
TO OUR CLIENTS

April 10, 2000

***United States Supreme Court Holds That In An Action
for Infringement of Unregistered Trade Dress, A
Product's Design Is Protectible Only Upon A Showing
Of Secondary Meaning***

In *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, No. 99-150, 2000 WL 293238 (U.S. Mar. 22, 2000), the Supreme Court examined under what circumstances a product's design is protectible under Section 43(a) of the Trademark Act of 1946, 15 U.S.C. § 1125(a) (the "Lanham Act"). The Court held that a product's design is incapable of being inherently distinctive and, therefore, is protectible only upon a showing of secondary (or acquired) meaning. The Court's holding provides clearer direction in the previously confused application of inherent distinctiveness to product design in actions for infringement of unregistered trade dress under Section 43(a).

The facts were simple and undisputed. In 1995, Wal-Mart contracted with Judy-Philippine, Inc. ("JPI") to manufacture children's clothing to be sold under Wal-Mart's "Small Steps" label. Wal-Mart's designs were based on photographs of clothing designed and manufactured by Samara Brothers, Inc. When JPI manufactured the clothing for Wal-Mart, it copied, with small modifications, sixteen of Samara's garments. Samara holds copyright registrations on thirteen of the sixteen garments copied. In 1996, as a result of complaints, Samara investigated children's clothing being sold at Wal-Mart, KMART, Caldor, Hills and Goody's and in each store discovered unauthorized copies of Samara garments. As a result, Samara brought suit in the United States District Court for the Southern District of New York against the stores and JPI for copyright infringement under federal law, consumer fraud and unfair competition under New York law and infringement of unregistered trade dress under Section 43(a) of the Lanham Act. All of the defendants except Wal-Mart settled with Samara before trial.

At trial, the jury found in favor of Samara on all of its claims. The jury found that Wal-Mart had wilfully infringed Samara's rights, awarding Samara \$912,856.77 on the copyright claims, \$240,458.53 for the Lanham Act violation and \$50 for the state law violations. Wal-Mart then moved for judgment as a matter of law and Samara moved for injunctive relief, enhancement of damages, an award of attorneys' fees and prejudgment interest. Wal-Mart argued that Samara's Section 43(a) claim failed for two reasons: (1) Samara's garments were not so distinctive as to source as to be entitled to trade dress protection, and (2) the garments sold by Wal-Mart did not create "confusion among customers" as to the source of the goods.

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The district court denied Wal-Mart's motion, and addressed by opinion the trade dress claim, observing that it was the most difficult issue in the case. *See Samara Bros., Inc. v. Judy-Philippine, Inc.*, 969 F. Supp. 895 (S.D.N.Y. 1997). The district court granted Samara's request for injunctive relief, electing to draft its own injunction rather than accepting Samara's proposed injunction. The district court also awarded Samara attorneys' fees of \$275,000 and costs of \$33,196 based on the Lanham Act and pendent state law judgments but denied the motion for enhancement of damages and prejudgment interest.

The Second Circuit affirmed the denial of Wal-Mart's motion for judgment as a matter of law, but rejected injunctive relief. *Samara Bros., Inc. v. Wal-Mart Stores, Inc.*, 165 F.3d 120 (1998). Wal-Mart petitioned for certiorari and the Supreme Court granted review and unanimously reversed the Second Circuit's decision, holding that product design cannot be inherently distinctive, and that the court should consider on remand whether the design has acquired secondary meaning, thereby making it distinctive for purposes of trade dress protection.

Trade Dress Protection

Under Section 43(a) of the Lanham Act, a producer (or seller) has a cause of action for the use by any person of "any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which . . . is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person. . . ." 15 U.S.C. § 1125(a)(1)(A). Section 43(a)(1)(A) is often referred to as the protection of unregistered trademarks. That protection embraces not just words, such as "McDonald's," and symbols or logos such as golden arches, but also "trade dress" – a category that includes the design, packaging, or dressing of a product. *See, e.g., Ashley Furniture Indus., Inc. v. Sangiacomo N.A., Ltd.*, 187 F.3d 996 (4th Cir. 1999) (applying trade dress to bedroom furniture).

Unregistered trademarks must be shown to be *distinctive* before they can be protected under Section 43(a). Distinctiveness is required for registration of a trademark under Section 2 of the Lanham Act, and the Supreme Court has applied that requirement

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to determining whether an unregistered mark is entitled to protection under Section 43(a). *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763 (1992).

There is another limitation on the registration of trade dress as a trademark under the Lanham Act in addition to a showing of distinctiveness. Trade dress cannot be registered as a trademark under the Lanham Act unless the producer (or seller) shows that the trade dress is not "functional." See 15 U.S.C. §1125 (a)(3). A feature is functional "if it is essential to the use or purpose of the article or if it affects the cost or quality of the article." *Inwood Labs., Inc. v. Ives Labs, Inc.*, 456 U.S. 844, 850 n.10 (1982).

Inherent Distinctiveness and Secondary Meaning

As noted above, in general, a person claiming rights in a trademark bears the burden of proving that the trademark is distinctive in one of two ways: (1) the mark is inherently distinctive, or (2) the mark has developed secondary meaning. First, a mark is inherently distinctive if its "intrinsic nature serves to identify a particular source." *Two Pesos*, 505 U.S. at 768. Inherent distinctiveness encompasses the idea that the very purpose of attaching a particular word to a product, or using a certain type of packaging, is used to help customers identify the source of the product. See *Wal-Mart*, 2000 WL 293238, at *5. To determine whether a mark is inherently distinctive, courts have traditionally applied the following classic test: whether the mark can be classified as either "generic," "descriptive," "suggestive," "arbitrary" or "fanciful." *Two Pesos*, 505 U.S. at 770; *Abercrombie & Fitch v. Hunting World, Inc.*, 537 F.2d 4, 9 (2d Cir. 1976). "Suggestive," "arbitrary," and "fanciful" marks are often found inherently distinctive. These classifications are never easy to apply; they are nearly impossible to apply, however, when the marks at issue are not words, but rather are product design or product packaging.¹

¹ As the court tried to explain in *Abercrombie*, "A generic term is one that refers, or has come to be understood as referring, to the genus of which the particular product is a species. At common law neither those terms which were generic nor those which were merely descriptive could become valid trademarks.... A term is suggestive if it requires imagination, thought and perception to reach a conclusion as to the nature of goods. A term is descriptive if it forthwith conveys an immediate idea of the ingredients, qualities or characteristics of the goods.... As terms of art, the distinctions between suggestive terms and fanciful or arbitrary terms may seem needlessly artificial. Of course, a common word may be used in a fanciful sense; indeed one might say that only a common word can be so used, since a coined word cannot first be put to a bizarre use. Nevertheless, the term 'fanciful', as a classifying concept, is usually applied to words invented solely for their use as

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Second, a mark may acquire distinctiveness if it develops secondary meaning. A mark develops secondary meaning when, “in the minds of the public, the primary significance . . . is to identify the source of the product rather than the product itself.” *Wal-Mart*, 2000 WL 293238, at *4, citing *Inwood Labs.*, 456 U.S. at 851 n.11. Thus, descriptive marks are only protectible if the owner establishes secondary meaning. *Abercrombie*, 537 F.2d at 8. Factors useful in establishing secondary meaning of a proposed trademark include the length and exclusivity of its use, sales volume of the product using the trademark, and promotional efforts that focus on linking the trademark and the source of the product.

Generally, trademarks can be protected either when they are inherently distinctive or upon the showing of a secondary meaning. However, in *Qualitex Co. v. Jacobson Products Co.*, 514 U.S. 159, 162-63 (1995), the Supreme Court held that when a color of a product is claimed to be a trademark, that “color” can never be inherently distinctive. As a result, the Court held that a showing of secondary meaning is required for the protection of a color as a trademark. *Id.* at 162-63. Distinguishing color from other marks that might be within the inherently distinctive classifications of “fanciful,” “arbitrary,” or “suggestive,” the Court explained that a product’s color does not “almost automatically tell a customer [it] refer[s] to a brand,” and does not “immediately . . . signal a brand or a product source.” *Id.* at 163. However, because a product’s color could “come to indicate a product’s origin,” the Court determined that color could be protected as a trademark upon a showing of secondary meaning. *Id.*

In *Wal-Mart*, the Supreme Court took *Qualitex* a logical step further and held that “design, like color, is not inherently distinctive.” 2000 WL 293238, at *5. The Court reasoned that, unlike marks that meet the inherently distinctive standards, product design and product color are not equated with the source of the product. “Consumers are aware of the reality that . . . even the most unusual of product design . . . is intended not to identify the source, but to render the product itself more useful or more appealing.” *Id.*

Justice Scalia went on to explain that “[t]he attribution of inherent distinctiveness to certain categories of word marks and product packaging derives from the fact that the very purpose of attaching a particular word to a product, or encasing it in a distinctive packaging, is most often to identify the source of the product. Although the words and

trademarks. When the same legal consequences attach to a common word, i.e., when it is applied in an unfamiliar way, the use is called ‘arbitrary.’” 537 F.2d at 9, 11 & n.12.

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packaging can serve subsidiary functions -- a suggestive word mark (such as 'Tide' for laundry detergent), for instance, may invoke positive connotations in the consumer's mind, and a garish form of packaging (such as Tide's squat, brightly decorated plastic bottles for its liquid laundry detergent) may attract an otherwise indifferent consumer's attention on a crowded store shelf -- their predominant function remains source identification." *Id.* at *4-5.

Justice Scalia contrasted that situation from the situation involving descriptive trademarks: "where it is not reasonable to assume consumer predisposition to take an affixed word or packaging as indication of source -- where, for example, the affixed word is descriptive of the product ('Tasty' bread) or of a geographic origin ('Georgia' peaches) -- inherent distinctiveness will not be found. That is why the statute generally excludes, from those word marks that can be registered as inherently distinctive, words that are 'merely descriptive' of the goods, § 2(e)(1), 15 U.S.C. § 1052 (e)(1), or 'primarily geographically descriptive of them,' see § 2(e)(2), 15 U.S.C. § 1052(e)(2)." *Id.* at *5. Product design was found by the Court to be far more akin to descriptive marks and colors than to source identifiers. In the words of the Court: "The fact that product design almost invariably serves purposes other than source identification not only renders inherent distinctiveness problematic; it also renders application of an inherent-distinctiveness principle more harmful to other consumer interests. Consumers should not be deprived of the benefits of competition with regard to the utilitarian and esthetic purposes that product design ordinarily serves by a rule of law that facilitates plausible threats of suit against new entrants based upon alleged inherent distinctiveness." *Id.* at *5.

The Court reached that result, in part, because of the anticompetitive effects of the use of the inherent distinctiveness doctrine in product configuration cases and the availability of other protections to producers to protect their legitimate trademark rights:

It is true, of course, that the person seeking to exclude new entrants would have to establish the nonfunctionality of the design feature, see § 43(a)(3), 15 U.S.C.A. § 1125(a)(3) (Oct. 1999 Supp.) -- a showing that may involve consideration of its esthetic appeal, see *Qualitex*, 514 U.S. at 170. Competition is deterred, however, not merely by successful suit but by the plausible threat of successful suit, and given the unlikelihood of inherently source-identifying design, the game of allowing suit based upon alleged inherent

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distinctiveness seems to us not worth the candle. That is especially so since the producer can ordinarily obtain protection for a design that *is* inherently source identifying (if any such exists), but that does not yet have secondary meaning, by securing a design patent or a copyright for the design -- as, indeed, respondent did for certain elements of the designs in this case. The availability of these other protections greatly reduces any harm to the producer that might ensue from our conclusion that a product design cannot be protected under § 43(a) without a showing of secondary meaning. *Id.* at *6.

The Court, therefore, held “that, in an action for infringement of unregistered trade dress under § 43(a) of the Lanham Act, a product’s design is distinctive, and therefore protectible, only upon a showing of secondary meaning.” *Id.* at *7.

Product Design and Product Packaging

The *Wal-Mart* decision makes strong policy sense and excludes from the category of inherent distinctiveness features that are not intended as source identifiers. Taken together, *Qualitex* and *Wal-Mart* stand for the unremarkable proposition that a product’s color and design are intended to do other things than identify the source of a product. Based upon that observation, the Court has now plainly limited the outer contours of “inherent distinctiveness,” excluding features that are “intended not to identify the source, but to render the product itself more useful or more appealing.”

One remaining area of controversy may be distinguishing between product design and product packaging. It remains the case that trade dress that constitutes product packaging can be inherently distinctive. *Two Pesos*, 505 U.S. at 773. In *Two Pesos*, the Court held that the trade dress of the overall design of a chain of Mexican restaurants with “a festive eating atmosphere having interior dining and patio areas decorated with artifacts, bright colors, paintings and murals” could be protected under Section 43(a) without a showing of secondary meaning. The court in *Wal-Mart* distinguished *Two Pesos* on the grounds that the restaurant decor did not constitute product design but product packaging. Thus, although product design cannot be inherently distinctive, product packaging can be.

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The Court in *Wal-Mart* instructed that where it is difficult to determine whether the trade dress is product design or packaging, “courts should err on the side of caution and classify ambiguous trade dress as product design, thereby requiring secondary meaning.” 2000 WL 293238, at *7.

Conclusion

Wal-Mart provided an unusually clear answer to a question that was oft debated in the lower courts after *Two Pesos*: whether product configuration ever could be inherently distinctive. That uncertainty allowed product configuration infringement cases to be filed and tried where there clearly was no proof of secondary meaning. *Wal-Mart* answers that question – product design is protectible only upon a showing of secondary meaning – and removes from the expense of Lanham Act litigation a category of cases that should never have been brought.

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