

Functionality Dooms Alleged Trade Dress Protection

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The US Court of Appeals for the Eighth Circuit affirmed summary judgment of noninfringement in a trade dress suit, finding that the trade dress was functional and the attorneys' fee award—as diminished by the district court—was appropriate. *Pocket Plus, LLC v. Pike Brands, LLC*, Case No. 21-3414 (8th Cir. Nov. 15, 2022) (**Gruender**, Melloy, Erickson, JJ.)

Since 2009, Pocket Plus has sold vertically oriented pouches that attach to waistbands or belts to carry water bottles, cell phones and other small objects. Pike Brands, d/b/a Running Buddy, began selling similar pouches in 2012 and introduced a vertical version in 2015. In 2021, Pocket Plus sent cease and desist letters to Running Buddy, then sued for trade dress infringement under Iowa common law and the Lanham Act. Running Buddy moved for summary judgment, arguing that Pocket Plus's trade dress was unprotectable. Running Buddy also threatened Rule 11 sanctions because of the weakness of the case. After winning summary judgment, Running Buddy moved to recover attorneys' fees, which the district court partially granted. Both parties appealed, with Pocket Plus challenging the summary judgment grant and both parties challenging the amount of the attorneys' fee award.

The Eighth Circuit began by noting that the issue of validity was complicated by Pocket Plus's shifting explanation of what its trade dress was, explaining that its "definition evolved throughout the litigation," becoming increasingly detailed. Eventually, the Court reasoned that regardless of which definition prevailed, the result was the same.

Addressing the noninfringement finding, the Eighth Circuit recited the relevant legal principles, explaining that to prove infringement, a plaintiff must show that its trade dress is nonfunctional and distinctive and that a lack of protection may confuse customers. The Court explained that it must consider trade dress in its entirety—not as individual elements—and determine whether features are protectable "arbitrary embellishment" or simply essential to product use. In this case, Pocket Plus never registered its trade dress so it did not benefit from a presumption of nonfunctionality. Pocket Plus argued that its vertical orientation and over-the-hip design were nonfunctional elements since competitors made pouches differently and that packaging illustrations likewise made the trade dress nonfunctional. The Court was not persuaded, finding that each feature the plaintiff pointed to was designed to "affect [the pouch's] suitability for carrying objects," making each feature essential to purpose and therefore functional. Because the Court found functionality, it affirmed noninfringement without addressing the other requirements.

The Eighth Circuit next considered the attorneys' fees. Under the Lanham Act, a court may, in its discretion, grant attorneys' fees to the winning party but only in "exceptional cases" after "considering the totality of the circumstances." Pocket Plus argued that this case was not "exceptional" while Running Buddy argued that the district court abused its discretion in awarding only a portion of the attorneys' fees.

The Eighth Circuit addressed both exceptionality and the amount awarded, in turn. To be "exceptional," a case must be objectively unreasonable, motivated by ill will or frivolous. The Court noted Pocket Plus's weak litigation position as evidenced by facts in the record that contradicted assertions in Pocket Plus's arguments. Additionally, the Court noted that Pocket Plus's cease and desist letters were problematically vague, and its changing trade dress definition cost Running Buddy time and money to address. The Court thus agreed that this case was exceptional.

Turning to the amount of the attorneys' fee award, the Eighth Circuit explained that for a fee award to be appropriate, the amount must be "reasonable." The Court also noted that the "prevailing party's behavior" may be a mitigating factor. While not agreeing with the district court that Running Buddy's unmaterialized threat of Rule 11 sanctions was "meritless and intended to harass," the Court nonetheless found the sanctions threat to be relevant. Moreover, Pocket Plus's shifting definition affected only a portion of Running Buddy's overall defense. Therefore, the Court upheld the finding of exceptionality and the amount of the attorneys' fees award.

Practice Note: A party alleging trade dress infringement should consider the strength of its nonfunctionality arguments, especially if not federally registered. On the other side, defendants seeking attorneys' fees in "exceptional" cases should be aware that their own conduct may affect the award, which is not an all-or-nothing remedy.

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