new analysis of aesthetic functionality promulgated by *Vuitton*, “the mere fact that the mark is the ‘benefit that the consumer wishes to purchase’ would not override protection if the mark is ‘source-identifying.’”³¹ Because the principal purpose of trademark law is to ensure that consumers are able to identify the source of a product,³² the *Vuitton* decision dealt “a limiting but not a fatal blow” to the aesthetic functionality doctrine.³³

After *Vuitton*, aesthetic functionality significantly faded in the Ninth Circuit over a period of several decades.³⁴ While the Ninth Circuit flirted with the doctrine occasionally, providing sufficient material for some to declare that “the *Pagliero* teaching is alive and well in the Ninth Circuit,”³⁵ by the end of the 1990s, a court could observe that “the aesthetic functionality test is essentially defunct in [the Ninth] circuit.”³⁶ Another Ninth Circuit decision in *Clicks Billiards, Inc. v. Sixshooters, Inc.* flatly stated that “[n]or has this circuit adopted the ‘aesthetic functionality’ theory, that is, the notion that a purely aesthetic feature can be functional.”³⁷

While a handful of courts had previously relied on *Pagliero* to deny protection to a large variety of product types,³⁸ even they gradually came to reject the aesthetic functionality doctrine as it had been established via *Pagliero* by the late 1980s and early 1990s.³⁹ The Second Circuit, for example, had vacillated with regards to the doctrine of aesthetic functionality for a number of years,⁴⁰ relying on *Pagliero* to establish that a design of a sofa was functional in one case,⁴¹ and limiting functionality solely to utilitarian features in another.⁴² The latest development in the aesthetic functionality doctrine as it applies in the Second Circuit has been to adopt a standard of functionality different from that in *Pagliero* by limiting the doctrine to purely ornamental features,⁴³ a view similar to that held by the Third Restatement of Unfair Competition.⁴⁴ As if reaffirming its new anti-*Pagliero* stance, the Second Circuit decided a different case bearing a remarkable factual similarity to *Pagliero* by finding the design of China patterns to not be functional.⁴⁵ Thus, the aesthetic functionality doctrine survives in the

³⁰ 644 F.2d at 773.

³¹ *Id.* at 774.

³² See *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 164 (1995).

³³ *Au-Tomotive Gold, Inc. v. Volkswagen of Am., Inc.*, 457 F.3d 1062, 1069 (9th Cir. 2006).

³⁴ See MCCARTHY, *supra* note 1, § 7.80.

³⁵ Ralph S. Brown, *Design Protection: An Overview*, 34 UCLA L. REV. 1341, 1368 (1987).

³⁶ MCCARTHY, *supra* note 1 (quoting *Gucci Timepieces Am., Inc. v. Yidah Watch Co.*, 47 U.S.P.Q.2d (BNA) 1938 (C.D. Cal. 1998)).

³⁷ *Clicks Billiards, Inc. v. Sixshooters, Inc.*, 251 F.3d 1252, 1260 (9th Cir. 2001).

³⁸ See MCCARTHY, *supra* note 1, § 7.80.

³⁹ See, e.g., *PAF S.r.l. v. Lisa Lighting Co.*, 712 F.Supp. 394, 401 (S.D.N.Y. 1989) (“Aesthetic functionality has

been rejected in this circuit as a standard for determining functionality in trademark infringement actions.”).

⁴⁰ See MCCARTHY, *supra* note 1, at § 7.80.

⁴¹ See *Industria Arredamenti Fratelli Saporiti v. Charles Craig, Ltd.*, 725 F.2d 18, 20 (2d Cir. 1984) (citing *Pagliero v. Wallace China Co.*, 198 F.2d 339 (9th Cir. 1952) to establish that “design on hotel china . . . [is] aesthetically appealing . . . [and] an important ingredient in the saleability of the goods”).

⁴² See *Warner Bros., Inc. v. Gay Toys, Inc.*, 724 F.2d 327, 331 (2d Cir. 1983).

⁴³ *Wallace Int’l Silversmiths, Inc. v. Godinger Silver Art Co.*, 916 F.2d 76, 80 (2d Cir. 1990).

⁴⁴ See RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 17 cmt. c (1995).

⁴⁵ See *Villeroy & Boch Keramische Werke K.G. v. THC Sys., Inc.*, 999 F.2d 619 (2d Cir. 1993).

Second Circuit, albeit in a very different manner from the Ninth Circuit's original treatment of the doctrine in *Pagliero*.

¶10 Surprisingly, the confusion in the circuits concerning the doctrine of aesthetic functionality did not result in the Supreme Court “directly address[ing] aesthetic functionality as a dispositive issue in a case” until at least 1995,⁴⁶ the year of its *Qualitex* decision (of course, if one is to take the view held by some prominent commentators that *Qualitex* never dealt with aesthetic functionality to begin with,⁴⁷ then the Supreme Court cannot be said to have addressed the doctrine of aesthetic functionality dispositively to this day). No doubt exists, however, that the Supreme Court has tried to put some life into aesthetic functionality in recent years, its strongest attempt occurring in its previously mentioned opinion in *TrafFix Devices*.⁴⁸

¶11 The question in *TrafFix Devices* was whether the dual-spring design of a road sign could be considered “functional.”⁴⁹ In determining whether such a feature could have been considered functional, the Supreme Court established a two-part test. Under the first prong of the test, “utilitarian functionality,”⁵⁰ which was first established by the Supreme Court in its earlier opinion *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*⁵¹ where the Court wrote a feature is functional if “it is essential to the use or purpose of the article or if it affects the cost or quality of the article.”⁵² This is the prong of the test that is to be reached by a court first, as, indeed, was the case in *TrafFix Devices*.⁵³ According to the Supreme Court, if and only if the utilitarian functionality of an article failed to be established under that first utilitarian functionality prong, it would then be proper for a court to utilize the aesthetic functionality prong of the test by asking,⁵⁴ in the language of *Qualitex*, whether the “exclusive use of the feature would put competitors at a significant non-reputation-related disadvantage.”⁵⁵

¶12 In establishing the second, aesthetic-functionality-based prong of its two-part test, the Supreme Court did not merely imply that *Qualitex* dealt with the doctrine of aesthetic functionality. On the contrary, Justice Kennedy, writing for a unanimous Court in *TrafFix Devices*, went as far as stating that aesthetic functionality was the central question in *Qualitex*, since “there [had been] no indication [in *Qualitex*] 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.”⁵⁶ It is this view that aesthetic functionality had been the central question in *Qualitex* that has come under fire from at least one prominent source.⁵⁷

⁴⁶ MCCARTHY, *supra* note 1.

⁴⁷ See MCCARTHY (the statement that *Qualitex* dealt with aesthetic functionality is “amazing and incomprehensible”).

⁴⁸ *Id.*

⁴⁹ *TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 26 (2001).

⁵⁰ *Au-Tomotive Gold, Inc. v. Volkswagen of Am., Inc.*, 457 F.3d 1062, 1071 (9th Cir. 2006).

⁵¹ *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844 (1982).

⁵² *TrafFix Devices*, 532 U.S. at 32 (quoting *Qualitex Co. v. Jacobson Prods. Co., Inc.*, 514 U.S. 159, 165 (1995)).

⁵³ *Id.* at 33.

⁵⁴ *Id.*

⁵⁵ *Qualitex*, 514 U.S. at 165.

⁵⁶ *TrafFix Devices*, 532 U.S. at 33.

⁵⁷ See, e.g., MCCARTHY, *supra* note 1, § 7.80 (the statement that *Qualitex* dealt with aesthetic functionality is “amazing and incomprehensible”).

¶13 After establishing its two-pronged test in *TrafFix Devices*, the Supreme Court went on to apply it to the facts of the case. Since the dual-spring design “provide[d] a unique and useful mechanism to resist the force of the wind,”⁵⁸ the Court held it to be functional under the first, utilitarian-functionality-related prong of the test established by *Inwood Laboratories*. The issue as to whether the design fell under the second prong dealing with the issue of aesthetic functionality was thus never reached by the Supreme Court in the *TrafFix Devices* decision, prompting the Ninth Circuit in *Au-Tomotive Gold* to softly call it a suggestion when referring to the aesthetic functionality prong of *TrafFix Devices*.⁵⁹ Because the Supreme Court did not dispositively decide the issue of aesthetic functionality and its application in *TrafFix Devices*, both the Court’s treatment of the doctrine of aesthetic functionality as one of the two prongs of its two-part functionality test and the Court’s bold statement that aesthetic functionality had been the central question in *Qualitex* are merely dicta.

¶14 While the treatment of aesthetic functionality in *TrafFix Devices* clearly constitutes a dictum, it is not at all clear that the issue had not, in fact, been decided dispositively earlier in *Qualitex*. If the opinion of Justice Kennedy is, regardless of its status as a dictum, correct in concluding that the doctrine of aesthetic functionality was the central question in *Qualitex*,⁶⁰ then the Supreme Court has dispositively decided the issue of aesthetic functionality on its merits. Indeed, the Supreme Court has not shied away from dropping hints elsewhere that it considers *Qualitex* to have dispositively decided the future of the aesthetic functionality doctrine. Justice Scalia, for instance, lends credence to this view in the Supreme Court’s decision of *Wal-Mart Stores, Inc. v. Samara Brothers, Inc.* by specifically citing the Supreme Court’s decision in *Qualitex* as authority for his statement that “establish[ing] the nonfunctionality of the design feature . . . may involve consideration of its esthetic appeal.”⁶¹

¶15 Not all commentators agree, however, that *Qualitex* was a decision that dealt with aesthetic functionality. For instance, J. Thomas McCarthy, in *McCarthy on Trademarks and Unfair Competition*, calls the Supreme Court’s statement that the central question in *Qualitex* was concerned with the doctrine of aesthetic functionality amazing and incomprehensible, since the doctrine of aesthetic functionality had been mentioned in that case only in three instances, two of which had been “quotations made in passing from the Restatement.”⁶² Mr. McCarthy is not alone in his critique of the Supreme Court’s language in *TrafFix Devices*; indeed, Jerome Gilson, in *Trademark Protection and Practice*, flatly states that the Supreme Court in *TrafFix* “was incorrect . . . to declare that aesthetic functionality was the ‘central question’ in the *Qualitex* case. The central question in *Qualitex* was whether color alone could serve as a valid trademark.”⁶³ Thus, the question of whether *Qualitex* has dispositively decided the fate of the doctrine of aesthetic functionality is not at all unambiguously clear, and it is perhaps with this in mind that the Ninth Circuit decided to at least project a resemblance of following the aesthetic-functionality-related prong of the test established in *TrafFix Devices*.

⁵⁸ *TrafFix Devices*, 532 U.S. at 33.

⁵⁹ *Au-Tomotive Gold, Inc. v. Volkswagen of Am., Inc.*, 457 F.3d 1062, 1071 (9th Cir. 2006).

⁶⁰ *TrafFix Devices*, 532 U.S. at 33.

⁶¹ *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205, 214 (2000).

⁶² MCCARTHY, *supra* note 1, § 7.80.

⁶³ JEROME GILSON, *GILSON ON TRADEMARK PROTECTION AND PRACTICE* § 2A.04(5)(b) (2006).

¶16

In summary, the state of the current Supreme Court precedent relating to aesthetic functionality serves to befuddle both the reader of the Supreme Court's opinions, and, naturally, the circuits. It is difficult to understand where the law stands in-between what may or may not be the dispositive treatment of the issue in *Qualitex*, the dicta and the two-pronged test from *TrafFix Devices*, the vehement denial by several experts that *Qualitex* concerns aesthetic functionality, and Justice Scalia's cryptic remarks concerning esthetic appeal made in *Wal-Mart Stores*.⁶⁴ It is clear from the unanimous opinion written by Justice Kennedy in *TrafFix Devices* that the Court views aesthetic functionality as having been dispositively decided by *Qualitex*, and as being an important component of the functionality doctrine alongside the utilitarian functionality prong as it had been established by *Inwood Laboratories*. If the current Supreme Court never again attempts to reach aesthetic functionality in a dispositive case, however, the door may be theoretically open for another Court in future years to demolish the weak Supreme Court aesthetic functionality precedent by echoing the reasoning used by Gilson and McCarthy in order to dismiss *Qualitex* while simultaneously refusing to follow both the text of the *TrafFix Devices* opinion and language from *Wal-Mart Stores* as dicta. Thus, at least in theory, the highest law concerning aesthetic functionality has not yet been effectively settled. On the other hand, it is also very useful to note that there is nothing that prevents the Supreme Court from burying the issue concerning the doctrine of aesthetic functionality once and for all by granting certiorari to a case like the Ninth Circuit's *Au-Tomotive Gold* opinion, to whose treatment of aesthetic functionality we presently turn.

IV. AESTEHTIC FUNCTIONALITY IN *AU-TOMOTIVE GOLD*

¶17

Perhaps due to the uncertainty within the Supreme Court's case law concerning aesthetic functionality, or perhaps for a different reason entirely, the Ninth Circuit decided to at the very least appear to be following the two-pronged test outlined in *TrafFix Devices*.⁶⁵ Indeed, the *Au-Tomotive Gold* opinion takes great pains to "quote extensively from the passages [of *TrafFix Devices*] that set out the appropriate inquiry for functionality,"⁶⁶ perhaps so that its understanding of the Supreme Court's opinion in *TrafFix Devices* may be readily apparent. Having concluded that the two-pronged test should apply to its analysis, the Ninth Circuit then proceeds to mention the *Inwood Laboratories* utilitarian functionality prong of the test as it may be applied to *Au-Tomotive Gold*. Noting that Auto Gold did not attempt to argue that its use of Volkswagen and Audi logos could fall under the utilitarian functionality prong of the test established by *Inwood Laboratories*, the Ninth Circuit nonetheless found it necessary to dismiss such reasoning by stating that "Auto Gold's products would still frame license plates and hold keys just as well without the [Volkswagen and Audi] marks."⁶⁷ While the opinion did not directly state that this language concerned utilitarian functionality under *Inwood Laboratories*, its probable function in the *Au-Tomotive Gold* opinion is to rebut a possible argument that the Audi and Volkswagen trademarks were "essential to the use or

⁶⁴ MCCARTHY, *supra* note 1.

⁶⁵ *Au-Tomotive Gold, Inc. v. Volkswagen of Am., Inc.*, 457 F.3d 1062, 1072-73 ("[A]fter *Qualitex* and *TrafFix*, the test for functionality proceeds in two steps.')

⁶⁶ *Id.* at 1071.

⁶⁷ *Id.* at 1072-73.

purpose of the article.”⁶⁸ It is entirely possible that the Ninth Circuit did not wish to specifically link to the use or purpose language from *Inwood Laboratories* in order to avoid a possible argument by Auto Gold that the quality of the Audi and Volkswagen brand names was the purpose for which the consumers purchased Auto Gold’s products. In any event, while the Ninth Circuit’s treatment of the use or purpose language is somewhat muddied, the question of whether Auto Gold’s products could function just as well without Volkswagen’s and Audi’s marks seems to be aimed at their “use.” As such, even though the Ninth Circuit may have found itself to be taking liberties in its application of the *Inwood Laboratories* prong of the *TrafFix Devices* test, there is little doubt that its opinion set out to at least correctly follow the test’s parameters.

¶18 The same can be said of the Ninth Circuit’s statement that “[u]se of the marks does not alter the cost structure or add to the quality of the products.”⁶⁹ This language correctly echoes the “affects the cost or quality of the article” language in *TrafFix Devices*.⁷⁰ Thus, while the Ninth Circuit’s overall treatment of the use or purpose language from *Inwood Laboratories* is questionable, it does appear to ask the correct questions in order to satisfy the utilitarian functionality prong in its analysis.

¶19 After establishing that Auto Gold’s usage of Volkswagen’s and Audi’s trademarks does not fall under the utilitarian functionality prong of the two-part test from *TrafFix Devices*, the Ninth Circuit reached the aesthetic functionality prong of the test. Prior to its doing so, the Ninth Circuit once again took great pains upon itself to remind the reader that it was following the test formulated in *TrafFix Devices* by stating that “[w]e next ask whether Volkswagen and Audi’s marks . . . perform some function such that the ‘exclusive use of [the marks] would put competitors at a significant non-reputation-related disadvantage.’”⁷¹ Despite this commendable (and technically correct) start, however, the Ninth Circuit never came back to the Supreme Court’s language in either *TrafFix Devices* or *Qualitex* that required the resolution of the question as to whether Auto Gold’s trademarks put competitors at a “significant non-reputation-related disadvantage” again.⁷² Instead, the Ninth Circuit went on to state that “[it] ha[s] squarely 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.’”⁷³ This language originates from (and, indeed, is directly cited from) the Ninth Circuit’s own pre-*Qualitex* and pre-*TrafFix Devices* *Pagliari*-killing precedent established in *Vuitton*. Moreover, such a statement is also clearly and unambiguously incompatible with *Qualitex* or *TrafFix Devices* in any way, as it does not ask, as it should have done, whether any competitors were put at a significant non-reputation-related disadvantage as a result of Automotive Gold’s activities. To support its reasoning, the Ninth Circuit generously cited decisions from its sister circuits, but neglected to inform the reader that the oldest of these opinions comes from 1998, three full years before the Supreme Court’s decision in *TrafFix Devices* first hinted that the opinion in *Qualitex* may

⁶⁸ *TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 26 (2001).

⁶⁹ *Au-Tomotive Gold*, 457 F.3d at 1073.

⁷⁰ *TrafFix Devices*, 532 U.S. at 35.

⁷¹ *Au-Tomotive Gold*, 457 F.3d at 1073 (quoting *TrafFix Devices*, 532 U.S. at 32).

⁷² *Qualitex Co. v. Jacobson Prods. Co., Inc.*, 514 U.S. 159, 165 (1995).

⁷³ *Vuitton et Fils S.A. v. J. Young Enters., Inc.*, 644 F.2d 769, 773 (9th Cir. 1981), quoted in *Au-Tomotive Gold*, 457 F.3d at 1073.

have presented the doctrine of aesthetic functionality as its central question.⁷⁴ Thus, the numerous decisions adopted by the Ninth Circuit's sister circuits cannot have possibly been relevant to the Ninth Circuit's *Au-Tomotive Gold* opinion, as they had all been decided when the *TraFFix Devices* test relating to the doctrine of aesthetic functionality did not even exist.

¶20 After inexplicably citing language from its own precedent of *Vuitton* in order for its *Au-Tomotive Gold* opinion to satisfy the requirements of *TraFFix Devices*' aesthetic functionality prong, the Ninth Circuit explained that its caselaw has limited the doctrine of aesthetic functionality to "product features that serve an aesthetic purpose wholly independent of any source-identifying function."⁷⁵ This reference, however, does little to meet the requirements of either *Qualitex* or *TraFFix Devices* for several independent reasons. First, the Ninth Circuit's case law has "limited, if not rejected"⁷⁶ the theory of aesthetic functionality, which certainly puts the circuit's case law at odds with the Supreme Court's intent of reviving the doctrine, as evident in *Qualitex*, *TraFFix Devices*, and *Wal-Mart Stores*. Second, this language still does not ask whether any competitors were put at a "significant non-reputation-related disadvantage,"⁷⁷ a prong of the test that was clearly and unambiguously noted as a requirement by the Supreme Court in such cases via its opinion in *TraFFix Devices*. Finally, as if to inculcate the reader's mind with the notion that it considers the *Qualitex* decision to be binding precedent concerning the doctrine of aesthetic functionality that it now believes to be following, the Ninth Circuit cited *Qualitex* as being one of the cases where a "product feature[] that serve[d] an aesthetic purpose wholly independent of any source identifying function" fell under the umbrella of the aesthetic functionality doctrine.⁷⁸ However, no citation to *Qualitex* can fix the fact that the Ninth Circuit did not follow either its language or the language required under the aesthetic functionality test in *TraFFix Devices*.

¶21 Next, the Ninth Circuit presents us with the most devious portion of its opinion. The claim advanced in its next argument is that "[a]ny disadvantage Auto Gold claims in not being able to sell Volkswagen or Audi marked goods is tied to the reputation and association with Volkswagen and Audi."⁷⁹ At first glance, this language appears to address the impact of exclusive use by Volkswagen and Audi of their trademarks on their competitor, Auto Gold, in ruling that it is solely based on reputation, and thus to satisfy the requirements of the aesthetic functionality prong of the two-part test established by *TraFFix Devices*. However, the Ninth Circuit reached this conclusion by noting that the "alleged aesthetic function is indistinguishable from and tied to the mark's source-identifying nature."⁸⁰ This conclusion is echoed by the Ninth Circuit's previous statement that "aesthetic functionality . . . has been limited to product features that serve an aesthetic purpose wholly independent of any source-identifying function."⁸¹ Thus, according to the Ninth Circuit, Auto Gold's use of the trademarks is not protected (and is

⁷⁴ *Au-Tomotive Gold, Inc. v. Volkswagen of Am., Inc.*, 457 F.3d 1062, 1071 (9th Cir. 2006).

⁷⁵ *Id.* at 1073.

⁷⁶ *First Brands Corp. v. Fred Mayer, Inc.*, 809 F.2d 1378, 1382 (9th Cir. 1987).

⁷⁷ *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159 (1995).

⁷⁸ *Au-Tomotive Gold*, 457 F.3d at 1073.

⁷⁹ *Id.* at 1074.

⁸⁰ *Id.*

⁸¹ *Id.* at 1073.

not put at a “significant non-reputation-related disadvantage”⁸² because it is solely tied to the trademarks’ source-identifying nature. This, however, is but a restatement of the Ninth Circuit’s old *Vuitton* test (“the mere fact that the mark is the ‘benefit that the consumer wishes to purchase’ will not override protection if the mark is source-identifying”),⁸³ albeit colored with the Supreme Court’s language from *TrafFix Devices*. Therefore, the Ninth Circuit’s use of the language that fits the test established within *TrafFix Devices* and *Qualitex* is deceptive, as it is filled with the language used in its own precedent established earlier within the *Vuitton* case. Instead of abandoning its own precedent to heed the *TrafFix Devices* test, the Ninth Circuit thus followed the latter on its surface only, while not as much as attempting to change its own treatment of aesthetic functionality in any way whatsoever.

¶22 Finally, instead of noting that its decision, as it reflected upon the Supreme Court’s reasoning in *TrafFix Devices*, placed another brick upon the evolutionary path of the aesthetic functionality doctrine, the Ninth Circuit made a point to note that its decision instead returned the doctrine “from whence it came” in the 1938 Restatement of Torts.⁸⁴ This would have been a surprising statement for the Ninth Circuit to make had it in fact followed the precedent established by *TrafFix Devices*, as the 1938 Restatement of Torts language does not inquire as to whether exclusive use of a feature places competitors at a significant non-reputation-related disadvantage.⁸⁵ The 1938 Restatement of Torts does, on the other hand, state that if a feature solely “associates goods with a particular source . . . [then] it is non-functional,”⁸⁶ which echoes *Vuitton*’s refusal to override protection for trademarks that are source-identifying — hardly the language that can be said to be consistent with the Supreme Court’s precedent that the Ninth Circuit claimed to be following throughout its opinion.

V. CONSEQUENCES OF THE NINTH CIRCUIT APPROACH

¶23 The Ninth Circuit has chosen neither of the two obvious paths in reaching its conclusion in *Au-Tomotive Gold*. Neither has it wholeheartedly accepted the approach advocated by *Qualitex* and *TrafFix Devices*, nor has it openly rejected it by relying on the dictum status of *TrafFix Devices* and the uncertainty of the applicability of the aesthetic functionality doctrine to *Qualitex*. Instead, the Ninth Circuit has purported to follow the two-pronged test established under *TrafFix Devices*, but in reality refused to follow the requirements of that test, choosing instead to continue with its own precedent established by *Vuitton*.

¶24 It is possible that the Ninth Circuit’s opinion in *Au-Tomotive Gold* was motivated on one hand by the circuit’s reluctance to make changes to its long-standing precedent, and on the other hand by its unwillingness to directly flaunt a recent Supreme Court decision. This latter explanation of the Ninth Circuit’s reasoning certainly makes quite a

⁸² *Id.*

⁸³ *Vuitton et Fils S.A. v. J. Young Enters., Inc.*, 644 F.2d 769, 773 (9th Cir. 1981), *quoted in Au-Tomotive Gold*, 457 F.3d at 1069.

⁸⁴ *Au-Tomotive Gold, Inc. v. Volkswagen of Am., Inc.*, 457 F.3d 1062, 1071 (9th Cir. 2006).

⁸⁵ See RESTATEMENT OF TORTS § 742 cmt. a (1938).

⁸⁶ *Id.*

bit of sense, especially considering the convoluted state of the Supreme Court’s case law concerning the doctrine of aesthetic functionality.

¶25 Another possibility, however, is that the *Au-Tomotive Gold* opinion owes its existence to strategic considerations. The alternative path that the Ninth Circuit could have followed would be to not follow *TrafFix Devices* explicitly, thereby surely sending a signal to the Supreme Court that the latter does not necessarily constitute a solid precedent. This rebellious approach may very well have alerted the Supreme Court as to the possible inadequacies in its aesthetic–functionality–related case law and quite possibly could have resulted in the Supreme Court accepting certiorari for a case like *Au-Tomotive Gold* that it could then decide on the merits of aesthetic functionality. The entirety of the procedural debate around *Qualitex* and *TrafFix Devices* would then have been settled.

¶26 For all the obvious benefits of the Supreme Court finally developing unambiguous case law concerning the doctrine of aesthetic functionality, however, it is highly unlikely that such a decision would be rendered in such a way as to be consistent with the Ninth Circuit’s post-*Vuitton* view of aesthetic functionality. The Court’s unanimous opinion in *TrafFix Devices* that aesthetic functionality is not a “limited” doctrine,⁸⁷ but rather an important part of its two-step functionality test serves to indicate the rigidity of the current Court’s opinion concerning aesthetic functionality that is not likely to change in the foreseeable future. Justice Scalia’s previously mentioned comments from *Wal-Mart Stores* only serve to put more credence in this notion. It is thus extremely unlikely, if not downright impossible, that the Ninth Circuit could have received the result that it wanted by following the approach of rejecting the *TrafFix Devices* and *Qualitex* decisions.

¶27 While the doctrine of aesthetic functionality remains in its current somewhat unresolved state, however, the Ninth Circuit finds itself in a relatively comfortable position. As it is plainly evident from its opinion in *Au-Tomotive Gold*, the Ninth Circuit is currently free to use its pre-*TrafFix Devices* case law, albeit while being forced to sprinkle and season it with *TrafFix Devices* language in order to make it look like an opinion that properly utilizes the Supreme Court’s guidance concerning the doctrine of aesthetic functionality, while at the same time keeping the aforementioned doctrine “limited, if not rejected” within its jurisdictional borders.⁸⁸ At the same time, by not directly provoking the current Supreme Court into action, the Ninth Circuit has gained the benefit of being able to avoid the issue’s settlement until a later time, when a different make-up of the Supreme Court may perhaps be more sympathetic towards the Ninth Circuit’s interpretation of the aesthetic functionality doctrine as it currently stands. While it is highly unlikely that a make-up of the Supreme Court that would favor the Ninth Circuit’s interpretation of the doctrine of aesthetic functionality could manifest itself at any point in the foreseeable future, especially given the unanimity of the current Court’s *TrafFix Devices* opinion, it is possible that eventually the attitudes towards the *Qualitex* decision expressed by Messrs. McCarthy and Gilson will come to prevail, and the Ninth Circuit will then have its day.

¶28 Interestingly, the Ninth Circuit is by no means the only jurisdiction that has chosen the approach of following its own case law despite the contrary guidelines established by

⁸⁷ *First Brands Corp. v. Fred Mayer, Inc.*, 809 F.2d 1378, 1382 (9th Cir. 1987).

⁸⁸ *Id.* at 1382.

TrafFix Devices while at the same time striving to appear to recognize the latter as good law. In *Valu Engineering, Inc. v. Rexnord Corp.*, the Federal Circuit discussed the guidelines established by *TrafFix Devices* and *Qualitex* at length.⁸⁹ However, it ruled that the *TrafFix Devices* test did not change its own well-established precedent that, among other things, considered the availability of other alternatives to establish functionality.⁹⁰ Instead, the Federal Circuit reasoned that the *TrafFix Devices* test establishes solely that once a product feature has been found to be functional based on other considerations, such as its ability to affect the cost or quality of a device, there is no longer a need for a court to “consider the availability of alternative designs.”⁹¹ This part of the Federal Circuit’s opinion concerns the utilitarian functionality factors established by *Inwood Laboratories* and is therefore not surprising since it echoes the Supreme Court’s own reasoning in *TrafFix Devices*. The Federal Circuit, however, proceeded to conclude that the Supreme Court’s analysis under *TrafFix Devices* did not establish that “the availability of alternative designs cannot be a legitimate source of evidence to determine whether a feature is functional in the first place.”⁹² If the Federal Circuit truly accepted the Supreme Court’s ruling and analysis under *TrafFix Devices*, as it fervently claims that it did, then this analysis is obviously erroneous, since it entirely fails to establish, or even mention, whether “exclusive use of the feature would put competitors at a significant non-reputation-related disadvantage.”⁹³ It is also significant that, in order to strengthen its own interpretation of *TrafFix Devices*, the Federal Circuit cited at length to none other than Mr. J. Thomas McCarthy’s scathing attack on the Supreme Court’s interpretation of *Qualitex* in order to establish that the language in *TrafFix Devices* “does not render the Board’s use of the *Morton-Norwich* factors erroneous.”⁹⁴ It follows, therefore, that in *Valu Engineering* the Federal Circuit chose to tread the same path as the one already taken by the Ninth Circuit: accept *TrafFix Devices* and *Qualitex* as good law and binding Supreme Court precedent, discuss the two cases at length within its own case law, but ultimately follow its jurisdiction’s own precedent when deciding cases dealing with the thorny issue of aesthetic functionality.

¶29

If it is in fact true that the Ninth Circuit and the Federal Circuit followed their own path in interpreting *Qualitex* and *TrafFix Devices* while also pursuing their own strategic considerations, then it will only be possible for them to succeed if their actions are inconspicuous enough to not alert the attention of the Supreme Court. Whether these tactics turn out to be successful remains to be seen, but the *Au-Tomotive Gold* decision has certainly not helped the raging debate concerning aesthetic functionality, and it is useful to the members of the legal profession to note that this decision has by no means settled the issue, in the Ninth Circuit or otherwise.

⁸⁹ See *Valu Eng’g, Inc. v. Rexnord Corp.*, 278 F.3d 1268, 1275-76 (Fed. Cir. 2002).

⁹⁰ For more on “other alternatives,” see *In re Morton-Norwich Prod., Inc.*, 671 F.2d 1332, 1341 (C.C.P.A. 1982).

⁹¹ *Valu Eng’g*, 278 F.3d at 1276.

⁹² *Id.*

⁹³ *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159 (1995).

⁹⁴ *Valu Eng’g*, 278 F.3d at 1276.

VI. THE CORRECT APPROACH TO AESTHETIC FUNCTIONALITY

¶30 It is the humble opinion of this author that the evolution of the doctrine of aesthetic functionality has been a positive development in trademark law. The now antiquated treatment of the doctrine under *Pagliari* did not fully serve the objectives of trademark law, since, when interpreted strictly, it could have potentially forced courts to reach obviously incorrect decisions under certain scenarios. One excellent example of just such a scenario is the previously discussed *Vuitton* case — if a court were to apply the Ninth Circuit’s precedent that was established within *Pagliari* and that required a functional feature to be “an important ingredient in the commercial success of the product” to the fact pattern in *Vuitton*,⁹⁵ there is very little doubt that the case would have been decided in favor of the counterfeiter of the Louis Vuitton handbags — hardly an intuitively correct result from any standpoint, and definitely not a decision that any manufacturer of “name-brand” products would have been comfortable with. It is indeed true that, when taken to its logical extreme, the *Pagliari* treatment of the doctrine of aesthetic functionality could have served to deny trademark protection to just about any “quality” mark, including the Volkswagen and Audi insignia that constituted a central factual issue in *Au-Tomotive Gold*.

¶31 On the other side of *Pagliari*, however, are cases like *Kellogg Co. v. National Biscuit Co.*, the facts of which were concerned with a manufacturer of shredded wheat biscuits who purportedly attempted to monopolize their “pillow” design.⁹⁶ There seems to be no reasonable justification that should allow trademark law to restrict the design of the “pillow” biscuit to only one manufacturer; indeed, a legal system allowing such a counterintuitive outcome would be structured in such a way as to poorly serve either of the goals of trademark law as they are described in *Qualitex*: neither would it encourage the production of quality products, nor would it discourage counterfeiters from making fake copies of such products.

¶32 The facts of the *Qualitex* decision itself provide us with an important question to which trademark law has to somehow find an appropriate answer. In *Qualitex*, the factual question at issue concerned the possible functionality of the special “green gold” colors with which the Qualitex Company had colored its cleaning press pads.⁹⁷ While the Supreme Court found the color combination to not be functional, one must struggle in order to declare color patterns to unambiguously and conclusively fall within the reach of the “utilitarian functionality” doctrine. Indeed, under the language of the test established by *Inwood Laboratories*, a manufacturer’s usage of one color pattern as opposed to another can hardly be said to be “essential to the use or purpose of the article or . . . [to] affect[] the cost or quality of the article.”⁹⁸ At the same time, however, a distinctive color pattern may very well be “source-identifying” (as it probably was in *Qualitex*), and thus afforded protection under the Ninth Circuit’s test established in *Vuitton*.⁹⁹ Ruling, however, that certain color patterns should be protected under the trademark laws is once again counterintuitive, for reasons dealing with both common sense and overall market

⁹⁵ *Pagliari v. Wallace China Co.*, 198 F.2d 339 (9th Cir. 1952).

⁹⁶ *Kellogg Co. v. Nat’l Biscuit Co.*, 305 U.S. 111, 119-120 (1938).

⁹⁷ *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159 (1995).

⁹⁸ *Id.* at 165, *quoted in* *TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 26 (2001).

⁹⁹ *Vuitton et Fils S.A. v. J. Young Enters., Inc.*, 644 F.2d 769, 773 (9th Cir. 1981), *quoted in* *Au-Tomotive Gold, Inc. v. Volkswagen of Am., Inc.*, 457 F.3d 1062, 1071 (9th Cir. 2006).

efficiency (would anyone really want only a single tailor to make a specific suit color?) and because doing so would rob the consumers of important choices, while causing great pains both for foreign manufacturers attempting to import their products into the United States and for domestic manufacturers attempting to export their products to other nations. Moreover, such a ruling would impose prohibitive administrative costs upon courts and juries, which would subsequently be forced to decide cases turning upon the factual issue of whether a dark-dark red color pattern can be said to be closer to the dark-dark-dark red pattern that had been protected under the trademark law or to the normal red color which had not been so protected.

¶33

The Supreme Court's analysis in *TrafFix Devices* effectively solves the dilemma surrounding the doctrine of aesthetic functionality by correctly placing the emphasis upon the crux of the issue: if a design feature is such that it would put the company's competitors at a "significant non-reputation-related disadvantage",¹⁰⁰ then it is automatically considered to fall under the aesthetic functionality doctrine and will therefore not be protected by the copyright laws. Under this legal regime, no single manufacturer has the ability to usurp a color or a shape that, while not being functional in the utilitarian sense, could still provide consumers with a meaningful choice or to put competitors at a disadvantage by requiring them to make dark-dark-dark red products instead of simply dark-red ones and shaping their pillows as hexagons instead of manufacturing them in the familiar rectangular shape. With the approach taken by the Supreme Court in *TrafFix Devices* and *Qualitex*, the line between functionality and trademark protection seems to finally have been drawn at the right place, even if, perhaps, the procedural aspects of these two decisions remain somewhat muddy to this day, as the Ninth Circuit's *Au-Tomotive Gold* opinion readily attests. As such, the Ninth Circuit's opinion in *Au-Tomotive Gold* can only be criticized, not only for using questionable methodology in order to shirk the possibly binding analysis used by the Supreme Court in its previous case law, but also for continuing to follow its own misguided precedent at the expense of reaching both the most efficient and overall the best possible result.

¹⁰⁰ *Qualitex*, 514 U.S. at 165.