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Travis Dunkelberger

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THIRD CIRCUIT TAKES THE WIND OUT OF FRIVOLOUS LITIGATORS'  
SAILS IN *FAIR WIND SAILING, INC. V. DEMPSTER*

TRAVIS DUNKELBERGER\*

“The U.S. has more costs of litigation per person than any other industrialized nation in the world, and it is crippling our economy.”<sup>1</sup>

I. LEARNING THE ROPES: DETERMINING ATTORNEYS’ FEES IN  
INTELLECTUAL PROPERTY LITIGATION

\$700,000. According to a 2007 survey, this figure represents the average cost incurred by parties litigating trade dress claims.<sup>2</sup> Unsurprisingly, this high price has a huge impact on whether companies are capable of defending—or even initiating—trade dress claims.<sup>3</sup> For some, these numbers could mean risking the entire company’s viability for the sake of protecting its trade dress rights.<sup>4</sup> Such risk comes with a silver lining, however, as litigants may seek

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\* J.D. Candidate, 2016, Villanova University School of Law; B.A. 2012, The Pennsylvania State University.

1. JEFFREY H. CORBETT & PATRICK J. KISH, *BEHIND THE OFFSHORE VEIL* 165 (quoting U.S. Rep. Jack Kingston) (internal quotation marks omitted).

2. See David Pardue, *Wisconsin Court of Appeals Determines That the Glove Fits: Trade Dress Suit Was a Covered Advertising Injury Claim Triggering Duty to Defend*, TRADE SECRETS & IP TODAY (Apr. 16, 2012, 11:39 AM), <http://tradesecretstoday.blogspot.com/2012/04/wisconsin-court-of-appeals-determines.html> [<http://perma.cc/JJS6-MNK8>] (referencing AM. INTELLECTUAL PROP. LAW ASSOC., REPORT OF THE ECONOMIC SURVEY (2007)).

3. See, e.g., Ashlee Kieler, *Deal with Hershey’s Puts an End to Import of Cadbury Chocolates*, CONSUMERIST (Jan. 26, 2015), <http://consumerist.com/2015/01/26/deal-with-hersheys-puts-an-end-to-import-of-cadbury-chocolates/> [<http://perma.cc/5DEB-P5P7>] (“It is important for Hershey to protect its trademark rights and to prevent consumers from being confused or misled when they see a product name or product package that is confusingly similar to a Hershey name or trade dress.” (quoting Jeff Beckman, Hershey representative) (internal quotation marks omitted)). The lawsuit by Hershey prohibits the import of British-produced Cadbury Chocolate and threatens to put businesses that sell those products out of business. See Parija Kavilanz, *Trademark Wars Heat Up. Be Ready.*, CNNMONEY (Dec. 1, 2011, 11:50 AM) <http://money.cnn.com/2011/12/01/smallbusiness/trademark/> [<http://perma.cc/25YQ-UA2K>] (examining manner in which trade dress litigation can substantially affect small businesses). Matthew Swyers, founder of the Trademark Company, offered advice on costs to potential litigants stating “[I]f [litigation] fees start exceeding your returns, maybe it’s better to settle and change the trademark and still keep the business.” *Id.* (internal quotation marks omitted).

4. See, e.g., Ryan Richardson, *Apple v. Samsung: Tech Trial of the Century*, ILL. BUS. L.J. (Feb. 8, 2014) <http://www.law.illinois.edu/bljournal/post/2014/02/08/Apple-v-Samsung-Tech-Trial-of-the-Century> [<http://perma.cc/EXV9-SDWG>] (explaining lawsuit over trademark and trade dress between Apple and Samsung). In 2012, a jury found that Samsung weakened

attorneys' fees against frivolous claims to help recoup expenditures associated with trade dress lawsuits.<sup>5</sup>

Even for successful litigants, winning the suit does not automatically guarantee the court will award attorneys' fees.<sup>6</sup> Until 2014, trade dress litigants in the Third Circuit could only recover attorneys' fees if the court found the case to be "exceptional" after application of a two-step process.<sup>7</sup> This fee-assessment method—which the court applied restrictively, awarding fees in only narrow, limited circumstances—considered (1) whether the parties exhibited culpable conduct; and (2) whether the culpable conduct was exceptional under the Lanham Act.<sup>8</sup>

The Third Circuit, however, steered away from its restrictive standard in *Fair Wind Sailing v. Dempster*<sup>9</sup> and instead adopted a broader definition of exceptional for trade dress claims under the Lanham Act.<sup>10</sup> In *Fair Wind*

the trade dress of Apple products and ordered Samsung to pay \$1.05 billion dollars in damages. *See id.* However, due to technical issues with the jury's calculations, a new trial was set with both parties seeking adjustments to the amount. *See id.* Despite Samsung remaining in business, the case demonstrates the huge risks associated with litigating trade dress rights. *See, e.g.,* Kavilanz, *supra* note 3 (describing risks inherent in trademark dress matters).

5. *See* Sharad K. Bijanki, Note, *Redefining Attorney-Fee Shifting Under the Lanham Act: Protecting Small Businesses and Deterring Trademark Infringement*, 98 IOWA L. REV. 809, 811 (2013) ("By shifting litigation costs, the attorney-fee-shifting provision promotes enforcement by trademark holders and discourages trademark infringers.")

6. *See* 15 U.S.C. § 1117(a) (2012) ("The court in exceptional cases may award reasonable attorney fees to the prevailing party."). By using a term as broad as *exceptional*, the Lanham Act creates some consistency issues as the different federal circuits apply varying standards. *See* Richard J. Leighton, *Awarding Attorneys' Fees in "Exceptional" Lanham Act Cases: A "Jumble" of "Murky" Law*, 102 TRADEMARK REP. 849, 881 (2012) (discussing inconsistencies in application of "bad faith" standard in Lanham Act cases).

7. *See* *Fair Wind Sailing, Inc. v. Dempster*, 764 F.3d 303, 314 (3d Cir. 2014).

First, the District Court must decide whether the defendant engaged in any culpable conduct. We have listed bad faith, fraud, malice, and knowing infringement as non-exclusive examples of the sort of culpable conduct that could support a fee award. Moreover, the culpable conduct may relate not only to the circumstances of the Lanham Act violation, but also to the way the losing party handled himself during the litigation. Second, if the District Court finds culpable conduct, it must decide whether the circumstances are "exceptional" enough to warrant a fee award.

*Id.* (quoting *Green v. Fornario*, 486 F.3d 100, 103 (3d Cir.2007)). The two-step analysis from *Green* was used by the Third Circuit to "find culpability before awarding attorneys' fees under the Lanham Act" for the past twenty years. *See id.*

8. *See* *Ferrero U.S.A., Inc. v. Ozak Trading, Inc.*, 952 F.2d 44, 47, 48 (3d Cir. 1991) (noting failure of lower court to articulate "explicit finding" that other party "acted willfully or in bad faith" before awarding fees), *abrogated by Fair Wind Sailing*, 764 F.3d 303 (3d Cir. 2014). The court in *Ferrero* found awarding attorney fees appropriate only in cases that "involve[d] deliberate attempts by the defendant to pass off its goods as those of the plaintiff by applying plaintiff's trademark to defendant's goods." *See id.* at 48–49.

9. 764 F.3d 303 (3d Cir. 2014).

10. *See id.* (importing alternative meaning of exceptional to assess attorneys' fees in trademark claim); *see also id.* at 315 (remanding for district court's determination on whether plaintiff's claim was exceptional and required attorneys' fees to be awarded). The Third Circuit provided some guidelines by finding the court "may award fees as a result of either the

*Sailing*, the Third Circuit imported the definition from a different intellectual property context, relying on the leading Supreme Court precedent in *Octane Fitness v. ICON Health & Fitness*,<sup>11</sup> a patent law case.<sup>12</sup> Notwithstanding the involvement of patent law, the Third Circuit determined *Octane Fitness*'s approach created a more effective policy regarding attorneys' fees.<sup>13</sup> As a result, the Third Circuit's broader interpretation of exceptional integrates different areas of intellectual property law to reduce frivolous litigation of meritless trade dress claims.<sup>14</sup>

This Casebrief examines the Third Circuit's new interpretation of exceptional, which increases the likelihood of awarding attorneys' fees under the Lanham Act and addresses the benefits that accompany the court's willingness to import features from other areas of intellectual property law.<sup>15</sup> Part II discusses the Lanham Act and the development of awarding attorneys' fees in the federal courts, and more recently, in the Third Circuit.<sup>16</sup> Part III examines the Third Circuit's decision in *Fair Wind Sailing* and focuses on the court's reasoning for applying an alternative meaning of exceptional in the context of trademark claims.<sup>17</sup> Part IV discusses the use of sanctions and fee-shifting provisions to provide financial relief for litigants.<sup>18</sup> Part V provides a guide for practitioners to avoid fee-shifting provisions by structuring trade dress

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circumstances of the Lanham Act violation or the way in which [they] litigated the claim." See *id.* (citing *Green v. Fornario*, 486 F.3d 100, 103 (3d Cir. 2007)).

11. 134 S. Ct. 1749 (2014)

12. See *id.* 1756–57 (redefining exceptional to determine whether attorneys' fees should be awarded in Patent Act cases); *id.* at 1756 (noting fee-shifting provisions in both Patent Act and Lanham Act contained identical language regarding attorneys' fees (citing *Noxell Corp. v. Firehouse No. 1 Bar-B-Que Rest.*, 771 F.2d 521, 526 (D.C. Cir. 1985))). The Supreme Court also removed the clear and convincing evidence standard for parties seeking attorneys' fees under the Patent Act. See *id.* at 1758.

13. See *Fair Wind Sailing*, 764 F.3d at 314–15 (taking guidance from Supreme Court's interpretation of § 285 of Patent Act, which addresses awarding attorneys' fees in exceptional cases).

14. See *id.* (acknowledging new meaning of exceptional was imported from different area of intellectual property law). Although patent and trademark claims are litigated under separate Acts, the identical statutory language in each Act's attorneys' fees provision allowed the court to apply the new, Patent-Act meaning of exceptional to the Lanham Act. See *id.* at 315 ("We believe that the Court was sending a clear message that it was defining 'exceptional' not just for the fee provision in the Patent Act, but for the fee provision in the Lanham Act as well.").

15. See *id.* at 315 (explaining that Congress referenced § 285 while passing Lanham Act); see also S. REP. NO. 93-1400, at 7133 (1974), reprinted in 1974 U.S.C.C.A.N. 7132, 7133 ("[A]lthough the patent law and the copyright law provide for reasonable attorney fees, this remedy is not now available in the trademark area. The Department of Commerce believes and the Committee agrees that the remedy should be available in exceptional cases . . .").

16. For a discussion of the Lanham Act and development of awarding attorneys' fees in exceptional cases, see *infra* notes 25–57 and accompanying text.

17. For a discussion of the Third Circuit's decision to adopt a new meaning of exceptional, see *infra* notes 92–96 and accompanying text.

18. For a discussion of motions for sanctions and fee-shifting provisions as avenues for recovering court costs, see *infra* notes 97–120 and accompanying text.

claims properly.<sup>19</sup> Finally, Part VI concludes that *Fair Wind Sailing* demonstrates the unique ability of intellectual property to blend different areas of the law together.<sup>20</sup>

## II. BATTEN DOWN THE HATCHES: COURTS ROCK THE BOAT BY BROADENING FEE-SHIFTING PROVISIONS

To understand the significance of *Fair Wind Sailing*'s expansive standard, it is important to consider the development of the term *exceptional* in the broader context of intellectual property law.<sup>21</sup> First, the Lanham Act, specifically Section 35(a), is discussed to explain its impact on trade dress claims by allowing courts to award attorneys' fees to successful parties in litigation.<sup>22</sup> Second, a comparative overview of the Patent Act—most notably Section 285—is provided to demonstrate its role in shaping fee-shifting provisions within the Third Circuit.<sup>23</sup> Finally, consideration is given to the court's redefining of the term *exceptional* to allow for greater recovery of attorneys' fees, and the impact it will have on intellectual property claims moving forward.<sup>24</sup>

### A. *The Lanham Act: An Anchor for Trade Dress Claims*

Trade dress claims involve disputes over a product's physical appearance, the way the product is presented or promoted, or the product's involvement with marketing strategies.<sup>25</sup> These claims generally are brought when "the trade dress of two businesses is sufficiently similar to cause confusion among consumers," and they are litigated under the Lanham Act, which regulates the

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19. For a discussion of *Fair Wind Sailing*'s impact on practitioners and guidance for litigating trade dress claims, see *infra* notes 121–42 and accompanying text.

20. See *infra* notes 143–45.

21. For a further discussion on the development of *exceptional* as it relates to awarding attorneys' fees in patent and trademark claims, see *infra* notes 25–50 and accompanying text.

22. See Lanham Act § 35(a), 15 U.S.C. § 1117(a) (2012) (providing cause of action in trade dress claims).

23. See 35 U.S.C. § 285 (2012) (permitting attorneys' fees remedy in patent claims).

24. For a further discussion of the term *exceptional* as it relates to Third Circuit jurisprudence, see *infra* notes 35–41 and accompanying text.

25. See *Rose Art Indus., Inc. v. Swanson*, 235 F.3d 165, 171 (3d Cir. 2000) ("Trade dress has been defined as the total image or overall appearance of a product, and includes, but is not limited to, such features as size, shape, color or color combinations, texture, graphics, or even a particular sales technique."); see also *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 768 (1992) ("A trademark . . . includ[es] 'any word, name, symbol, or device or any combination thereof' used by any person 'to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown.'" (quoting 15 U.S.C. § 1127)).

use of trademarks in commercial activity.<sup>26</sup>

Created in 1946, the Lanham Act established a cause of action for trade dress infringement.<sup>27</sup> Most notably, Section 43(a) includes protection for a party's "trade dress," which "has been defined as the total image or overall appearance of a product, and includes, but is not limited to, such features as size, shape, color or color combinations, texture, [or] graphics . . . ."<sup>28</sup> Trade dress may be anything from distinctive restaurant décor to the shape of various beverage bottles.<sup>29</sup> The purpose of trade dress protection is to "secure the

26. See *Trade Dress*, THEFREEDICTIONARY, <http://legal-dictionary.thefreedictionary.com/Trade+dress> [<http://perma.cc/C5Y5-DJ65>] (last visited Nov. 4, 2015) (defining trade dress and describing basic trade dress claims); see also Lauren Krohn, *Causes of Action for Trade Dress Infringement Under § 43(a) of the Lanham Act* [15 USC § 1125(a)], 7 CAUSES ACTION 2d 725 (1995) (detailing trade dress claims under Lanham Act provisions). In order to establish a prima facie case in an action under § 43(a) of the Lanham Act the plaintiff must first show that: "The plaintiff has a protectable interest in its trade dress design, which will be established by evidence that the design (a) is inherently distinctive or (b) is at least descriptive and has acquired secondary meaning among consumers, and (c) is not functional." See *id.* (citations omitted). The plaintiff must then show "[t]he defendant's use of a similar trade dress design is likely to cause confusion among consumers as to the source of the parties' goods or services." *Id.* (citation omitted); see also *Wal-Mart Stores, Inc. v. Samara Bros. Inc.*, 529 U.S. 205, 209 (2000) ("The Lanham Act provides for the registration of trademarks, which it defines in § 45 to include 'any word, name, symbol, or device, or any combination thereof [used or intended to be used] to identify and distinguish [a producer's] goods' . . ." (alterations in original)). Some examples of distinctive trademarks include Nike's "swoosh" symbol in the clothing industry and "Tide" laundry detergent or "Camel" cigarettes in brand marketing. See *Samara Bros. Inc.*, 529 U.S. at 210 (internal quotation marks omitted).

27. See 15 U.S.C. § 1125(a) (detailing causes of action for trade dress claims). Created in 1946, the Lanham Act was "enacted by Congress [] based on the power granted to it by the Commerce Clause." See *Lanham Act*, LEGAL INFO. INST., [https://www.law.cornell.edu/wex/lanham\\_act](https://www.law.cornell.edu/wex/lanham_act) [<https://perma.cc/6ESH-X7CY>] (last visited Nov. 4, 2015).

28. See *Sweet St. Desserts, Inc. v. Chudleigh's Ltd.*, 69 F. Supp. 3d 530, 540 (E.D. Pa. 2014) (internal quotation marks omitted) (describing types of trade dress that are protected under Lanham Act). "Section 43(a) of the Lanham Act [also] prohibits the use of 'any word, term, name, symbol, or device . . .' that is 'likely to cause confusion, or to cause mistake, or to deceive . . . as to the origin, sponsorship, or approval of his or her goods.'" *Id.* (third alteration in original) (citation omitted).

29. See *Freddie Fuddruckers, Inc. v. Ridgeline, Inc.*, 589 F. Supp. 72, 74 (N.D. Tex. 1984) (detailing trade dress features of popular restaurant chain), *aff'd*, 783 F.2d 1062 (5th Cir. 1986).

[A]n exposed glassed-in butcher shop for meat preparation, which includes an area for hanging beef and for cutting and processing beef; a beef showcase; an exposed on-premises bakery for the preparation of bread and dessert products; a bakery showcase for the bakery products; a fresh vegetable condiment island with stacked vegetables, in part, in original shipping cartons; an open display of bags of potatoes, onions, flour and sugar; cases of beverages stacked to form aisleways and tables; the extensive use of white tile on counters and walls; dark brown and white checkerboard asbestos tile flooring; and interior green bands of neon lights and neon beer signs.

*Id.*; see also *Ex parte Haig & Haig Ltd.*, 1958 Dec. Comm'r Pat. 89 (finding shape and style of glass bottle to be properly labeled as trade dress of scotch liquor company); see also *Two Pesos*, 505 U.S. at 765–67 (noting jury finding in district court that trade dress claim exists because of unique theme of restaurant décor). The restaurant chain in *Two Pesos* had a

owner of the [trade dress] the goodwill of his business and to protect the ability of consumers to distinguish among competing producers.”<sup>30</sup>

In order to prevail in a trade dress infringement case a plaintiff must prove three elements: “(1) the allegedly infringing design is non-functional; (2) the design is inherently distinctive or has acquired secondary meaning; and (3) consumers are likely to confuse the source of the plaintiff’s product with that of the defendant’s product.”<sup>31</sup>

B. *Same Ocean, Different Tides: Courts Provide Direction for Litigants Seeking Attorneys’ Fees*

Because enforcing trade dress rights is expensive, some jurisdictions allow fee-shifting provisions to offset the risks of bringing a claim.<sup>32</sup> The Third Circuit has historically allowed fee-shifting through contractual provisions and statutes such as the Lanham Act.<sup>33</sup> However, in earlier cases, the Third Circuit

“festive eating atmosphere having interior dining and patio areas decorated with artifacts, bright colors, paintings and murals.” *See id.* at 765 (quoting *Taco Cabana Int’l, Inc. v. Two Pesos, Inc.*, 923 F.2d 1113, 1117 (5th Cir. 1991)) (internal quotation marks omitted). The appellate court emphasized the visual aspects of the restaurant chain, including the “vivid color scheme using top border paint and neon stripes” and “[b]right awnings and umbrellas [to] continue the theme.” *See id.* (internal quotation marks omitted).

30. *See Shire U.S., Inc. v. Barr Labs., Inc.*, 329 F.3d 348, 353 (3d Cir. 2003) (alteration in original) (quoting *Two Pesos*, 505 U.S. at 774) (internal quotation marks omitted) (noting similarity between trademark rights and patent protection). However, the *Shire* court distinguished trade dress protection from patent protection because trade dress “does not foster innovation by preventing reverse engineering or copying of innovative product design features.” *See id.* The court understood the reality that “there is no prohibition against copying goods and products.” *See id.* (internal quotation marks omitted). Rather, “[t]rade dress’ refers to the design or packaging of a product which serves to identify the product’s source.” *See id.*

31. *McNeil Nutritionals, LLC v. Heartland Sweeteners, LLC*, 511 F.3d 350, 357 (3d Cir. 2007) (laying out framework for assessing trade dress infringement claim); *see also Clicks Billiards, Inc. v. Sixshooters, Inc.*, 251 F.3d 1252, 1260–61 (9th Cir. 2001) (allowing trade dress claim to survive summary judgment when business’s nonfunctional features were unique to industry). In *Clicks*, the Ninth Circuit allowed separate functional features to aggregate into trade dress infringement when, taken as a whole, the “composite tapestry of visual effects” was unique to a certain industry or business. *See Clicks Billiards*, 251 F.3d at 1259, 1260–61. *See generally* 15 U.S.C. § 1125(a) (providing relevant framework for trade dress claims).

32. *See Bijanki, supra* note 5, at 817 (highlighting circuit split on application of exceptional standard under Lanham Act). The language in the Lanham Act is deceptively simple. *See id.* Application of the standard, on the other hand, has been unclear, and the federal circuits are deeply split on the requisite showing to prove exceptionality under the Act. *See id.* At least six circuit courts require the moving party to prove a bad faith requirement before allowing fee-shifting. *See id.* at 817–19. Six other circuits do not require the plaintiff to demonstrate the defendant’s bad faith or fraud, but rather consider both as factors in awarding fees. *See id.* at 820–22.

33. *See Kevin P. Allen, Contractual Fee-Shifting Clauses—How to Determine “Prevailing Party” Status*, 74 PA. B. ASS’N Q. 178, 179 (2003) (“[T]here are exceptions to the American rule that permit the successful litigant to recover its attorneys’ fees from the vanquished. Two common exceptions are (1) statutory fee-shifting provisions and (2)

applied different standards to fee-shifting provisions.<sup>34</sup>

### 1. *Fee-Shifting in the Third Circuit*

Prior to *Fair Wind Sailing*, the Third Circuit used a two-step inquiry under Section 35(a) of the Lanham Act to assess possible attorneys' fees awards.<sup>35</sup> Under Section 35(a), parties could receive attorneys' fees in exceptional trademark cases, which required both culpable conduct and exceptional circumstances.<sup>36</sup> Culpable conduct is a threshold requirement and includes factors such as "bad faith, fraud, malice, and knowing infringement."<sup>37</sup> If the district court finds culpable conduct, it then considers the circumstances surrounding the case to determine if the party's actions constituted an exceptional finding.<sup>38</sup>

This exceptional determination is difficult for parties seeking fees to meet; the court has construed it quite narrowly and has seldom awarded attorneys' fees—even in cases of intentional misconduct and negligence.<sup>39</sup> Applying this two-step analysis, the Third Circuit occasionally has not awarded attorneys' fees even after finding a party's actions were exceptional.<sup>40</sup> Although

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contractual fee-shifting provisions." (footnote omitted).

34. For a further discussion on the Third Circuit's two-step analysis for awarding attorneys' fees prior to *Fair Wind Sailing*, see *infra* notes 35–41 and accompanying text.

35. See *Green v. Fornario*, 486 F.3d 100, 103–04 (3d Cir. 2007) (requiring two-step analysis to determine merits of attorneys' fees under Lanham Act); *Brooks Furniture Mfg., Inc. v. Dutailier Int'l, Inc.*, 393 F.3d 1378, 1381 (Fed. Cir. 2005) (detailing Federal Circuit's application of exceptional in patent cases), *abrogated by Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749 (2014). The two-step process from *Green* was consistent with patent cases in the Federal Circuit, which assessed whether the litigation was both "brought in subjective bad faith" and "objectively baseless." See *id.*

36. See *Green*, 486 F.3d at 103–04 (providing examples of culpable conduct and objectively baseless litigation). The Third Circuit described culpable conduct as that conduct which "relate[s] not only to the circumstances of the Lanham Act violation, but also to the way the losing party handled himself . . ." See *id.* at 103. In addition, the court further explained how to assess whether litigation is objectively baseless, listing "closeness of the liability question and whether the plaintiff suffered damages" as factors to consider. See *id.* (citing *Ferrero U.S.A., Inc. v. Ozak Trading, Inc.*, 952 F.2d 44, 49 (3d Cir. 1991)).

37. See *id.* (listing various factors used to determine whether party engaged in culpable conduct). However, these factors are "non-exclusive," because the court has considerable discretion to determine whether a party has engaged in culpable conduct. See *id.*

38. See *id.* (acknowledging several factors that go into exceptional determination).

39. See *Salton Inc. v. Cornwall Corp.*, 477 F. Supp. 975, 992 (D.N.J. 1979) (expressing reluctance to award attorneys' fees under Lanham Act despite intentional infringement of trademark rights). Interestingly, the New Jersey District Court in *Salton* held that the plaintiff was entitled to attorneys' fees for intentional infringement of their trademark rights, but not under the Lanham Act. See *id.* Instead, the court relied on New Jersey Supreme Court precedent to award fees under a lower culpability requirement. See *id.* at 992–93. The court used this broader standard as a punitive measure to deter companies from infringing on trademark rights. See *id.* at 992.

40. See *Birtright v. Birtright Inc.*, 827 F. Supp. 1114, 1144 (D.N.J. 1993) (refusing to award attorneys' fees because dispute involved two non-profit organizations motivated by "[p]olitical and social concerns"). In *Birtright*, the New Jersey District Court held that



attorneys' fees provisions are subject to judicial discretion, the Third Circuit has rarely used this power to discourage meritless, retaliatory, or bad faith claims.<sup>41</sup>

2. *All Aboard: Federal Courts Apply Fee-Shifting Provisions in Patent Cases*

Fee-shifting provisions are not unique to trade dress claims, as they are also used to award attorneys' fees in patent infringement cases.<sup>42</sup> Historically, the Patent Act has substantially influenced how courts have awarded attorneys' fees in trade dress claims.<sup>43</sup> In fact, the Third Circuit's two-step analysis prior to *Fair Wind Sailing* was consistent with how other federal courts assess exceptionality under the Patent Act.<sup>44</sup>

Despite being enacted in 1790, the Patent Act did not allow for recovery of attorneys' fees until 1946, when Congress amended it to include a discretionary provision based on the court's addition of the exceptional standard.<sup>45</sup> Courts have possessed the power to award attorneys' fees since 1946, although they have rarely exercised it because "[t]hey viewed the award of fees . . . as appropriate 'only in extraordinary circumstances.'"<sup>46</sup>

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defendants were willful and fraudulent in their infringement of trademark rights, but "[w]here a defendant's trademark violation occurs in a non-profit, noncommercial context, the equities favor a denial of an award of attorneys' fees." *See id.* Accordingly, the defendants were prohibited from using the trademark at issue and ordered to pay back donations they received. *See id.* at 1145.

41. *See Jones Apparel Grp., Inc. v. Steinman*, 466 F. Supp. 560, 564 (E.D. Pa. 1979) (denying attorneys' fees to plaintiff despite record that might support finding that defendant intentionally sold goods two months after learning it was prohibited). For other examples of courts within the Third Circuit that have refused to award plaintiffs attorneys' fees despite showings of the defendant's intentional negligence or misconduct, see *supra* notes 38–39 and accompanying text.

42. *See* 35 U.S.C. § 285 (2012) (allowing court to award attorneys' fees in patent claims).

43. *See Octane Fitness, LLC v. ICON Health & Fitness*, 134 S. Ct. 1749, 1753 (2014) (providing historical overview of attorneys' fees awards in Patent Act claims). The Supreme Court connected its past reluctance to award fees to a narrow interpretation of what actions qualified as exceptional. *See id.*

44. *See* Owen J. McKeon, *Blurred Lines: Third Circuit's Lanham Act Attorneys' Fees Analysis Follows Recent Supreme Court Ruling in Patent Case*, GIBBONS IP L. ALERT (Sept. 29, 2014), <http://www.iplawalert.com/2014/09/articles/patent/blurred-lines-third-circuits-lanham-act-attorneys-fees-analysis-follows-recent-supreme-court-ruling-in-patent-case/> [<http://perma.cc/N95T-SBXQ>] ("[The *Green v. Fornario* two-step] inquiry was also consistent with the standard applied for attorneys' fees in patent cases under precedent from the Court of Appeals for the Federal Circuit, which asked if the litigation was both 'brought in subjective bad faith' and 'objectively baseless.'").

45. *See Octane Fitness*, 134 S. Ct. at 1753 ("Prior to 1946, the Patent Act did not authorize the awarding of attorney's fees to the prevailing party in patent litigation. Rather, the 'American Rule' governed: '[E]ach litigant pa[id] his own attorney's fees, win or lose . . .'" (alterations in original)). The amended provision of the Patent Act "add[ed] a discretionary fee-shifting provision . . . [providing] that a court 'may in its discretion award reasonable attorney's fees to the prevailing party upon the entry of judgment in any patent case.'" *Id.*

46. *See id.* (quoting *Park-In-Theatres, Inc. v. Perkins*, 190 F.2d 137, 142 (9th Cir. 1951)) (explaining that courts interpreted "discretionary" very narrowly in awarding

After the fee-shifting provision was codified in Section 285, however, courts began to acknowledge and apply it more frequently.<sup>47</sup> For example, use of Section 285 became increasingly common as federal courts abandoned the narrow, more limited approach to attorney fee awards in *Brooks Furniture Manufacturing, Inc. v. Dutailier International, Inc.*<sup>48</sup> In *Brooks*, the United States Court of Appeals for the Federal Circuit took a more expansive view of exceptionality and allowed recovery of attorney fees if two criteria were met: “(1) the litigation [wa]s brought in subjective bad faith, and (2) the litigation [wa]s objectively baseless.”<sup>49</sup> The *Brooks* standard controlled attorney-fee case law for nine years until the Supreme Court provided a new definition of exceptional in 2014.<sup>50</sup>

C. *Changing Course: The Supreme Court Redefines Exceptional in Octane Fitness*

In 2014, the Supreme Court found the *Brooks* standard was “unduly rigid”

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attorneys’ fees under previous interpretation). Rather, the fee-shifting provisions evolved over time as the courts changed the meaning of exceptional and would not become an “ordinary thing” in patent and trademark cases until decades later. *See id.* at n.1 (internal quotation marks omitted) (“This provision did ‘not contemplat[e] that the recovery of attorney’s fees [would] become an ordinary thing in patent suits . . . .’” (alterations in original) (quoting S. REP. NO. 79-1503, 2 (1946))).

47. *See id.* (“Six years later, Congress amended the fee-shifting provision and recodified it as § 285.”). The revised language of the provision instructs that “[t]he court in exceptional cases may award reasonable attorney’s fees to the prevailing party.” *See id.* at 1752 (alteration in original) (quoting 35 U.S.C. § 285 (2012)). Although the recodification “did not substantively alter the meaning of the statute” it would be interpreted narrowly in future cases. *See id.* at 1753 (noting courts still applied § 285 in discretionary manner following recodification).

48. 393 F.3d 1378 (Fed. Cir. 2005), *abrogated by Octane Fitness*, 134 S. Ct. 1749 (2014) (creating rigid framework for finding exceptional circumstances in Patent Act cases). Some factors listed by the court include material inappropriate conduct, willful infringement, fraud, inequitable conduct, and unjustified litigation. *See id.* at 1381. Under *Brooks*, these factors must be proven by a clear and convincing standard. *See id.* at 1382 (applying old standard of exceptional in patent claim).

49. *See id.* at 1381–82 (providing framework to assess whether case was exceptional in Federal Circuit patent case). This rigid framework required the plaintiffs to prove both criteria to win attorneys’ fees. *See id.* In heightening the standard, the *Brooks* court provided some guidance on the application of both requirements. *See id.* First, a court should presume that a case was brought in good faith; the improper conduct needs to “be established by clear and convincing evidence.” *Id.* at 1382. Second, the objectively baseless requirement “does not depend on the state of mind of the plaintiff at the time that the action was commenced, but rather requires an objective assessment of the merits.” *Id.*

50. *See Octane Fitness*, 134 S. Ct. at 1751 (“Because the Patent Act does not define ‘exceptional,’ the term is construed ‘in accordance with [its] ordinary meaning.’” (alteration in original) (quoting *Sebelius v. Cloer*, 133 S. Ct. 1886, 1893 (2013))). The Court explained a new definition, different from that used in *Brooks*, was appropriate because “as in all statutory construction, [u]nless otherwise defined, ‘words will be interpreted as taking their ordinary, contemporary, common meaning.’” *See id.* at 1756 (alteration in original) (quoting *Bilski v. Kappos*, 130 S. Ct. 3218, 3226 (2010)) (internal quotation marks omitted).

and “encumber[ed]” the district courts’ discretion to award attorneys’ fees.<sup>51</sup> In *Octane Fitness*, the Supreme Court held that it was more effective to construe the term *exceptional* based on its ordinary meaning and found an exceptional case to be “one that stands out from others with respect to the substantive strength of a party’s litigating position . . . or the unreasonable manner in which the case was litigated.”<sup>52</sup> Because exceptional was not actually defined in the statute, the Court relied on the word’s ordinary meaning in crafting its interpretation.<sup>53</sup> The Court chose to construe fee-shifting provisions broadly to avoid unwarranted fee awards and allow for more effective use by the district courts.<sup>54</sup>

To meet the new threshold requirement established in *Octane Fitness*, a court must find “(a) there is an unusual discrepancy in the merits of the positions taken by the parties or (b) the losing party has litigated the case in an ‘unreasonable manner.’”<sup>55</sup> Under this standard, the district court is allowed to consider the losing party’s blameworthiness.<sup>56</sup> In *Octane Fitness*, the Supreme Court provided further clarification to judges and litigators by directing them to consider, on a case-by-case basis, whether litigation tactics meet the definition of exceptional in order to merit an award of attorneys’ fees.<sup>57</sup>

### III. FAIR WIND SAILING, INC. V. DEMPSTER: THE THIRD CIRCUIT ADOPTS AN EXPANSIVE DEFINITION OF EXCEPTIONAL AND LEAVES

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51. *See id.* at 1755–8 (rejecting *Brooks* standard). The Court relied on the plain text of § 285 to strike down the two-step approach because the statute “imposes one and only one constraint on district courts’ discretion to award attorneys’ fees in patent litigation: The power is reserved for ‘exceptional’ cases.” *See id.* at 1755–56.

52. *See id.* at 1756 (determining substantive strength of litigation position requires consideration of both case facts and governing law). The Court leaves considerable discretion to the district courts because “[t]here is no precise rule or formula for making these determinations” and “equitable discretion should be exercised ‘in light of the considerations we have identified.’” *See id.* (alteration in original) (quoting *Fogerty v. Fantasy*, 510 U.S. 517, 534 (1994)) (internal quotation marks omitted).

53. *See Exceptional*, MERRIAM-WEBSTER, <http://www.merriam-webster.com/dictionary/exceptional> [<http://perma.cc/8XER-TQLC>] (last visited Nov. 5, 2015) (defining exceptional as uncommon, rare, or not ordinary). The dictionary definition of exceptional has not changed since 1952, but judicial interpretation and application of the term has changed its meaning in certain contexts. *See, e.g.*, *Fair Wind Sailing, Inc. v. Dempster*, 764 F.3d 303, 315 (3d Cir. 2014) (providing new definition for Lanham Act cases).

54. *See Octane Fitness*, 134 S. Ct. at 1758 (“[*Brooks* would] appear to render § 285 largely superfluous.”).

55. *See Fair Wind Sailing*, 764 F.3d at 315 (providing framework for new definition of exceptional under Lanham Act) (citing *Octane Fitness*, 134 S. Ct. at 1756). However, this new framework was left to the discretion of the district courts as they have “unparalleled knowledge of the litigation and the parties.” *See id.*

56. *See id.* (“The losing party’s blameworthiness may well play a role in a district court’s analysis of the ‘exceptionality’ of a case, but *Octane Fitness* has eliminated the first step in our two-step test for awarding fees under § 35(a) of the Lanham Act.”). This elimination obviates an initial finding of culpability. *See id.* (“Importantly, that discretion is not cabined by a threshold requirement that the losing party acted culpably.”).

57. *See Octane Fitness*, 134 S. Ct. at 1756 (explaining “totality of the circumstances” approach should be used to determine whether litigation tactics are appropriate).

## FRIVOLOUS LITIGATORS HIGH AND DRY

The Supreme Court's determination in *Octane Fitness* provided a new path for attorney fee recovery when the opposing party litigates in an "unreasonable manner" or brings a meritless claim.<sup>58</sup> Given the high costs associated with intellectual property litigation, easing the standards for seeking attorneys' fees is an important development.<sup>59</sup> A few months after *Octane Fitness* was decided, the Third Circuit raised the stakes even higher by introducing a new standard for seeking attorneys' fees from a different area of intellectual property.<sup>60</sup>

In *Fair Wind Sailing*, the Third Circuit imported the Supreme Court's alternative meaning of exceptional to trade dress claims.<sup>61</sup> The attorneys' fees provision in the Lanham Act directly mirrors the language in the Patent Act, which allowed the court to easily convey the new meaning.<sup>62</sup> The Third Circuit considered the identical provisions and held that *exceptional* should be interpreted broadly under the Lanham Act to allow parties to recover attorneys' fees based on the merits of the claim and the litigation tactics employed.<sup>63</sup>

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58. *See id.* (discussing attorneys' fees in patent cases); *see also Fair Wind Sailing*, 764 F.3d at 315 (discussing Third Circuit approach to awarding attorneys' fees in trademark claims under Lanham Act).

59. *See infra* note 60.

60. *See Fair Wind Sailing*, 764 F.3d at 305–06 (applying alternative interpretation of exceptional to trademark claims under Lanham Act). The Third Circuit took inspiration from the Supreme Court's *Octane Fitness* decision, which redefined exceptional for Patent Act claims. *See id.* ("[T]he case controls our interpretation of § 35(a) of the Lanham Act"). Despite that the *Octane Fitness* and *Fair Wind Sailing* decisions dealt with different aspects of intellectual property, the two courts applied the same definition of exceptional to fee shifting provisions. *See id.* ("We believe that the Court [in *Octane Fitness*] was sending a clear message that it was defining 'exceptional' not just for the fee provision in the Patent Act, but for the fee provision in the Lanham Act as well.").

61. *See id.* at 315 ("We therefore import *Octane Fitness*'s definition of 'exceptionality' into our interpretation of § 35(a) of the Lanham Act. Under *Octane Fitness*, a district court may find a case 'exceptional,' and therefore award fees to the prevailing party . . ."); *see also Octane Fitness*, 134 S. Ct. at 1756 (providing Patent Act framework for discretionary awarding of attorneys' fees). The Court in *Octane Fitness* thought "that an 'exceptional' case is simply one that stands out from others with respect to the substantive strength of a party's litigating position . . . or the unreasonable manner in which the case was litigated." *See id.* The change in standard helps to bring some uniformity to decisions regarding attorneys' fees regardless of the type of intellectual property case, that is, whether it is a patent, trademark, or copyright claim. *See id.*

62. *See* 15 U.S.C. § 1117(a) (2012) (allowing attorneys' fees under Lanham Act). The statutory text of § 35(a) reads: "The court in exceptional cases may award reasonable attorney fees to the prevailing party." *See id.*

63. *See* Perry Viscounty et al., *Ruling Gives IP Fee-Shifting Provision More Teeth*, LAW 360 (Dec. 8, 2014, 10:17 AM), <https://www.lw.com/thoughtLeadership/ruling-gives-ip-fee-shifting-provision-more-teeth> (indicating that district court's broad discretion relies on considering totality of the circumstances). This standard is important for litigators because it "can only be overturned for an abuse of discretion—the most deferential standard of review and the most difficult to overturn." *See id.*

A. *Facts & Procedure of Fair Wind Sailing*

Since 2005, Fair Wind owned and operated sailing schools throughout the United States and Virgin Islands.<sup>64</sup> In July 2007, Fair Wind hired Larry Bouffard as a sailing instructor at its St. Thomas location, which exclusively used catamarans.<sup>65</sup> Bouffard signed an employment contract with Fair Wind that contained a two-year non-compete provision.<sup>66</sup>

Three years later, Bouffard introduced the company to the defendant, H. Scott Dempster, and helped Dempster obtain employment as an instructor.<sup>67</sup> After a probationary period, Fair Wind chose not to retain Dempster for performance reasons.<sup>68</sup> As a result of this decision, Bouffard left Fair Wind to open a rival sailing school with Dempster in another part of St. Thomas.<sup>69</sup> Their school, Virgin Island Sailing School (VISS), became a direct competitor of Fair Wind and allegedly caused Bouffard to violate the non-compete provision in his prior employment contract.<sup>70</sup> Fair Wind also claimed that VISS copied several features of its business, including use of 45-foot catamarans, similar teaching curriculum, procedures for student feedback, and photographs, thus infringing on its trade dress.<sup>71</sup>

Following the loss of considerable business and reputation, Fair Wind filed an action against Dempster and VISS for alleged trade dress infringement under

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64. FAIR WIND SAILING SCHOOL, <http://www.fairwindsailing.com> (last visited Nov. 5, 2015) [<http://www.fairwindsailing.com>] (detailing that Fair Wind provides sailing schools in multiple locations around the globe). These locations include Lake Erie, Michigan, the Bahamas, the Chesapeake Bay, and the Virgin Islands. *See id.* Despite having several different sailing schools, the Virgin Islands location is the only school to offer classes using catamarans. *See id.*

65. *See Fair Wind Sailing*, 764 F.3d at 306.

66. *See id.* (noting Bouffard's non-compete provision precluded him from joining competitors within twenty miles for two years after termination). Since the land area of St. Thomas is approximately thirty miles long, the non-compete provision would have effectively kept Bouffard from working at any other sailing school on the island. *See id.*

67. *See id.* (noting Fair Wind agreed to hire Dempster based on Bouffard's recommendation).

68. *See id.* (indicating that Fair Wind placed Dempster on "probationary two-week period"). Fair Wind chose not to retain Dempster because they were "dissatisfied with Dempster's performance." *See id.*

69. *See id.* ("Shortly after Fair Wind terminated Dempster, Bouffard resigned. At or about this time, however, Dempster and Bouffard decided to open a sailing school together in St. Thomas."). The competing company, VISS, was up and running by the following winter. *See id.*

70. *See id.* ("Opening VISS violated Bouffard's two-year non-compete agreement with Fair Wind."). VISS was a direct competitor because, among other reasons, they used the same type of boats: 45-foot catamarans—something that is unique about the St. Thomas location of Fair Wind's business. *See id.*

71. *See id.* (noting similarities between VISS and Fair Wind's St. Thomas location). Some of these similarities include "us[ing] teaching curriculum and itineraries identical to those used by Fair Wind," identical website marketing, and "'student testimonials' from students who took classes with Dempster while he worked for Fair Wind . . ." *See id.* In addition, the VISS website detailed Bouffard's experience in teaching sailing "presumably in reference to his time teaching at Fair Wind." *See id.*

the Lanham Act, tortious interference, and unjust enrichment.<sup>72</sup> The district court found that Fair Wind failed to state a claim for either trade dress infringement or unjust enrichment because the facts did not reach the necessary level of “precise product features” to make the companies sufficiently similar.<sup>73</sup> In addition, the district court found that the complaint did not raise any allegations that its business features were “inherently distinctive or ha[d] acquired any secondary meaning.”<sup>74</sup> Rather, the district court found that the product features were “functional” and “beyond the protections of the Lanham Act.”<sup>75</sup>

Immediately after the district court’s decision, defendants Dempster & VISS moved for \$41,783 in attorneys’ fees under Section 35 of the Lanham Act.<sup>76</sup> The district court held that a portion of the fees were unreasonably expended, but still awarded the defendants \$36,347.00.<sup>77</sup>

B. *The Third Circuit Throws the Two-Step Standard Overboard and Extends the Logic of Octane Fitness to Trade Dress Claims*

On appeal, the Third Circuit affirmed the district court’s dismissal, but

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72. *See id.* at 307 (indicating several flaws in Fair Wind’s trade dress claim). The court noted three main “dispositive flaws” in the complaint. *See id.* First, Fair Wind failed to show any facts about its business practice that totaled a trade dress claim. *See id.* Second, the complaint lacked any “inherently distinctive” features that “acquired any secondary meaning.” *See id.* (internal quotation marks omitted). Finally, Fair Wind’s product features were “functional” so they were not available for protection from the Lanham Act. *See id.* at 310.

73. *See id.* at 307 (internal quotation marks omitted) (noting that Rule 12(b)(6) inquiry necessitates precise product features).

74. *See id.* (alteration in original) (internal quotation marks omitted) (recognizing that Fair Wind’s claim failed prong two under Lanham Act analysis). Under the second prong, “the design [must be] inherently distinctive or ha[ve] acquired secondary meaning . . . .” *See id.* (internal quotation marks omitted); *see also* *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 776 (1992) (holding that inherently distinctive trade dress is protected without proof of secondary meaning); *Duraco Prods., Inc. v. Joy Plastic Enters., Ltd.*, 40 F.3d 1431, 1434 (3d Cir. 1994) (recognizing plaintiff’s product as being “inherently distinctive”). The *Duraco* court found a product was distinctive because of the “high probability that [the] product configuration serves a virtually exclusively identifying function for consumers . . . .” *See id.* at 1434.

75. *See Fair Wind Sailing*, 764 F.3d at 310–11 (“A functional feature is one that is ‘essential to the use or purpose of the article,’ ‘affects the cost or quality of the article,’ or one that, if kept from competitors, would put them at a ‘significant non-reputation-related disadvantage.’” (quoting *Traffix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 33 (2001))).

76. *See id.* at 307 (indicating that defendants sought \$41,783 in attorneys’ fees). This amount was the “total amount of legal fees incurred by Defendants in th[e] matter.” *See id.* (internal quotation marks omitted).

77. *See id.* at 312 (explaining why defendants did not receive full amount of attorneys’ fees requested from district court). The district court’s reason for reducing the fees centered on “excessive billing and vague time entries.” *See id.*

reassessed the standard for awarding attorneys' fees to Dempster.<sup>78</sup> Ultimately, the court concluded "Fair Wind's claim does not hold water" and remanded the issue of whether an awarding of attorneys' fees would be appropriate under the new standard to the district court.<sup>79</sup>

### 1. *Analysis of Trade Dress Claim*

In assessing Fair Wind's trade dress infringement claim, the Third Circuit found that the company's trade dress was "a hodgepodge of unconnected pieces of its business, which together do not comprise any sort of composite visual effect."<sup>80</sup> For example, the court mentioned that the company's teaching curriculum was a non-visual aspect of the business.<sup>81</sup>

Sensing blood in the water, the court rejected Fair Wind's last-ditch effort to save its trade dress claim by focusing on the company's website.<sup>82</sup> Fair Wind argued that VISS copied several elements of its website, which taken together constituted a trade dress violation.<sup>83</sup> This "web design" argument failed because Fair Wind's complaint did not discuss the design of its website at all, but rather made vague comments regarding the identical content placed on VISS's website.<sup>84</sup> In short, Fair Wind failed to demonstrate how its website design was victim to any sort of trade dress violation by VISS.<sup>85</sup> The court found Fair Wind's trade dress to be functional in nature and not business practice for which protection was available.<sup>86</sup>

Nonetheless, the Third Circuit continued to discuss other alternatives that

78. *See id.* at 314 (explaining that *Octane Fitness* was decided while *Fair Wind Sailing* was on appeal).

79. *See id.* at 311 (finding that Fair Wind failed to bring proper trade dress claim because business elements were not protectable under Lanham Act).

80. *See id.* at 310 (describing Fair Wind's trade dress claim). Fair Wind claimed to be harmed because VISS "cop[ied] every material element of Fair Wind's business and present[ed] [it to] the public." *See id.* (third alteration in original) (internal quotation marks omitted).

81. *See id.* (explaining possibility that Fair Wind's curriculum could be part of business trade dress and failure to indicate any visual impression). The court was unsure if Fair Wind's curriculum was "something that [could] be seen" at all. *See id.* at 310 n.6.

82. *See id.* at 310 ("Perhaps realizing its failure to plead a cognizable trade dress, Fair Wind pivoted at oral argument, placing its 'web design' at the center of the trade dress claim.").

83. *See id.* (declaring Fair Wind's complaint void of any mention of website features or specific elements to satisfy requirement).

84. *See id.* (listing some examples of website features that might qualify).

85. *See id.* (noting that Fair Wind failed to include details about its own website in complaint). The Third Circuit emphasized Fair Wind's failure to compare VISS's website to similar aspects of their own website. *See id.*

86. *See id.* at 310–11 (explaining why Fair Wind's trade dress claim was deemed "not protectable").

might be available to Fair Wind.<sup>87</sup> Other courts have determined that limited protection exists for functional aspects of a business when they “combine to create something nonfunctional.”<sup>88</sup> However, the Third Circuit distinguished Fair Wind’s case by finding that they “ha[ve] not explained how the identified functional elements achieve a nonfunctional ‘composite [] of visual effects.’”<sup>89</sup> Fair Wind did not argue its appearance was unique or distinctive in any way that would deserve protection from potential competitors trying to mirror their company.<sup>90</sup> Instead, the court hinted that Fair Wind was likely aggravated with VISS for successfully mirroring their company model and competing for business on the same island.<sup>91</sup>

## 2. Attorneys’ Fees Analysis

Next, the Third Circuit reached the issue of awarding attorneys’ fees under Section 35 of the Lanham Act and in doing so changed course from their traditional attorneys’ fees analysis.<sup>92</sup> Drawing on the Supreme Court’s decision in *Octane Fitness*, the Third Circuit rejected their prior two-step test in favor of an expansive, more generous standard for awarding attorneys’ fees to successful parties.<sup>93</sup> The Third Circuit believed the Supreme Court was “sending a clear message that it was defining ‘exceptional’ . . . for the fee provision in the Lanham Act . . . .”<sup>94</sup> As a result, the Third Circuit applied the alternate interpretation of exceptional to Lanham Act claims, thus increasing the likelihood that litigants will recover attorneys’ fees.<sup>95</sup> The Third Circuit remanded Fair Wind’s case back to the district court level to determine if this

87. See *id.* at 311 (citing precedent from Ninth Circuit that applies to functional trade dress claims). For a further discussion of Ninth Circuit precedent and how it applies to trade dress claims, see *infra* note 88 and accompanying text.

88. See *id.*; see also *Clicks Billiards, Inc. v. Sixshooters, Inc.*, 251 F.3d 1252, 1259–62 (9th Cir. 2001) (allowing functional features of business to add up to nonfunctional look). The court in *Clicks* found certain elements of a pool hall company to be protectable. See *id.*

89. See *Fair Wind Sailing*, 764 F.3d at 311 (quoting *Clicks*, 251 F.3d at 1259) (distinguishing *Clicks* as “inapposite” because Fair Wind did not suggest its business was distinctive).

90. See *id.* at 309–10 (explaining that only unique business features belonging to Fair Wind were use of 45-foot catamarans and its teaching itinerary).

91. See *id.* at 310 (“This claim has little to do with trade dress.”); see also *id.* at 306 (noting that Bouffard and Dempster opened their sailing school in St. Thomas, in violation of a noncompete agreement). Upon opening, VISS “copied Fair Wind’s St. Thomas school in several respects.” See *id.*

92. For further discussion of the *Octane Fitness* standard, see *supra* notes 51–57 and accompanying text. See also 15 U.S.C. § 1117(a) (2012) (providing statutory text for cases under Lanham Act). The provision covering attorneys’ fees states that “[t]he court in exceptional cases may award reasonable attorney fees to the prevailing party.” *Id.*

93. See *Fair Wind Sailing*, 764 F.3d at 314–15 (detailing Third Circuit’s decision to adopt *Octane Fitness* as binding precedent).

94. See *id.* at 315 (taking direction from Supreme Court’s *Octane Fitness* ruling).

95. See *id.* (allowing more discretion for district court to award attorneys’ fees). With a new definition of exceptional, the court now has more discretion to assess the merits of the claim by removing a culpable conduct requirement. See *id.*



new approach warranted an attorneys' fees award in this instance.<sup>96</sup>

IV. NAVIGATING CHANNELS FOR RECOVERY: FEE-SHIFTING  
PROVISIONS AND MOTIONS FOR SANCTIONS IN TRADE DRESS  
LITIGATION

Intellectual property litigants rely on possible recovery of attorneys' fees to justify engaging in expensive and lengthy litigation.<sup>97</sup> Enabling companies to defend intellectual property rights is an important purpose given the rapidly evolving corporate landscape and potential risk of losing customers and profits during litigation.<sup>98</sup> These risks are prevalent in trade dress claims where "the pressures of '[m]ass demand' and 'mass advertising' could quickly erode a trademark's value and quality."<sup>99</sup> Thus, the courts need the ability to sanction frivolous litigators to ensure that intellectual property rights are fully protected.<sup>100</sup>

A. *Fee-shifting as New Motion for Sanctions in Intellectual Property Law?*

The high cost of trade dress litigation can be offset by several procedural options for attorney fee recovery.<sup>101</sup> Among these options are motions for

96. *See id.* (declining to determine whether awarding attorneys' fees would be appropriate). The court remanded back to the district level because it has "unparalleled knowledge of the litigation and the parties . . ." *See id.*

97. *See Sands, Taylor & Wood Co. v. Quaker Oats Co.*, No. 84 C 8075, 1995 WL 221871, at \*1-2 (N.D. Ill. Apr. 12, 1995) (illustrating substantial time and costs associated with litigation of trademark rights).

98. *See Bijanki, supra* note 5, at 813 (noting increase in trademark litigation following 2008 recession). A potential reason for the increase is the "poor economy, which encouraged companies to be more protective of their intellectual property." *See id.*

99. *See id.* at 815 (alteration in original) (discussing benefits of Lanham Act allowing litigants to seek attorneys' fees). The ability to recover attorneys' fees is important in the "modern day—a time when trademarks are increasingly national and pivotal to a company's success." *See id.* at 814-15.

100. *See S. REP. No. 93-1400*, at 7136 (1974) (illustrating congressional intent behind allowing parties to seek attorneys' fees in trade dress litigation).

Effective enforcement of trademark rights is left to the trademark owners and they should, in the interest of preventing purchaser confusion, be encouraged to enforce trademark rights. It would be unconscionable not to provide a complete remedy including attorney fees for acts which courts have characterized as malicious, fraudulent, deliberate, and willful. The proposed amendment would limit attorney fees to 'exceptional cases' and the award of attorney fees would be within the discretion of the court.

*Id.*

101. *See DEP'T OF COMMERCE, REPORT TO CONGRESS: TRADEMARK LITIGATION TACTICS AND FEDERAL GOVERNMENT SERVICES TO PROTECT TRADEMARKS AND PREVENT COUNTERFEITING* 18 n.52 (2011), available at [http://www.uspto.gov/ip/TMLitigationReport\\_final\\_2011April27.pdf](http://www.uspto.gov/ip/TMLitigationReport_final_2011April27.pdf) [<http://perma.cc/4XTM-M9CZ>] (noting litigation costs will vary depending on amount at issue). The cost of litigation varies depending on the amount of relief at issue in the case; there is an average cost of

sanctions and fee-shifting provisions, which allow successful parties to recover fees for their time and effort and also alleviates the burden of defending trade dress rights.<sup>102</sup>

Sanctions against frivolous litigators are available under Rule 11 of the Federal Rules of Civil Procedure.<sup>103</sup> A motion for sanctions is appropriate when the pleading, motion, or other paper is either frivolous or interposed “for any improper purpose.”<sup>104</sup> These two standards, commonly referred to as the “frivolousness” and “improper purpose” tests, are utilized by courts to consider the underlying merits and purpose for bringing a claim.<sup>105</sup> However, traditional sanction inquiries under Rule 11 are materially limited by the safe harbor provision; fee-shifting provisions are thus typically a more readily available option for parties seeking attorneys’ fees.<sup>106</sup>

Unlike sanctions under Rule 11, fee-shifting provisions are driven by policy considerations, such as fully compensating parties for unnecessary litigation expenses.<sup>107</sup> In contrast, Rule 11 sanctions are focused on “deterrence and punishment rather than compensation.”<sup>108</sup> Although courts may use either option to award attorneys’ fees, a motion for sanctions under Rule 11 does not guarantee absolute recovery because there is “no ‘entitlement

\$384,000 when less than \$1 million is at issue, compared to an average cost of \$1,746,000 when over \$25 million is at issue. *See id.*

102. For a further discussion of sanctions and fee-shifting provisions as avenues for recovery of attorneys’ fees, see *infra* notes 103-114 and accompanying text.

103. *See* Thomas M. Geisler, Jr., *Proof of Violation of Federal Rule of Civil Procedure 11 and of Sanctions Thereunder*, 47 AM. JUR. PROOF FACTS 3D 241, § 1 (1998) (explaining function of Rule 11 motions for sanctions). Rule 11 sanctions are “intended to deter the filing of groundless papers in federal litigation [by] insur[ing] that counsel adequately research[es] both legal and factual allegations . . . .” *Id.*

104. *See* FED. R. CIV. P. 11.

105. *See* Robert S. Gerber, *Bringing and Resisting Rule 11 Sanctions*, 47 AM. JUR. TRIALS 2D 521, § 5 (1993) (explaining two standards used in application of Rule 11).

Under the “frivolousness” test, the court determines whether a competent attorney admitted to practice before the district court could reasonably have had a good-faith belief in the merit of a factual or legal contention after an objectively reasonable inquiry. Under the “improper purpose” test, the court determines whether the pleading, motion, or other paper has been interposed for purposes of delay, harassment, or increasing the costs of litigation.

*Id.* (footnote omitted).

106. For a further discussion of fee-shifting provisions and their ability to fully compensate litigants, see *infra* notes 107–11 and accompanying text.

107. *See* Leighton, *supra* note 6, at 860–61 (describing Commerce Department argument in favor of allowing fee-shifting provisions). The Acting Commissioner stated that “[d]eliberate and flagrant infringement of trademarks should be discouraged in view of the public interest in the integrity of marks as a measure of quality of products.” *See id.* at 861 (quoting *Patent Office Bills: Hearing on H.R. 7599, H.R. 8981, H.R. 9199, and S. 71 Before the H. Subcomm. on Courts, Civil Liberties & the Admin. of Justice of the Comm. on the Judiciary*, 93d Cong. 14 (1973) (testimony of Rene Tegtmeyer, Acting Comm’r of Patents, Dep’t of Commerce)).

108. *See* Daniel H. Fehderau, Comment, *Rule 11 and the Court’s Inherent Power to Shift Attorney’s Fees: An Analysis of Their Competing Objectives and Applications*, 33 SANTA CLARA L. REV. 701, 713 (1993) (discussing purpose of Rule 11).

to full compensation on the part of the opposing party.”<sup>109</sup> In many trade dress claims, “[w]ithout attorney-fee shifting, a company may not pursue a small-scale infringement that would cost the company more to litigate than the company would recover in damages.”<sup>110</sup> However, the ability to receive absolute recovery through fee-shifting provisions incentivizes companies to defend their trade dress rights through litigation regardless of the trademark’s value.<sup>111</sup>

The ability to recover attorneys’ fees is important and encourages companies to defend their trade dress rights without being discouraged by cost of litigation.<sup>112</sup> In addition, it is easier to recover under the broad application of fee-shifting provisions than under Rule 11 sanctions.<sup>113</sup> As an initial option, parties can use fee shifting to recover their losses before employing the more restrictive standards under Rule 11.<sup>114</sup>

#### B. *Scallywags Beware: Clients May Seek Recovery Through Malpractice Claims*

A significant downside to incentivizing companies to seek attorneys’ fees is the heavy burden placed on counsel, whose losing clients may now seek reimbursement through malpractice claims.<sup>115</sup> Due to fee shifting, thousands

109. *See id.* at 714 (quoting *White v. Gen. Motors Corp.*, 139 F.R.D. 178, 183 (D. Kan. 1991)) (internal quotation marks omitted); *see also id.* at 714 n.93 (“[T]he district court on remand adjusted its initial award of \$172,382.19, based on the prevailing party’s attorney’s fees, down to \$50,000.”). As *White* demonstrates, courts may not give full recovery to successful parties under a Rule 11 motion for sanctions. *See id.*

110. *See Bijanki, supra* note 5, at 815 (explaining congressional intent in providing for attorney-fee shifting).

111. *See S. REP. No. 93-1400*, at 7135 (1974) (“In appropriate circumstances, a successful party should be entitled to full compensation for the injuries sustained and expenses incurred, since these were necessitated by the acts of the opposing party.”).

112. *See id.* (illustrating Congress’s policy considerations behind allowing fee-shifting provisions).

113. *See, e.g., Renna v. Cnty. of Union*, No. 11-3328 (KM), 2015 WL 93800 (D.N.J. Jan. 7, 2015) (demonstrating that parties are more likely to get attorneys’ fees under fee-shifting provisions than motion for sanctions), *report and recommendation adopted by Civ. No. 2:11-3328 (KM)(MAH)*, 2015 WL 1815498 (D.N.J. Apr. 21, 2015). In *Renna*, the court allowed recovery even though the losing party did not act in bad faith, fraudulently, or maliciously, but rather brought litigation that contained “significant disparity in the merits of the parties’ respective litigation positions . . .” *See id.* at \*8. Under the Third Circuit’s analysis, the plaintiff’s continuous litigation on a meritless position was unreasonable. *See id.*

114. *See White*, 139 F.R.D. at 183 (limiting recovery of attorneys’ fees under Rule 11 motion for sanctions). The court in *White* put a \$50,000 cap on attorneys’ fees, which reduced the defendant’s award by \$123,000. *See id.*

115. *See* 3 S. Gerald Litvin & Gerald A. McHugh, Jr., *Legal Malpractice Arising Out of Civil Representation—Elements of a Cause of Action*, PENNSYLVANIA TORTS: LAW & ADVOCACY § 6.9 (1996) (providing framework for bringing civil malpractice claim). In Pennsylvania, the requirements for bringing a claim are: “(1) the employment of the attorney or other basis for imposition of a professional duty; (2) the failure of the attorney to exercise ordinary skill and knowledge; and (3) proof that such failure was the proximate cause of damage to the plaintiff.” *See id.*

of dollars in litigation costs can potentially fall squarely on the losing parties' shoulders.<sup>116</sup> Most clients will try to avoid paying their opponent's litigation bill, and some go so far as to initiate lawsuits against their own lawyer to mitigate losses from losing their case.<sup>117</sup> To avoid malpractice claims, lawyers must adequately advise clients on the risk involved and plead the case accurately to avoid fee-shifting provisions.<sup>118</sup>

Given the broadening standards of exceptionality, lawyers—especially those not familiar with the intricacies of fee-shifting provisions—should take extra precaution before taking cases to recuperate attorneys' fees.<sup>119</sup> For relatively new or inexperienced lawyers, seeking out a mentor for advice or staying abreast on how courts apply fee-shifting provisions under the new standard are both viable options.<sup>120</sup>

V. TOE THE LINE: *FAIR WIND SAILING* OFFERS GUIDANCE FOR PRACTITIONERS IN TRADE DRESS CLAIMS

Whether litigating trade dress rights that involve website design or the packaging shape of shipping materials, a Third Circuit practitioner must consider the new, broad standards when bringing a claim.<sup>121</sup> Litigants can no longer hide behind a restrictive view of what culpable behavior qualifies as exceptional to avoid fee-shifting provisions because now, in light of *Fair Wind Sailing*, district courts are more willing to award fees to parties defending frivolous claims.<sup>122</sup> More research is necessary to ensure litigators have

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116. See *Securacomm Consulting, Inc. v. Securacom Inc.*, 224 F.3d 273, 277 (3d Cir. 2000) (affirming Third Circuit's award of attorneys' fees due to lawyer's negligent litigation tactics). The plaintiff's lawyers were found to have "engag[ed] in bad faith negotiations and then [sought] to destroy a financially weaker adversary through oppressive litigation tactics." See *id.* (internal quotation marks omitted).

117. See *id.* at 282 ("The case involved a deliberate effort by Securacom New Jersey to 'bury' Libengood financially and 'take everything he had' by filing multiple suits and complaints against him and his attorneys in a variety of legal fora."). Due to the lawyer's negligent actions, the Third Circuit affirmed an award of attorneys' fees. *Id.* at 283.

118. For a further discussion of practitioner tips on bringing an effective trade dress claim, see *infra* notes 121–26 and accompanying text.

119. For a further discussion on the broad application of fee-shifting provisions in the Third Circuit following *Fair Wind Sailing*, see *supra* notes 78–96 and accompanying text.

120. See McKeon, *supra* note 44 (emphasizing need for litigators to stay up to date on changes within all areas of intellectual property law).

121. See *Fair Wind Sailing, Inc. v. Dempster*, 764 F.3d 303, 314–15 (3d Cir. 2014) (creating expansive standard for awarding attorneys' in Lanham Act cases). The Third Circuit's expansive standard means litigators should consider their actions and specificity of the pleadings to avoid being stuck paying attorneys' fees. See *id.*

122. See *Teal Bay Alliances, LLC v. Southbound One, Inc.*, No. MJG-13-2180, 2015 WL 357064, at \*3 (D. Md. Jan. 26, 2015) (awarding \$30,855 in attorneys' fees to defendant company). The district court chose to follow the Third Circuit's lead by adopting the alternative interpretation of exceptional in trade dress claims. See *id.* at \*1–2.

adequate knowledge of the case's facts before initiating suit.<sup>123</sup> Detailed investigation is important early on in a trademark case to consider the underlying merits of a party's position and the strategy of litigation.<sup>124</sup>

In order to avoid responsibility for a significant litigation bill, parties should consider certain characteristics in trade dress, such as functional features of the business and website design.<sup>125</sup> Despite Fair Wind's shortcomings, its case offers insight into how litigators should structure their arguments when bringing trade dress claims in the Third Circuit.<sup>126</sup>

#### A. *Stand Off: Functional Versus Non-Functional Trade Dress*

Under the first prong of the Lanham Act, a plaintiff must establish that the business's design or features are non-functional in nature.<sup>127</sup> To meet this burden, the feature must be "unrelated to the consumer demand . . . and serve[] merely to identify the source of the product [or business] . . ." <sup>128</sup> In contrast, a functional feature relates "to the use or purpose of the article . . . cost or quality of the article, [or] one [that] . . . would put competitors at a *significant* non-reputation-related disadvantage."<sup>129</sup>

123. *See id.* at \*2 (noting court's assessment that case was exceptional). The court in *Teal Bay Alliances* held that, considering the totality of the circumstances, plaintiff's claim was litigated unreasonably. *See id.* The court relied on evidence that Teal Bay did not have exclusive rights to use the name "Shorebilly Brewing Company" before the defendant did. *See id.* (internal quotation marks omitted). However, even assuming Teal Bay did have some trademark rights, they "did not establish that [the defendant] would have infringed its rights by utilizing the name . . ." *See id.*

124. *See Linex Techs., Inc. v. Hewlett-Packard Co.*, No. C 13-159 CW, 2014 WL 4616847, at \*3 (N.D. Cal. Sept. 15, 2014) (noting importance of doing factual investigation before suit is filed). The court in *Linex* awarded attorneys' fees after finding that "Linex knew the limits of the spread spectrum technology that was crucial to the novelty of its patents. Linex exhibited 'an overall vexatious litigation strategy' by continuing to hold these groundless claims over Defendants' heads to increase potential settlement amounts." *See id.* at \*5.

125. For a further discussion of trade dress characteristics such as functional features and website design, see *infra* notes 127–42 and accompanying text.

126. *See Fair Wind Sailing*, 764 F.3d at 308–11 (detailing specific requirements necessary to prove trade dress claim). Although Fair Wind lost their claim for trade dress infringement, the case provides an example of the specificity the court looks for in successful claims. *See id.* In fact, the Third Circuit made several comments regarding areas that require greater detail, including website design and lost profits. *See id.* at 310.

127. *See Shire US Inc. v. Barr Labs., Inc.*, 329 F.3d 348, 353 (3d Cir. 2003) ("To establish infringement of its unregistered trade dress a plaintiff must prove that (1) the allegedly infringing feature is non-functional . . .").

128. *See Prufrock Ltd., Inc. v. Lasater*, 781 F.2d 129, 133 (8th Cir. 1986) (listing common characteristics of non-functional business features). In *Prufrock*, the court gave some insight on assessing the functionality of trade dress, finding that "where the feature or, more aptly, design, is a mere arbitrary embellishment . . . imitation may be forbidden where the requisite showing of secondary meaning is made." *See id.* (quoting *Truck Equip. Serv. Co. v. Fruehauf Corp.*, 536 F.2d 1210, 1217–18 (8th Cir. 1976)).

129. *See Traffix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 33 (2001) (emphasis added) (quoting *Qualitex Co. v. Jacobson Prods. Co., Inc.*, 514 U.S. 159, 165 (1995)) (internal quotation marks omitted) (listing characteristics of functional trade dress

When arguing the functionality of a business feature, it is important to demonstrate how the feature relates to the source or identification of the business, rather than the product's effect on consumer demand or quality.<sup>130</sup> Without this showing, the feature will not be deemed necessary for establishing the identity of the business, and "the interests in free competition permits its imitation . . . ."<sup>131</sup> By drawing lines between a product's individuality and its relation to commercial success, the non-functional requirement promotes free enterprise and ensures that imitators will not unduly impede on companies that rely on unique features.<sup>132</sup>

B. *Determining When "Web Design" Crosses the Line into Trade Dress Territory*

With technology rapidly evolving in the business world, trade dress litigants must adapt and consider potential complications arising in website design.<sup>133</sup> Protecting website design as trade dress of a business can be difficult because entire design layouts are not protectable, which leaves courts

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features). In *TrafFix*, the Supreme Court ruled against the plaintiff's trade dress claim because the product, a dual-spring design, was a functional feature. *See id.* The Court held that utility patents are traditionally indicative of functionality, and functionality should be assessed by whether the product's design "is essential to the use or purpose of the article or if it affects the cost or quality of the article." *See id.* (quoting *Qualitex Co.*, 514 U.S. at 165) (internal quotation marks omitted). Having found the spring design to be functional in nature, the Court barred plaintiffs claim under the Lanham Act. *See id.* at 23.

130. *See Eppendorf-Netheler-Hinz GMBH v. Ritter GMBH*, 289 F.3d 351, 355 (5th Cir. 2002) ("Unlike patent law, the purpose of trademark and trade dress law is to prevent customer confusion and protect the value of identifying symbols, not to encourage invention by providing a period of exclusive rights." (quoting J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 6:3 (4th ed. 2001)) (internal quotation marks omitted)).

131. *See Prufrock*, 781 F.2d at 133 (quoting *Truck Equip. Serv. Co.*, 536 F.2d at 1217-18) (stating Eighth Circuit test for assessing functionality of business features). The court in *Prufrock* relies heavily on whether the features relate to identification, rather than the commercial success of the product. *See id.*

132. *See id.* (listing several business components that cannot be monopolized). Some examples of functional features that cannot be controlled include "the usefulness, efficiency, or appeal of the product or service." *See id.* (internal quotation marks omitted). The court relied on restaurant examples to demonstrate that certain aesthetic features of a business may be copied by others provided they do not hinder competition or imitate any distinctive aspects of the business. *See id.*

133. *See Xuan-Thao N. Nguyen, Should It Be a Free for All? The Challenge of Extending Trade Dress Protection to the Look and Feel of Web Sites in the Evolving Internet*, 49 AM. U. L. REV. 1233, 1234 (2000) ("In the e-commerce world, a company's web site becomes the primary communication center with the customer. The web site is where the company displays products, presents marketing materials, and provides sales and post-sales support. Increasingly, companies are spending valuable resources to build and maintain their web sites." (footnotes omitted)).

to interpret the various elements or “feel” of the website.<sup>134</sup> The best argument in favor of website protection—the distinctive “look and feel” of the website—has been notoriously difficult for trade dress parties to litigate.<sup>135</sup> As a result, litigators should still attempt to argue the vague “look and feel” standard, but remain focused on the individual elements of the website claim.<sup>136</sup>

However, some federal courts, including the Third Circuit, offer insight on how to protect website design under the Lanham Act.<sup>137</sup> For instance, litigants should provide the court an extensive and detailed comparison of the websites at issue in the case.<sup>138</sup> The website comparison should separately list any specific similarities in order to demonstrate how these features would confuse

134. See Amber R. Cohen, Note, *A Square Peg into a Round Hole: Trade Dress Protection of Websites, the Perspective of the Consumer and the Dilemma for the Courts*, 3 S. NEW ENG. ROUNDTABLE SYMP. L.J. 137, 154 (2008) (“Legally, to protect a web page layout as a whole is not possible with the law as it stands.”). Instead, the courts have focused on the individual elements of the claim that make the website inherently distinctive. See *id.* at 158.

135. See *id.* at 162 (arguing in favor of clearer standards for “look and feel” of website design).

Upon analyzing the case law, the groundwork to protect the “look and feel” of a website is not established. The dispositive factors such as consumer confusion, functionality, and specificity of claims are all infinite yet so limited on a screen of a computer. Trade dress protection of the ‘look and feel’ of a website has not been upheld by any court. The law of trade dress does not fit the requirements needed to protect the ‘look and feel’ of a website. Nevertheless, future cases are imminent and require an active discussion.

*Id.* Some commentators have noted the complexity with trade dress claims based on website design due to the Supreme Court’s reluctance to adapt “in the era of technological explosions . . . .” See *id.* at 160.

136. See *Blue Nile, Inc. v. Ice.com, Inc.*, 478 F. Supp. 2d 1240, 1246 (W.D. Wash. 2007) (allowing factual development before deciding on applicability of “look and feel” standard). The court in *Blue Nile* came the closest to deciding whether the “look and feel” standard is appropriate for website design claims. See *id.* The parties agreed to a stipulation of dismissal two weeks later and the question was left unanswered. See *Blue Nile, Inc. v. Ice.com, Inc.*, No. C-06-1002 RSL, 2007 WL 1046368 (W.D. Wash. Feb. 2, 2007) (agreeing to stipulation of dismissal).

137. See *Blue Nile*, 478 F. Supp. 2d at 1246 (demonstrating willingness to apply “look and feel” standard to trade dress claim). The *Blue Nile* court held the “presentation of diamond search features is sufficient to support a claim . . . .” See *id.* at 1244 (internal quotation marks omitted); see also *Creative Co-Op, Inc. v. Elizabeth Lucas Co.*, No. 11-116-S-REB, 2012 WL 761736, at \*2–3 (D. Idaho Mar. 7, 2012) (declaring parallel claims under the Copyright Act and Lanham Act are not per se inadmissible). In *Creative Co-Op*, the Idaho district court allowed the case to continue forward, but required “a specifically-defined list of elements that comprise the trade dress.” See *id.* at \*3. Combining *Blue Nile* and *Creative Co-Op*, it appears that some federal courts are willing to address the “look and feel” argument if plaintiffs precisely construct the complaint to specifically list the trade dress elements being copied. See *id.*

138. See *Fair Wind Sailing, Inc. v. Dempster*, 764 F.3d 303, 310 (3d Cir. 2014) (demonstrating what happens when party fails to provide adequate comparison of features). The Third Circuit struck down the claim because Fair Wind’s “complaint d[id] not enumerate what specific elements of its website comprise[d] a distinctive trade dress or that its site ha[d] any distinctive ornamental features.” See *id.*

or mislead potential consumers about the business product.<sup>139</sup> Providing specific examples is extremely important because it is necessary to distinguish trade dress from copyright rights, which are protectable under a separate statute.<sup>140</sup> Developing a factual basis for the “look and feel” of the website design based on the individual trade dress elements adds substance to an otherwise vague standard.<sup>141</sup> Finally, although courts have shown a willingness to protect unique website design features, litigators must plead their claim early and specifically demonstrate the impact these features have on their business.<sup>142</sup>

## VI. CLEARER SKIES ON THE HORIZON

Following *Fair Wind Sailing*, the expansive view of exceptionality under the Lanham Act will promote fair and ethical litigation of trade dress claims in the Third Circuit.<sup>143</sup> The more lenient standard for awarding attorneys’ fees requires litigators to plead their claims precisely, only after an adequate amount of research verifying the underlying merits.<sup>144</sup> Thus, the Third Circuit took the wind out of frivolous litigators’ sails by ensuring defendants have an ability to recover attorneys’ fees.<sup>145</sup>

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139. See *Treat, Inc. v. Dessert Beauty*, No. 05-923-PK, 2006 WL 2812770, at \*15 (D. Or. May 5, 2006) (“The discreet elements that make up the alleged trade dress must be separated out and identified in a list.”). In *Treat*, the court required trade dress elements be listed out because “[o]nly then can the court and the parties coherently define exactly what the trade dress consists of and determine whether the trade dress is valid and if what the accused is doing is an infringement.” See *id.* at \*14 (internal quotation marks omitted).

140. See *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23, 34 (2003) (“Thus, in construing the Lanham Act, we have been ‘careful to caution against misuse or over-extension’ of trademark and related protections into areas traditionally occupied by patent or copyright.”).

141. See *Cohen*, *supra* note 134, at 158 (arguing that websites containing generic elements may be successful if overall website is proven to be inherently distinctive).

142. See *Fair Wind Sailing*, 764 F.3d at 315 (affirming district court’s dismissal of plaintiff’s trade dress and unjust enrichment claims). Failing to provide a detailed complaint, the court rejected *Fair Wind*’s trade dress case and did not allow amendment to provide more specific examples. See *id.*

143. See *LendingTree, LLC v. Zillow, Inc.*, 54 F. Supp. 3d 444, 463 (W.D.N.C. 2014) (awarding attorneys’ fees against defendant for litigating trade dress claim unreasonably). In *LendingTree*, the defendant “failed to produce relevant documentary evidence” on several occasions and required several interventions by the court. See *id.* at 461. Applying the new meaning of exceptional, the North Carolina district court ruled such behavior was inappropriate and deserving of punishment by the court. See *id.* at \*461–63.

144. For a further discussion of proper complaint pleadings following the new interpretation of exceptional, see *supra* notes 117–23 and accompanying text.

145. See *Fair Wind Sailing*, 764 F.3d at 315 (creating broad standard for Third Circuit to award attorneys’ fees in exceptional cases).



