

## **Boop-Oop-A-Doop: Ninth Circuit Withdraws Holding That Characters Do Not Function as Trademarks**

Aug 29, 2011

In an unexpected decision, the U.S. Court of Appeals for the Ninth Circuit issued an amended opinion in the closely watched case *Fleischer Studios, Inc. v. A.V.E.L.A., Inc.*, No. 09-56317 (9th Cir. Aug. 19, 2011) involving trademark and copyright infringement of the cartoon character Betty Boop. This new opinion supersedes the original February 23, 2011 opinion that had been widely critiqued for its holding that the image of Betty Boop, as used by the defendants on t-shirts and handbags, was "aesthetically functional" and therefore not protectable as a trademark. Fleischer Studios filed a petition for rehearing or rehearing en banc of that opinion in April. The Ninth Circuit's amended opinion denies the petition as moot, and without any mention of aesthetic functionality, remands the trademark infringement claims to the district court.

Fleischer Studios, run by the family of Max Fleischer, the creator of the Betty Boop character, sued A.V.E.L.A. and others for copyright and trademark infringement for unauthorized use of the Betty Boop image on handbags and t-shirts. The district court granted summary judgment for the defendants on both claims.

In its new opinion, as in its February opinion, the Ninth Circuit affirmed the district court's dismissal of the copyright infringement claim on the ground that Fleischer Studios had failed to establish a proper chain of title in the alleged copyright.

The panel, however, took a radically different approach to the trademark infringement claim. In the prior opinion, the Ninth Circuit held *sua sponte* that the depiction of Betty Boop on the defendants' goods was aesthetically functional and not a trademark. The panel's application of the aesthetic functionality doctrine was widely criticized—leading to numerous amicus briefs in support of Fleischer Studio's subsequent petition for rehearing—including briefs by the Motion Picture Association of America, all of the major professional sports organizations, The Collegiate Licensing Company and the International Trademark Association.

In its amended August opinion, the panel eliminated all reference to the Betty Boop image as a "functional aesthetic component of the product." Instead, the panel directly addressed the district court's opinion: whether Fleischer Studios had valid trademark rights and issues involving the "fractured ownership" of the Betty Boop intellectual property rights and whether the marks could acquire "secondary meaning" (i.e., an association of a trademark with a single producer).

With respect to Fleischer Studio's trademark rights in the image of Betty Boop, the district court found that Fleischer Studios had not submitted evidence of its federal registrations in a timely manner, and therefore, had lost the presumption of validity conferred by registration. To prove its rights, Fleischer Studios had to show that the image had attained secondary meaning. The Ninth Circuit found the submitted evidence, a declaration of Fleischer Studio's CEO, unpersuasive and uncorroborated.



Turning to the Betty Boop word mark, the Ninth Circuit reviewed the district court's holding that the "fractured ownership" history of intellectual property rights in works featuring Betty Boop precluded Fleischer Studios from demonstrating secondary meaning, such that the mark was not associated with a single producer. Despite the fact that Fleischer Studios provided proof of federal trademark registrations for the Betty Boop word mark, and that the "fractured ownership" theory had yet to be adopted by any circuit court, the district court relied on the decision in *Universal City Studios, Inc. v. Nintendo Co., Ltd.*, 578 F.Supp. 911 (S.D.N.Y. 1983). The plaintiffs in *Universal* sought to enforce trademark and other rights related to the character King Kong, alleging Nintendo had infringed their rights through use of the name and image of the gorilla in the "Donkey Kong" video game. The *Universal* court held that due to numerous conflicting ownership rights in the King Kong name and image, consumers did not associate King Kong with a single source, and thus the plaintiffs had no trademark rights.

The Ninth Circuit agreed that "fractured ownership" of a mark may make it legally impossible for the owner of a trademark to prove secondary meaning. However, the panel declined to rule that the facts of the Betty Boop case established, as a matter of law, that the theory applied, opining that "something more" was needed. The "something more" in *Universal* included evidence of extensive use and licensing of similar images by a number of companies and the widespread confusion in the marketplace among licensees and licensors as to the appropriate party to grant licenses.

Based on this analysis, the Ninth Circuit found that the district court erred in its holding with respect to Fleischer Studios' rights in Betty Boop word mark and, therefore, vacated the district court's holding and remanded the issue.

Many viewed the Ninth Circuits' earlier opinion with its interpretation of the aesthetic functionality doctrine as putting at risk brand licensing programs that included copyrighted images. By shifting its focus to secondary meaning and fractured ownership, the panel has alleviated the gravest concerns. Perhaps after due consideration of consequences it may not have initially anticipated, the Ninth Circuit



panel determined it was not prudent to apply the aesthetic functionality doctrine in this case.

If you have questions about any of the issues raised in this alert, contact [Carole Barrett](#) at 415.677.6290, [Lisa Wang](#) at 415.677.6447 or your usual Howard Rice attorney.