

Competition Lives!

Product Configuration Trade Dress
Requires Secondary Meaning for Enforcement

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The U.S. Supreme Court delivered a blow to advocates of product configuration trade dress rights in its March 19, 2000 decision in the case *Wal-Mart Stores, Inc. v. Samara Brothers, Inc.*, Appeal No. 99-150, 529 U.S. ____ (2000).

In *Wal-Mart*, the Supreme Court has put to rest the issue of whether a product's configuration or design can or should be deemed to be inherently distinctive by stating clearly that a product design should **never** be found to be inherently distinctive. The Court held that, in an action for infringement of unregistered trade dress under Section 43(a) of the Lanham Act, a product's design is protectable under the Lanham Act **only** upon a showing of secondary meaning. The Court went on to state that in cases where it is unclear whether a particular trade dress should be classified as a product design (requiring secondary meaning) or product packaging (which may be inherently distinctive), courts should "err on the side of caution" and classify the trade dress as product design, requiring the stricter standard.

The *Wal-Mart* decision will make it more difficult and expensive to enforce product configuration trade dress claims in court. Product design forms of trade dress can now only be protected if it is proved that buyers associate the design with a single source. This association, or "secondary meaning," will need to be shown by presenting evidence in the form of direct consumer testimony, consumer surveys, and/or documentation of circumstances such as the length of time the design has been used exclusively by the manufacturer, the type of advertising, advertising expenditures, the number of sales and customers, and any proof of intentional copying.

The phrase "secondary meaning" originally arose in the context of word marks, where it served to distinguish the source-identifying meaning from the ordinary, or "primary," meaning of the word. For example, "apple" has a primary meaning as a type of fruit and a "secondary meaning" as a trademark identifying computers from a particular source. In trade dress cases, the term "secondary meaning" has come to refer to the acquired, source-identifying meaning of a non-word mark as well.

What is trade dress?

Trade dress was originally defined as the totality of elements in which a product or service is packaged or presented. In other words, the "trade dress" of a product only referred to the manner in which the product was "dressed up" to go into the market. Examples included the product label, packaging, display cards, and the like. This combination of elements created

a visual image to consumers and if used in such a manner as to denote the source of the product, was capable of acquiring exclusive legal rights as a type of trademark.

However, over time “trade dress” has taken on a more expansive definition beyond merely how a product is packaged or displayed, and now includes non-functional aspects of the product itself, including for example, the product’s appearance, shape and/or configuration. The modern definition of “trade dress” now includes the total assembly of all elements, if the overall impact is used in a source identifying manner.

Such rights have been recognized and expanded by the courts since the 1980s. The Supreme Court had previously held that if the elements making up the trade dress were so unusual or extraordinary as to be inherently distinctive, then proof of secondary meaning was unnecessary. *Two Pesos Inc. v. Taco Cabana Inc.*, 505 U.S. 763, 112 S. Ct. 2753, 23 USPQ2d 1081 (1992). *Two Pesos* involved distinctive restaurant decor which the Court found to be inherently distinctive. The Court further held that trade dress in general can satisfy the threshold question of distinctiveness by showing that it is either inherently distinctive or that it has acquired secondary meaning.

In *Wal-Mart*, the Court clarified its holding in *Two Pesos* stating that the trade dress at issue in *Two Pesos* should be viewed as akin to packaging rather than product design or some equivalent form (*tertium quid*) of packaging. The Court clearly stated that the *Wal-Mart* decision, which is limited to product design cases, is not to be viewed as a reversal of *Two Pesos*. After *Wal-Mart*, packaging trade dress cases can rely upon the inherently distinctive test, whereas product design trade dress cases cannot.

Background:

Samara Brothers, Inc., designs and manufactures children’s clothing. Its primary product is a line of spring/summer one-piece seersucker outfits decorated with appliques of hearts, flowers, fruits, and the like. The Samara clothing included the following features; (1) seersucker fabric; (2) large bold appliques; (3) large collars with the appliques generally integrated into the collar and the pockets, if any; (4) absence of printed images, black outlines, alphanumeric characters, or three-dimensional features; and (5) full-cut, one piece conservative bodies. A number of stores, including JC Penney, sell this line of clothing under contract with Samara.

Wal-Mart Stores, Inc., is this country’s largest retailer, selling among other things children’s clothing. In 1995, Wal-Mart contracted with one of its suppliers, Judy-Philippine, Inc., to manufacture a line of children’s outfits for sale in the 1996 spring/summer season. Wal-Mart sent Judy-Philippine photographs of a number of garments from Samara’s line, on which Judy-Philippine’s garments were to be based. Judy-Philippine duly copied, with only

minor modifications, 16 of Samara's garments.

In 1996, Wal-Mart briskly sold the Judy-Philippine versions, generating more than \$1.15 million in gross profits.

JC Penney complained to Samara that Samara garments were on sale at Wal-Mart. Samara officials launched an investigation, which disclosed that Wal-Mart and several other major retailers, including Kmart, Caldor, Hills, and Goody's, were selling the Judy-Philippine versions of Samara's outfits.

After sending cease-and-desist letters, Samara filed suit in the United States District Court for the Southern District of New York against Wal-Mart, Judy-Philippine, Kmart, Caldor, Hills, and Goody's for copyright infringement under federal law, consumer fraud and unfair competition under New York law. Samara also alleged infringement of its unregistered "trade dress" rights under Section 43(a) of the Lanham Act. All of the defendants except Wal-Mart settled before trial.

After trial, the jury found in favor of Samara on all of its claims. Wal-Mart then renewed a motion for judgment as a matter of law, claiming, *inter alia*, that there was insufficient evidence to support a conclusion that Samara's clothing designs could be legally protected as distinctive trade dress for purposes of Section 43(a). The District Court denied the motion, 969 F. Supp. 895 (SDNY 1997), and awarded Samara damages, interest, costs, and fees totaling almost \$1.6 million, together with injunctive relief. The trade dress portion of the damage award was \$240,458.53 plus \$275,000 in attorneys' fees. The Second Circuit affirmed the denial of the motion for judgment as a matter of law, 165 F.3d 120 (1998), and the Supreme Court thereafter agreed to review the lower court decisions.

The Supreme Court's Analysis:

Registration of a trademark entitles the owner to sue an infringer; it also entitles the owner to a presumption that its mark is valid. In addition to protecting registered marks, the Lanham Act, in Section 43(a), protects unregistered trademarks in order to prevent "unfair competition." Section 43(a) gives a user of an unregistered trademark the right to sue another person, if that person makes commercial use of "any word, term, name, symbol, or device, or any combination thereof . . . which . . . is likely to cause confusion . . . as to the origin, sponsorship, or approval of his or her goods . . .".

While nothing in Section 43(a) explicitly requires a producer to show that its trade dress is distinctive, the courts have universally imposed that requirement, since without distinctiveness the trade dress would not "cause confusion . . . as to the origin, sponsorship, or approval of [the] goods," as the Section requires. Distinctiveness is, moreover, an explicit prerequisite for registration of trade dress under Section 2, and "the general principles qualifying a mark for

registration under Section 2 of the Lanham Act are for the most part applicable in determining whether an unregistered mark is entitled to protection under Section 43(a).” *Two Pesos*, 505 U.S., at 768.

The judicial differentiation between marks that are inherently distinctive and those that have acquired distinctiveness under secondary meaning has solid foundation in the statute itself. Section 2 requires that registration be granted to any trademark “by which the goods of the applicant may be distinguished from the goods of others”—subject to various limited exceptions. It also provides, again with limited exceptions, that “nothing in this chapter shall prevent the registration of a mark used by the applicant which has become distinctive of the applicant’s goods in commerce”—that is, which is not inherently distinctive but has become so only through secondary meaning.

Secondary meaning is often required for registration and/or enforcement of trademarks. The Supreme Court, in *Qualitex Co. v. Jacobson Products Co.*, 514 U.S. 159, 115 S. Ct. 1300, 34 USPQ2d 1161 (1995), held that “color” trademarks, should be protected upon a showing of secondary meaning, stating that over time, customers may come to treat a particular color on a product or its packaging as a brand 34 USPQ2d, at 1162-63. In *Qualitex*, petitioner manufactured and sold green-gold dry-cleaning press pads. After respondent began selling pads of a similar color, petitioner brought suit under Section 43(a). *Qualitex* later registered the green-gold color as a trademark and added a trademark infringement count.

In *Wal-Mart*, the Court held that in the case of product design trade dress, as in the case of color trademarks, consumer predisposition to equate the feature with the source does not exist. Consumers are aware of the reality that, almost invariably, even the most unusual of product designs – such as a cocktail shaker shaped like a penguin – is originally intended not to identify the source, but to render the product itself more useful or more appealing. However, over time, each of these (color and/or product design) may acquire a secondary meaning that could eventually come to indicate a product’s origin.

The *Wal-Mart* Court also suggested protecting product configurations by design patents or copyright registrations stating that the availability of these other protections greatly reduces any harm to the producer that might ensue from the Court’s conclusion that a product design cannot be protected under Section 43(a) without a showing of secondary meaning. The Court did not comment on the fact that design patent protection is not as broad as Lanham Act trade dress protection, the most significant limitations being the 14-year term of a design patent and stricter infringement standards. Likewise, the Court ignored the fact that copyright protection is likewise limited in comparison, as it is often unavailable due to the requirement that, in order to be copyrightable, the design must be separable from the useful article to which it is applied.

The *Wal-Mart* case has been remanded to the District Court for further proceedings consistent with the Supreme Court's opinion. In order to sustain the Section 43(a) claim Samara will now be required to prove that their garments have secondary meaning. The nature of Samara's trade dress (seersucker, large bold appliques, etc.) may mandate the proffer of substantial evidence to support its claim of secondary meaning. Generally, trademark and trade dress elements that are deemed to be at the low end of the distinctiveness scale must be supported with greater quantity and quality of evidence to support a finding of secondary meaning. Samara, if it chooses to pursue this claim, will likely rely upon direct consumer testimony, consumer surveys, and the like, to support the secondary meaning of its trade dress.