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## *Two Pesos, Inc. v. Taco Cabana, Inc.*: The Supreme Court's Expansion of Trade Dress Protection Under Section 43(a) of the Lanham Act

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# Notes

## *Two Pesos, Inc. v. Taco Cabana, Inc.*: The Supreme Court's Expansion of Trade Dress Protection Under Section 43(a) of the Lanham Act

### I. INTRODUCTION

Courts interpret section 43(a)<sup>1</sup> of the Lanham Act<sup>2</sup> as entitling the first manufacturer of a product to an unregistered trademark in the trade dress of the product.<sup>3</sup> Though *trademark* narrowly refers to the mark or symbol used by a manufacturer to distinguish his or her product in the marketplace, *trade dress* broadly refers to the

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1. Section 43(a) of the Lanham Act provides:

Any person who shall affix, apply, or annex, or use in connection with any goods or services, or any container or containers for goods, a false designation of origin, or any false description or representation, including words or other symbols tending falsely to describe or represent the same, and shall cause such goods or services to enter into commerce, and any person who shall with knowledge of the falsity of such designation of origin or description or representation cause or procure the same to be transported or used in commerce or deliver the same to any carrier to be transported or used, shall be liable to a civil action by any person doing business in the locality falsely indicated as that of origin or in the region in which said locality is situated, or by any person who believes that he is or is likely to be damaged by the use of any such false description or representation.

15 U.S.C. § 1125(a) (1982).

In 1988 Congress amended the Lanham Act when it enacted the Trademark Law Revision Act ("TLRA"). Pub. L. No. 100-667, 102 Stat. 3946. The effective date of the TLRA was Nov. 16, 1989. See *infra* notes 47-50 and accompanying text. Because *Two Pesos, Inc. v. Taco Cabana, Inc.*, 112 S. Ct. 2753 (1992), arose under section 43(a) of the Act before Congress enacted the 1988 amendments, the Supreme Court based its decision on the pre-1988 version of the Act. Therefore, all discussion of the Lanham Act in this Note refers to the Statute as it existed before the 1988 amendments. Any reference to the 1988 amendments will be made only to support or refute judicial interpretations.

2. Trademark Act, ch. 540, §§ 1-45, 60 Stat. 427 (1946) (codified as amended at 15 U.S.C. §§ 1051-1127 (1988)).

3. See 1 JEROME GILSON, TRADEMARK PROTECTION AND PRACTICE § 2.13[5], at 2-178 (1992) (noting that the federal courts are currently in agreement that section 43(a) creates a federal cause of action for trademark and trade dress infringement claims); *Warner Bros., Inc. v. Gay Toys, Inc.*, 658 F.2d 76, 77-78 (2d Cir. 1981) (holding that section 43(a) protects registered trademarks as well as unregistered nonfunctional, distinctive marks).

overall image of a product.<sup>4</sup> Because courts evaluate a product's trade dress on the basis of its overall appearance rather than on the basis of its individual components,<sup>5</sup> they have extended trade dress protection to a broad spectrum of products and ideas. For example, courts have granted trade dress protection to a product's packaging and design,<sup>6</sup> a rock music group's performance style,<sup>7</sup> a television commercial's theme,<sup>8</sup> and even a computer program's overall look and feel.<sup>9</sup>

Although most courts have recognized that section 43(a) establishes a cause of action for unregistered trade dress infringement, they have disagreed on what elements are needed to establish a *prima facie* case. Most courts agree that the plaintiff must prove (1) that the two competing products are similar enough to create a likelihood of confusion among the consuming public<sup>10</sup> and (2) that

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4. " 'Trade dress' involves the total image of a product and may include features such as size, shape, color or color combinations, texture, graphics, or even particular sales techniques." *John H. Harland Co. v. Clarke Checks, Inc.*, 711 F.2d 966, 980 (11th Cir. 1983). On the other hand, the Lanham Act defines a trademark as: "Any word, name, symbol, or device or any combination thereof adopted and used by a manufacturer or merchant to identify his goods and distinguish them from those manufactured or sold by others." 15 U.S.C. § 1127 (1988).

5. *Knorr-Nahrmittel A.G. v. Reese Finer Foods, Inc.*, 695 F. Supp. 787, 791 (D.N.J. 1988) (noting that a court should compare the total, overall appearance of the products, and not focus on individual features to determine infringement of trade dress).

6. *LeSportsac, Inc. v. K Mart Corp.*, 754 F.2d 71, 75 (2d Cir. 1985) (noting that while trade dress traditionally involved the packaging or labeling of a product, the term now includes the shape and design of the product as well); *see also* *Harlequin Enters. Ltd. v. Gulf Western Corp.*, 644 F.2d 946, 949 (2d Cir. 1981) (recognizing that the design of a product itself may function as its packaging, thereby entitling the manufacturer to trade dress protection for the appearance of the product).

7. *See* *Cesare v. Work*, 520 N.E.2d 586, 593 (Ohio Ct. App. 1987) (holding that "[t]he trade dress of the band Revolver was the performance. . . . The ensemble of the instruments, the stage setting, outfits, song list, delivery, character interpretation, and choreography of the audience participation"). *But cf.* *Hughes v. Design Look, Inc.*, 693 F. Supp. 1500, 1508 (S.D.N.Y. 1988) (denying trade dress protection for the style of Andy Warhol paintings); *Prufrock Ltd. v. Lasater*, 781 F.2d 129, 131-32 (8th Cir. 1986) (holding that a competitor cannot have exclusive trade dress rights in the mere method and style of doing business).

8. *Chuck Blore & Don Richman, Inc. v. 20/20 Advertising, Inc.*, 674 F. Supp. 671, 680-82 (D. Minn. 1987) (holding that copyright and trade dress infringement claims could exist for copying the style and format of a television commercial).

9. *Engineering Dynamics, Inc. v. Structural Software, Inc.*, 785 F. Supp. 576 (E.D. La. 1991).

10. The Eighth Circuit established the current "likelihood of confusion" test which considers the following factors:

- (1) the strength of the owner's mark; (2) the similarity between the owner's mark and alleged infringer's mark; (3) the degree to which the products compete with each other; (4) the alleged infringer's intent to "pass off" its goods as those of the trademark owner; (5) incidents of actual confusion; and (6) the type of product, its cost, and conditions of purchase.

the appropriated features of the allegedly copied product are non-functional.<sup>11</sup> Courts disagree, however, on whether a plaintiff must also prove that the trade dress has acquired "secondary meaning" to bring a claim.

*Secondary meaning* is a buyer's mental association between a trademark or trade dress and the source of the product.<sup>12</sup> For example, the word *strong* has acquired a secondary meaning if, after an enterprise names its brand of coffee "Strong Coffee," coffee consumers who see the word *strong* on a coffee container identify the word with the enterprise as well as with strong-flavored coffee in general.

The majority of circuit courts of appeals have held that proof of secondary meaning is "superfluous" when a trade dress is "inherently distinctive,"<sup>13</sup> because the trade dress alone is capable of identifying the source of the product.<sup>14</sup> However, recognizing the

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Co-Rect Products, Inc. v. Marvy! Advertising Photography, Inc., 780 F.2d 1324, 1330 (8th Cir. 1985) (citing *Squirtco v. Seven-Up Co.*, 628 F.2d 1086, 1091 (8th Cir. 1980)).

11. See, e.g., *AmBrit, Inc. v. Kraft, Inc.*, 805 F.2d 974 (11th Cir. 1986); *republished*, 812 F.2d 1531 (11th Cir. 1986) (to reflect correct appearances of counsel), *cert. denied*, 481 U.S. 1041 (1987) (holding that six-pack trays with plastic overwrap for ice cream bars constitute functional packaging); *Truck Equip. Serv. Co. v. Fruehauf Corp.*, 536 F.2d 1210, 1217 (8th Cir.), *cert. denied*, 429 U.S. 861 (1976) (noting that functionality refers to whether a particular product feature connotes any purpose other than serving as a trademark). *But cf. New England Butt Co. v. International Trade Comm'n.*, 756 F.2d 874, 877 (Fed. Cir. 1985) (holding that the overall shape of a product or container must be nonfunctional in order to receive trademark protection).

12. See, e.g., *Inwood Lab., Inc. v. Ives Lab., Inc.*, 456 U.S. 844, 851 n.11 (1982) (holding that in order "[t]o establish secondary meaning, a manufacturer must show that, in the minds of the public, the primary significance of a product feature or term is to identify the source of the product rather than the product itself"); *AmBrit*, 812 F.2d at 1536 n.14 (defining *secondary meaning* as "the connection in the consumer's mind between the mark and the product's producer, whether that producer is known or unknown").

13. An inherently distinctive mark is any term that is fanciful, arbitrary or suggestive and, therefore, under trademark law does not require secondary meaning for legal protection. 1 J. THOMAS MCCARTHY, TRADEMARKS AND UNFAIR COMPETITION § 11:2, at 346 (2d ed. 1984 & Supp. 1991) [hereinafter MCCARTHY]. For a more detailed explanation of inherently distinctive marks, see *infra* notes 57-63 and accompanying text.

14. See *Roulo v. Russ Berrie & Co.*, 886 F.2d 931, 935 (7th Cir. 1989), *cert. denied*, 493 U.S. 1075 (1990) (holding that "infringement of trade dress is proven if: (1) plaintiff's trade dress is inherently distinctive or has acquired secondary meaning, (2) plaintiff's trade dress is primarily nonfunctional, and (3) the defendant's trade dress is confusingly similar"); *Hartford House, Ltd. v. Hallmark Cards, Inc.*, 846 F.2d 1268, 1271 (10th Cir.), *cert. denied*, 488 U.S. 908 (1988) (holding that a product's trade dress is eligible for protection under the Lanham Act "if it is so distinctive as to become, in effect, an unregistered trademark"); *Fuddrucker, Inc. v. Doc's B.R. Others, Inc.*, 826 F.2d 837, 843 (9th Cir. 1987) (noting that if "trade dress is inherently distinctive, the further requirement of a showing of secondary meaning should be superfluous"); *Blau Plumbing, Inc. v. S.O.S. Fix-It, Inc.*, 781 F.2d 604, 608 (7th Cir. 1986) (holding that secondary meaning is not

distinction between unregistered trademarks and trade dress, some circuit courts have required proof of secondary meaning in all cases, regardless of whether the trade dress is inherently distinctive.<sup>15</sup>

The conflict regarding whether a plaintiff must prove that his or her inherently distinctive trade dress has acquired secondary meaning in the marketplace has been resolved by the Supreme Court in *Two Pesos, Inc. v. Taco Cabana, Inc.*<sup>16</sup> In *Two Pesos*, the Court held that a plaintiff need not prove that his or her unregistered trade dress possesses secondary meaning in order to bring a cause of action under section 43(a) of the Lanham Act.<sup>17</sup> Instead, the Court determined that an inherently distinctive trade dress is protected under the Lanham Act without the additional proof that it has acquired a secondary meaning.<sup>18</sup>

This Note analyzes the legal and economic implications of the *Two Pesos* decision. First, it considers the history and judicial interpretation of section 43(a) of the Lanham Act.<sup>19</sup> Next, it analyzes the Supreme Court's current construction of trade dress protection under the Act, as set forth in *Two Pesos*.<sup>20</sup> This Note then reviews the remaining barriers to protection under the Act after the *Two Pesos* decision.<sup>21</sup> Finally, this Note examines whether the test provided in *Two Pesos* will affect competition and other areas of intellectual property law.<sup>22</sup>

## II. BACKGROUND

A review of the background of trade dress protection begins with a review of the development of trademark law. This section will explore the history of section 43(a) of the Lanham Act. It will

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required "if the trade dress is a distinctive, identifying mark"); *AmBrit*, 812 F.2d at 1537 (holding that an ice cream bar wrapper may be inherently distinctive).

15. See, e.g., *Jurgens v. McKasy*, 927 F.2d 1552, 1562 (Fed. Cir.), cert. denied, 112 S. Ct. 281 (1991) (holding that, among other requirements, trade dress is protected if it "has acquired secondary meaning"); *Academy of Motion Picture Arts & Sciences v. Creative House Promotions, Inc.*, 944 F.2d 1446, 1454 (9th Cir. 1991) (holding that the motion picture "Oscar" award had acquired secondary meaning so that it was entitled to protection under the Lanham Act); *Vision Sports, Inc. v. Melville Corp.* 888 F.2d 609, 613 (9th Cir. 1989) (holding that a "plaintiff's trade dress may be protected if it is nonfunctional and if it has acquired secondary meaning").

16. 112 S. Ct. 2753 (1992).

17. *Id.* at 2761.

18. *Id.*

19. See *infra* part II.

20. See *infra* part III.

21. See *infra* part IV.

22. See *infra* part V.

then look at judicial interpretations of the Act. Specifically, it will review decisions from the Fifth and Second Circuits, which most adequately represent the divergent views courts have taken in interpreting section 43(a).

*A. The Common Law Bases for Trademark and Trade Dress Protection*

Before the enactment of the Lanham Act, trade dress protection existed primarily under state common law doctrines of unfair competition.<sup>23</sup> Since the adoption of the Lanham Act in 1946, however, federal law has provided the primary means of trade dress protection.<sup>24</sup>

Courts generally define *trademarks* as the embodiment of a firm's goodwill.<sup>25</sup> Goodwill is intangible and represents the value of a business beyond its physical assets;<sup>26</sup> it reflects the favorable consideration consumers give to products or services coming from a particular source, and it is carefully developed by enterprises to give them a competitive edge in the market place.<sup>27</sup> For example, consumers rely on a product's brand name or distinctive packaging when making a purchasing decision.<sup>28</sup> A successful trademark is valuable to producers and consumers alike because it may lower consumer search costs and, at the same time, provide an incentive for producers to maintain high quality standards.<sup>29</sup> Recognizing the benefits provided by trademark protection, Congress enacted the Lanham Act to prevent unfair competition and to protect a product's goodwill.<sup>30</sup>

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23. 1A RUDOLF CALLMANN, *THE LAW OF UNFAIR COMPETITION, TRADEMARKS AND MONOPOLIES* § 5.04, at 30 (Louis Altman ed., 4th ed. 1992) [hereinafter CALLMANN].

24. The United States Trademark Association has remarked that "[t]oday the Lanham Act is the paramount source of trademark law in the United States, as interpreted almost exclusively by the federal courts." *The United States Trademark Association Trademark Review Commission Report and Recommendations to USTA President and Board of Directors*, 77 TRADEMARK REP. 375, 377 (1987) [hereinafter *USTA Report*].

25. See *Coca-Cola Bottling Co. v. Coca-Cola Co.*, 269 F. 796, 806 (D. Del. 1920) (defining a firm's trademark as "one of the visible mediums by which the good will is identified, bought, and sold and known to the public").

26. See BLACK'S LAW DICTIONARY 695 (6th ed. 1990).

27. *Id.* at 694.

28. Stephen L. Carter, *The Trouble with Trademark*, 99 YALE L.J. 759, 761 (1990) [hereinafter Carter] ("Trademarks . . . foster competition and the maintenance of quality by securing to the producer the benefits of a good reputation.") (quoting *Park and Fly, Inc. v. Dollar Park 'N Fly, Inc.*, 469 U.S. 189, 198 (1985)).

29. See *id.* at 762 (noting that from an economic standpoint, trademark protection lowers consumer search costs and creates an incentive to maintain quality).

30. See S. REP. NO. 1333, 79th Cong., 2d Sess. 3-5, reprinted in 1946 U.S.C.C.A.N.

### B. *The History of Section 43(a)*

The Lanham Act, which developed as a parallel to the common law of unfair competition, codifies most if not all of the common law principles.<sup>31</sup> Most important, as commentators have suggested, section 43(a) has its roots in the common law tort of passing off, which developed as an offshoot of the torts of fraud and deceit.<sup>32</sup> A passing off action focuses on whether the defendant attempted or intended to pass off his goods for those of another<sup>33</sup> and whether his product had acquired secondary meaning.<sup>34</sup>

Although the Lanham Act deals primarily with the protection of registered trademarks,<sup>35</sup> section 43(a) specifically protects unregis-

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1274, 1277 [hereinafter S. REP. NO. 1333] (noting that "the protection of trademarks is merely protection to good will, to prevent diversion of trade through misrepresentation, and the protection of the public against deception"); *Eastern Wine Corp. v. Winslow-Warren, Ltd.*, 137 F.2d 955, 958 (2d Cir.), *cert. denied*, 320 U.S. 758 (1943) (holding that "[t]he protection of such monopolies in names seems, then, to rest on the social interest in protecting primarily, not the consumer, but the businessman who has gained a strategic advantage through building up of good-will, against unfair practices by competitors who desire to poach on that good will").

31. See S. REP. NO. 1333, *supra* note 30, at 3, *reprinted in* 1946 U.S.C.C.A.N. at 1275:

There is no essential difference between trademark infringement and what is loosely called unfair competition. Unfair competition is the genus of which trademark infringement is one of the species . . . . The Supreme Court has noted that

Section 43(a) of the Lanham Act . . . creates a federal remedy for making 'a false designation of origin, or any false description or representation, including words or other symbols tending falsely to describe or represent the same' . . . . Congress has thus given federal recognition to many of the concerns that underlie the state tort of unfair competition . . . .

*Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 166 (1989).

32. 1 MCCARTHY, *supra* note 13, § 5:2, at 133-35.

33. *Id.* at 133.

34. *Id.*

35. See, e.g., section 32(1) of the Lanham Act, which provides in part:

- (1) Any person who shall, without the consent of the registrant -
  - (a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; or
  - (b) reproduce, counterfeit, copy, or colorably imitate a registered mark and apply such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive, shall be liable in a civil action by the registrant for the remedies hereinafter provided. Under subsection (b) of this section, the registrant shall not be entitled to recover profits or damages unless the

tered trademarks and trade dress.<sup>36</sup> Section 43(a) broadly proscribes both “false designations of origin” and “false descriptions of goods.”<sup>37</sup>

### C. Judicial Interpretation of Section 43(a)

Operating under the shadow of the common law, early interpretations of section 43(a) were generally conservative.<sup>38</sup> For example, courts limited actions under the “false designation of origin” branch of section 43(a) to false advertising of geographic origin.<sup>39</sup> Similarly, courts restricted actions for “false description or representation” of goods to false advertising and passing off.<sup>40</sup> However, over the years courts have expanded these two categories, recognizing section 43(a) as something more than the codification of existing law.<sup>41</sup> Today, courts focus on protecting the public

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acts have been committed with knowledge that such imitation is intended to be used to cause confusion, or to cause mistake or to deceive.

15 U.S.C. § 114(1) (1988).

36. *Id.* § 1125(a); *see, e.g.*, *San Juan Prods. v. San Juan Pools of Kan., Inc.*, 849 F.2d 468, 474 (10th Cir. 1988) (stating that “[t]he Lanham Act protects unregistered marks as does the common law”); *Banff, Ltd. v. Federated Dep’t Stores, Inc.*, 841 F.2d 486 (2d Cir. 1988) (“Federal courts have long held that § 43(a) of the Lanham Act extends protection to unregistered trademarks on the principle that unlicensed use of a designation serving the function of a registered mark constitutes a false designation of origin and a false description or representation.”); *Centaur Communications, Ltd. v. A/S/M Communications, Inc.*, 830 F.2d 1217, 1220 (2d Cir. 1987) (noting that section 43(a) “is the only provision in the Lanham Act that protects an unregistered mark . . . . Its purpose is to prevent consumer confusion regarding a product’s source . . . and to enable those that fashion a product to differentiate it from others on the market”) (citations omitted).

37. 15 U.S.C. § 1125(a) (1988); *see also Inwood Lab, Inc., v. Ives Lab, Inc.*, 456 U.S. 844, 858 (1982) (noting that “section 43(a) prohibits a broader range of practices than does section 32”).

38. *See e.g.*, *Dad’s Root Beer Co. v. Doc’s Beverages, Inc.*, 193 F.2d 77, 82-83 (2d Cir. 1951) (holding that defendants who sold their own root beer, falsely representing it to be that of the plaintiff’s, were liable to the plaintiff for lost profits under section 43(a)); *California Apparel Creators v. Weider of California, Inc.*, 162 F.2d 893, 900 (2d Cir.), *cert. denied*, 332 U.S. 816 (1947) (holding that in order to recover under section 43(a), an owner of trade dress must show that an infringer used the owner’s trade dress in a false or deceitful manner).

39. *See, e.g.*, *Scotch Whiskey Ass’n v. Barton Distilling Co.*, 338 F. Supp. 595, 598-99 (N.D. Ill. 1971) (holding that “[d]efendant’s use of its ‘House of Stuart Blended Scotch Whiskey’ label for spurious Scotch Whiskey including spirits not produced in Scotland constitutes a false designation of geographic origin”).

40. *See, e.g.*, *Chamberlain v. Columbia Pictures Corp.*, 186 F.2d 923 (9th Cir. 1951) (The defendant attempted to pass off his story as being authored by Mark Twain).

41. *See L’Aiglon Apparel, Inc. v. Lana Lobell, Inc.*, 214 F.2d 649, 651 (3d Cir. 1954), *finding*

nothing in the legislative history of the Lanham Act to justify the view that . . . section [43(a)] is merely declarative of existing law. . . . It seems to us that Congress has defined a statutory civil wrong of false representation of goods in



from confusingly similar marks rather than on the intent of defendants who misappropriate another's goods or marks.<sup>42</sup> Thus, a "false designation of origin" claim generally includes any representation with respect to the originator of a product.<sup>43</sup> Similarly, a "false description" of goods claim includes any untrue statement pertaining to the nature of the goods.<sup>44</sup>

Although nothing in the text of section 43(a) supports these expansive readings,<sup>45</sup> courts broadened the reach of the Act to remain consistent with the congressional purpose of protecting both businesses and consumers.<sup>46</sup> When it revisited the statute, Congress acquiesced to judicial interpretation:<sup>47</sup> in the 1988 amendments, Congress acknowledged that an action for a confusingly

commerce and has given a broad class of suitors injured or likely to be injured by such wrong the right to relief in the federal courts.

42. 1 MCCARTHY, *supra* note 13, § 5:2, at 133-34.

43. 1A CALLMANN, *supra* note 23, § 5.04, at 31.

44. *Id.*

45. See Kenneth B. Germain, *Unfair Trade Practices Under Section 43(a) of the Lanham Act: You've Come a Long Way, Baby—Too Far Maybe?*, 49 IND. L.J. 84, 85 (1973) (arguing that "the cases have applied Section 43(a) to situations it was not intended to cover and have used it in ways that it was not designed to function").

46. The Senate Report that accompanied the passage of the statute addressed these twin goals by stating:

The purpose underlying any trade-mark statute is twofold. One is to protect the public so it may be confident that, in purchasing a product bearing a particular trade-mark which it favorably knows, it will get the product which it asks for and wants to get. Secondly, where the owner of a trade-mark has spent energy, time, and money in presenting to the public the product, he is protected in his investment from its misappropriation by pirates and cheats. This is the well-established rule of law protecting both the public and the trade-mark owner.

S. REP. NO. 1333, *supra* note 30, at 3, *reprinted in* 1946 U.S.C.C.A.N. at 1274.

Thus, by protecting trademarks, Congress hoped "to protect the public from deceit, to foster fair competition, and to secure to the business community the advantages of reputation and good will by preventing their diversion from those who have created them to those who have not. This is the end to which this bill is directed." *Id.* at 1275.

47. See S. REP. NO. 100-515, 100th Cong., 2d Sess. 40, *reprinted in* 1988 U.S.C.C.A.N. 5577, 5603 [hereinafter S. REP. NO. 100-515]:

The purpose of the revision is as follows "[t]o codify the interpretation it has been given by the courts. Because § 43(a) of the Act fills an important gap in federal unfair competition law, the committee expects the courts to continue to interpret the section . . . .

As written, Section 43(a) appears to deal only with false descriptions or representations and false designations of geographic origin. Since its enactment in 1946, however, it has been widely interpreted as creating, in essence, a federal law of unfair competition. For example, it has been applied to cases involving the infringement of unregistered marks, violations of trade dress and certain nonfunctional configurations of goods and actionable false advertising claims."

*Id.*

similar trade dress did not require proof of falsity,<sup>48</sup> and that section 43(a) applied to protect a product's unregistered trade dress.<sup>49</sup> However, Congress failed to specify whether the principles used in qualifying a mark for registration under section 2 of the Lanham Act<sup>50</sup> also apply to a section 43(a) action to protect an unregistered mark or trade dress. Specifically, Congress did not address the question of whether an unregistered trade dress requires proof of secondary meaning before it is protected under section 43(a) of the Lanham Act.

Because section 43(a) does not use the terms *trade dress*, *trademark*, or *secondary meaning*,<sup>51</sup> an inherent difficulty arises in determining whether a cause of action under the Act requires proof of secondary meaning. Thus, some courts, including the United States Court of Appeals for the Fifth Circuit,<sup>52</sup> have interpreted this congressional omission to mean that the same test that qualifies a trademark for registration also determines whether an unregistered trademark or trade dress is eligible for protection under section 43(a). In other words, these courts will protect unregistered trademarks and trade dress if they are inherently distinctive or if they have acquired a secondary meaning.

Other courts, most notably the Second Circuit, have taken a contrary view.<sup>53</sup> These courts hold that section 43(a) does not protect trade dress unless the claimant can show that his or her trade dress has acquired secondary meaning.

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48. See Trademark Law Revision Act of 1988, Pub. L. No. 100-667, 102 Stat. 3946 (codified as amended at 15 U.S.C. § 1125(a) (1989)). Congress broadened the language of section 43(a) to make explicit that the provision prohibits "any word, term, name, symbol, or device, or any combination thereof" that 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 . . . ."

49. See S. REP. NO. 100-515, *supra* note 47, at 40, reprinted in 1988 U.S.C.C.A.N at 5603.

50. The general rule for qualifying a trademark for registration is, *inter alia*, that the mark must be distinctive or have acquired secondary meaning. *Park and Fly, Inc. v. Dollar Park 'N Fly, Inc.*, 469 U.S. 189, 194 (1985). A mark is distinctive if it either: (1) is inherently distinctive or (2) has acquired distinctiveness through secondary meaning. RESTATEMENT OF UNFAIR COMPETITION § 13 cmt. a (Tent. Draft No. 2, 1990) [hereinafter RESTATEMENT OF UNFAIR COMPETITION].

51. See 15 U.S.C. § 1125(a) (1988).

52. See, e.g., *Chevron Chem. Co. v. Voluntary Purchasing Groups, Inc.*, 659 F.2d 695 (5th Cir. 1981), *cert. denied*, 457 U.S. 1126 (1982) (holding that proof of secondary meaning is not required to protect unregistered trade dress); see also *supra* note 14 and accompanying text.

53. See *infra* notes 69-78 and accompanying text; see also *supra* note 15 and accompanying text.

### 1. The Fifth Circuit's Interpretation

In *Chevron Chemical Co. v. Voluntary Purchasing Groups*, Chevron claimed that Voluntary Purchasing Groups had infringed on its trade dress, in violation of section 43(a), by copying the packages that Chevron used for its lawn and garden products.<sup>54</sup> Although Voluntary Purchasing Groups had deliberately copied Chevron's packaging, the district court refused to grant relief under the Lanham Act because it found that section 43(a) did not provide a cause of action for trade dress infringement.<sup>55</sup> In addition, the court found that Chevron failed to show either that its trade dress had acquired secondary meaning or that consumers were likely to confuse the sources of the two competing products.<sup>56</sup>

Analyzing the criteria used by courts to extend protection to trademarks, the Fifth Circuit recognized that courts have traditionally conferred protection to marks based upon their relative distinctiveness.<sup>57</sup> For example, in *Abercrombie & Fitch Co. v. Hunting World, Inc.*,<sup>58</sup> the Second Circuit stated that a protected mark may be either: "(1) generic, (2) descriptive, (3) suggestive, (4) arbitrary, or (5) fanciful."<sup>59</sup> Traditionally, courts have not required proof of secondary meaning for marks that are suggestive,<sup>60</sup> arbitrary,<sup>61</sup> or fanciful<sup>62</sup> because they are sufficiently "distinctive"

54. *Chevron*, 659 F.2d at 696.

55. *Id.*

56. *Id.*

57. *Id.* at 702.

58. 537 F.2d 4 (2d Cir. 1976).

59. *Id.* at 9.

60. *See, e.g., Citibank, N.A. v. Citibanc Group, Inc.*, 724 F.2d 1540 (11th Cir. 1984) (holding that "Citibank" is suggestive because the term, at most, suggests a modern or urban bank); *Cullman Ventures, Inc. v. Columbian Art Works, Inc.*, 717 F. Supp. 96 (S.D.N.Y. 1989) (holding that family of "At-A-Glance" marks for calendars were suggestive because they were suggestive of format, although not directly descriptive).

61. An arbitrary mark consists of a word, symbol or picture which has a commonly understood meaning, but which, when used in conjunction with particular types of goods or services, does not suggest or describe any aspect, quality or characteristic of those goods or services. 1 MCCARTHY, *supra* note 13, § 11:4, at 439; *see, e.g., Arrow Distilleries, Inc. v. Globe Brewing Co.*, 117 F.2d 347 (4th Cir. 1941) (holding that "Arrow" liqueurs is an arbitrary mark); *Greyhound Corp. v. Rotham*, 84 F. Supp. 233 (D. Md.), *aff'd*, 175 F.2d 893 (1949) (holding that "Greyhound" is an arbitrary mark for a bus line).

62. The term *fanciful* as a classifying concept in trademark law is usually applied to words invented solely for their use as trademarks. 1 MCCARTHY, *supra* note 13, § 11:3, at 436; *see, e.g., Northam Warren Corp. v. Universal Cosmetic Co.*, 18 F.2d 774 (7th Cir. 1927) (holding that "Cutex" cuticle-removing liquid is a fanciful mark); *Clorox Chemical Co. v. Chlorit Mfg. Corp.*, 25 F. Supp. 702 (E.D.N.Y. 1938) (holding that "Clorox" bleach is a fanciful mark).

in themselves to identify the producer.<sup>63</sup> In contrast, at common law, neither generic terms<sup>64</sup> nor descriptive terms<sup>65</sup> could become valid trademarks. However, the Lanham Act does afford protection to marks that are merely descriptive if the owner can prove that the mark has acquired secondary meaning.<sup>66</sup> No such exception exists for generic marks. Thus, even proof of secondary meaning cannot qualify a generic mark for trademark registration.<sup>67</sup>

The *Chevron* court reasoned that just as there are an unlimited number of nonfunctional words and symbols available for use by late comers in the marketing of their products, the possible varieties of advertising display and packaging are also virtually endless.<sup>68</sup> Reasoning that the same principles that apply to protect trademarks should also apply to protect trade dress, the Fifth Circuit reversed the district court.

## 2. The Second Circuit's Interpretation

The Second Circuit has taken a contrary view in interpreting Congress's failure to include trademark and trade dress protection in section 43(a) as well as its failure to mention or define secondary meaning in the Act.<sup>69</sup> According to the Second Circuit, these omissions indicate congressional intent to distinguish between protection of *registered* trade marks and trade dress and protection of *unregistered* trademarks and trade dress.<sup>70</sup> Unlike the Fifth Circuit, therefore, the Second Circuit did not look to trademark prin-

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63. 1 MCCARTHY, *supra* note 13, § 11:2, at 435-36.

64. A generic term "refers, or has come to be understood as referring, to the genus of which the particular product is a species." *Abercrombie & Fitch*, 537 F.2d at 9; *see, e.g., Eastern Air Lines, Inc. v. New York Air Lines, Inc.*, 559 F. Supp. 1270, 1275 (S.D.N.Y. 1983) (holding that "air-shuttle" as used by Eastern Airlines for air service between New York and Washington, D.C., and New York and Boston, is a generic term); *Gear, Inc. v. L.A. Gear Cal., Inc.*, 670 F. Supp. 508 (S.D.N.Y. 1987) (holding that "gear" is a generic name for clothing).

65. *See, e.g., Raco Car Wash Sys., Inc. v. Smith*, 730 F. Supp. 695 (D.S.C. 1989) (holding that "No Spot," as used for designating automatic car wash equipment, is descriptive).

66. *See Armstrong Paint & Varnish Works v. Nu-Enamel Corp.*, 305 U.S. 315 (1938) (holding that trademark protection is extended only when the user has proven secondary meaning in a descriptive mark).

67. 1 MCCARTHY, *supra* note 13, § 12:1, at 520.

68. *Chevron*, 659 F.2d at 703. *But see Carter, supra* note 28, at 760 (arguing that this very basis upon which trademark law rests is flawed, and that the number of "good" marks available for distinguishing one's product in the marketplace is limited).

69. *See Vibrant Sales, Inc., v. New Body Boutique, Inc.*, 652 F.2d 299 (2d Cir. 1981).

70. *Id.* at 304. The primary distinction between registered and unregistered trademarks is that registration triggers certain substantive and procedural rights for the trademark holder. *See San Juan Prods., Inc. v. San Juan Pools of Kan., Inc.*, 849 F.2d 468, 474 (10th Cir. 1988). For example, a registered trademark or trade dress enjoys a pre-

principles to determine the appropriate standards to employ in protecting an unregistered trade dress.

In *Vibrant Sales, Inc. v. New Body Boutique, Inc.*,<sup>71</sup> Vibrant, a manufacturer and marketer of a waist-reducing belt, entered into a joint venture with Maximum Exposure Advertising, Inc. (MEA) to market Vibrant's belt nationwide.<sup>72</sup> After Vibrant and MEA terminated the agreement, MEA began marketing its own belt through a company called The New Body Boutique, Inc. This belt resembled the belt that MEA had previously marketed during its joint venture with Vibrant.<sup>73</sup> Vibrant brought an action against The New Body Boutique, alleging that it had violated the Lanham Act and breached its contract.<sup>74</sup>

Reversing the district court's decision to grant Vibrant an injunction, the Second Circuit held that in order for a claimant to invoke section 43(a) protection, he or she must show that an unregistered trademark or trade dress has acquired secondary meaning.<sup>75</sup> Because registered marks, unlike unregistered marks, enjoy a presumption that they represent the source in the minds of the public,<sup>76</sup> the court reasoned that requiring proof of secondary meaning "flows logically" from section 43(a), which is the only provision in the Lanham Act not limited to registered marks.<sup>77</sup> The Second Circuit concluded that this requirement was necessary to remain consistent with the section 43(a) purpose of limiting claims to instances in which unique or distinctive features associated with particular manufacturers have been copied.<sup>78</sup>

### III. THE *TWO PESOS* DECISION

Due to the conflicting appellate court interpretations of section 43(a), the United States Supreme Court granted certiorari<sup>79</sup> in *Two Pesos, Inc. v. Taco Cabana, Inc.* to decide whether inherently distinctive trade dress that has not acquired secondary meaning may nonetheless be protected under section 43(a) of the Lanham Act.

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sumption of validity and puts other producers on notice that a particular mark is already being used in the marketplace. *Vibrant Sales*, 652 F.2d at 303.

71. 652 F.2d 299 (2d Cir. 1981).

72. *Id.* at 301.

73. *Id.*

74. *Id.* at 302.

75. *Id.* at 304.

76. *Vibrant Sales*, 652 F.2d at 304.

77. *Id.* at 303.

78. *Id.* at 303-04.

79. 112 S. Ct. 964 (1992).

This section will first review the facts and lower court decisions in *Two Pesos* and then discuss the Supreme Court's opinion.

### A. *The Facts and the Lower Courts' Opinions*

Taco Cabana and Two Pesos are competing chains of upscale fast-food Mexican restaurants.<sup>80</sup> In September 1978, Taco Cabana opened its first restaurant in San Antonio, Texas, with what it called its "Mexican Fast-Food Trade Dress."<sup>81</sup> By 1985, Taco Cabana operated six more restaurants, all in San Antonio.<sup>82</sup>

In December 1985, Two Pesos opened its first restaurant in Houston, adopting a motif similar to Taco Cabana's.<sup>83</sup> At the time, Taco Cabana did not have any restaurants outside of San Antonio.<sup>84</sup> Two Pesos expanded into Houston, Dallas/Fort Worth and various cities outside of Texas.<sup>85</sup> Two Pesos did not, however, enter San Antonio, where Taco Cabana was doing business.<sup>86</sup>

In 1987, Taco Cabana filed suit against Two Pesos in the United States District Court for the Southern District of Texas for trade dress infringement under section 43(a) of the Lanham Act.<sup>87</sup> The district court instructed the jury that Taco Cabana's trade dress<sup>88</sup>

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80. *Two Pesos, Inc. v. Taco Cabana, Inc.*, 112 S. Ct. 2753, 2755 (1992).

81. Taco Cabana described its Mexican trade dress as:

a festive eating atmosphere having interior dining and patio areas decorated with artifacts, bright colors, paintings and murals. The patio includes interior and exterior areas with the interior patio capable of being sealed off from the outside patio by overhead garage doors. The stepped exterior of the building [has] a festive and vivid color scheme using top border paint and neon stripes. Bright awnings and umbrellas continue the theme.

*Taco Cabana Int'l, Inc. v. Two Pesos, Inc.*, 932 F.2d 1113, 1117 (5th Cir. 1991).

82. *Two Pesos*, 112 S. Ct. at 2755.

83. *Id.*

84. After filing this suit, Taco Cabana expanded into several cities, including Houston and Dallas where Two Pesos was already doing business. Brief for Petitioner at \*5, *Two Pesos, Inc. v. Taco Cabana, Inc.*, 112 S. Ct. 2753 (1992) (No. 91-971) (*available in* LEXIS, Genfed library, Briefs file) [hereinafter Brief for Petitioner]. "Six days before this action was filed, [the two brothers who owned Taco Cabana] entered into a series of agreements to divide up the restaurants and go their separate ways," apparently as a result of a disagreement regarding the proposed expansion of Taco Cabana into the markets where Two Pesos was doing business. *Id.* "Among the agreements was a trade dress agreement." *Id.*

85. Between December 1985 and August 1988, Two Pesos opened 29 restaurants. *Taco Cabana*, 932 F.2d at 1117 n.2.

86. *Id.* at 1117.

87. *Two Pesos*, 112 S. Ct. at 2756. Taco Cabana also filed a claim for theft of trade secrets under Texas common law. *Id.* However, the United States Supreme Court limited its grant of certiorari to the Lanham Act question only. *Id.* at 2757.

88. *Id.* at 2755. The District Court instructed the jury:

"Trade dress" is the total image of the business. Taco Cabana's trade dress may include the shape and general appearance of the exterior of the restaurant, the

was protected if it was inherently distinctive or if it had acquired secondary meaning.<sup>89</sup> Based on the jury's finding that Taco Cabana's trade dress had not acquired secondary meaning, but was inherently distinctive, the district court entered judgment for and awarded damages to Taco Cabana.<sup>90</sup>

On appeal to the Fifth Circuit, Two Pesos objected to the district court's instructions to the jury,<sup>91</sup> claiming that a finding that the trade dress had not obtained a secondary meaning contradicted a finding that it was inherently distinctive.<sup>92</sup> Two Pesos argued that the district court erred in failing to inform the jury that Taco Cabana's trade dress could be protected only if the jury found that it

identifying sign, the interior kitchen floor plan, the decor, the menu, the equipment used to serve food, the servers' uniforms and other features reflecting on the total image of the restaurant.

*Id.* at 2755 n.1.

89. *Id.* at 2756.

90. *Id.* Specifically, the jury found that: (1) Taco Cabana had a trade dress; (2) taken as a whole, the trade dress was nonfunctional; (3) the trade dress was inherently distinctive; (4) the trade dress had not acquired a secondary meaning in the Texas market; and (5) the alleged infringement created a likelihood of confusion on the part of ordinary customers as to the source or association of the restaurant's goods or services. *Id.*

91. *Taco Cabana*, 932 F.2d at 1119. Two Pesos objected to the following portion of the trial court's instructions:

The law allows the copying of functional features in the public interest of enhancing competition . . . . Even if the trade dress is made up of individual elements, *some of which serve a functional purpose*, the trade dress may be protectable so long as the combination of these individual elements which define Taco Cabana's trade dress taken is arbitrary. On the other hand, if you find that Taco Cabana's trade dress taken as a whole *must be used by others in order to compete* in the Mexican fast-food restaurant business, then you should find that Plaintiff's trade dress is functional and not protectable.

[T]he inquiry into whether Taco Cabana's trade dress is functional or non-functional *should not be addressed to whether individual elements fall within the definition, but whether the whole collection of elements taken together are functional or non-functional.*

*Id.* at 1118-19.

92. *Id.* at 1119-20. The petitioner also claimed that:

Taco Cabana's overall trade dress of a Mexican decor and a combination of admittedly functional features, cannot rise to the level of a protectable trade dress, subject to exclusive appropriation by a single commercial source in the manner of a federally registered trademark, (i) because the Jury found it had no secondary meaning, (ii) because the trade dress is simultaneously being used by two separate and distinct Mexican restaurant chains—Taco Cabana and Ta-Casita—so that it does not identify a single commercial source, and (iii) because the trade dress itself contains too many common and ordinary visual aspects, which relate to functional, descriptive and generic features, in order for the trade dress to have secondary meaning or be inherently distinctive. . . .

Brief for Petitioner, *supra* note 84, at \*5-6. Petitioner argued that the case was tried as a restaurant "concept" case, rather than a trade dress case and thus, relying on the Eighth Circuit's opinion in *Prufrock Ltd. v. Lasater*, 781 F.2d 129 (8th Cir. 1986), it argued that "business concepts" are not generally protectable. *Id.* at \*6.

had acquired secondary meaning. The Fifth Circuit upheld the district court's jury instructions, finding that they reflected the current state of the law.<sup>93</sup> In addition, the court concluded that the evidence supported the jury's findings.<sup>94</sup> In its holding, the Fifth Circuit reaffirmed its decision in *Chevron* and rejected the reasoning of the Second Circuit in *Vibrant Sales*.<sup>95</sup>

### B. The Opinion of the Supreme Court

Two Pesos petitioned the United States Supreme Court for a writ of certiorari, and the Supreme Court granted the petition.<sup>96</sup> The Supreme Court affirmed the Fifth Circuit's decision and held that because trade dress that is inherently distinctive is capable of identifying products or services as issuing from a specific source, it is protected under section 43(a) of the Lanham Act without a further showing that the trade dress has acquired secondary meaning.<sup>97</sup>

Writing for the majority,<sup>98</sup> Justice White focused his analysis on the statutory language of section 43(a). In particular, Justice White noted that nothing in the text of the statute supported applying different standards to the protection of trademarks and trade dress.<sup>99</sup> Justice White emphasized that section 43(a) mentions neither trademark nor trade dress and does not contain the concept of secondary meaning.<sup>100</sup> Rather, secondary meaning is mentioned in the Lanham Act only as a requirement for protecting merely descriptive marks, not inherently distinctive marks.<sup>101</sup>

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93. *Taco Cabana*, 932 F.2d at 1119.

94. *Id.* The Court of Appeals found that Taco Cabana "can protect a combination of visual elements that taken together, . . . may create a distinctive, visual impression." *Id.* at 1118 (quoting *Fuddrucker's, Inc. v. Doc's B.R. Others, Inc.*, 826 F.2d 837, 842-43 (9th Cir. 1987)).

95. *Id.*

96. 112 S. Ct. 964 (1992). The Supreme Court limited its grant of certiorari to the question of whether secondary meaning is required to invoke section 43(a) protection for unregistered trade dress. The Court did not grant certiorari on Petitioner's second question, which challenged the lower courts' finding that Taco Cabana's trade dress was not functional and therefore not properly subject to imitation by other users. *Id.* For the jury instructions regarding functional features, see *supra* note 91.

97. *Two Pesos*, 112 S. Ct. at 2761.

98. *Id.* at 2755. Justice White delivered the opinion of the Court, in which Chief Justice Rehnquist and Justices Blackmun, O'Connor, Scalia, Kennedy and Souter joined. Justices Stevens and Thomas filed concurring opinions. *Id.* at 2761, 2766. For a discussion of the concurring opinions, see *infra* notes 114-20 and accompanying text.

99. *Two Pesos*, 112 S. Ct. at 2760 (stating that "[s]ection 43(a) provides no basis for distinguishing between trademarks and trade dress").

100. *Id.*

101. *Id.*



To determine the appropriate test for protecting unregistered trade dress, the Court reviewed the congressional floor debates that preceded the passage of the statute in 1946. The Court concluded that protection of both trademarks and trade dress under section 43(a) furthered one of Congress's goals in passing the Lanham Act—prevention of deception and unfair competition.<sup>102</sup> In addition, the majority recognized that the inherently distinctive test that normally applied to protect a registered trademark also applied to protect an unregistered trade dress.<sup>103</sup> That is, the Act protected a descriptive mark found to be inherently distinctive or a mark that had acquired secondary meaning.<sup>104</sup>

According to the Court, the same principles that qualify a mark for registration under section 2 of the Lanham Act generally apply when determining whether an unregistered mark is entitled to protection under section 43(a).<sup>105</sup> Because of the lack of textual support in section 43(a) for treating inherently distinctive verbal or symbolic trademarks differently from inherently distinctive trade dress, the Court concluded that one need not prove that inherently distinctive trade dress has obtained secondary meaning.<sup>106</sup> In reaching its conclusion, the majority noted that the Second Circuit view—that unregistered marks, unlike registered marks, do not enjoy a presumption that they represent their source—was in considerable tension with the provisions of the Lanham Act.<sup>107</sup>

Finally, the Court emphasized that policy reasons dictate finding that section 43(a) does not require proof of secondary meaning

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102. *Id.* at 2757 (stating that “[t]he Lanham Act was intended to make actionable the deceptive and misleading use of marks and to protect persons engaged in . . . commerce against unfair competition).

103. *Id.* at 2758.

104. *Two Pesos*, 112 S. Ct. at 2758 (citing RESTATEMENT OF UNFAIR COMPETITION, *supra* note 50, § 13, at 37-38 & cmt. a).

105. *Id.* at 2757 (citing *A.J. Canfield Co. v. Honickman*, 808 F.2d 291, 299 n.9 (3d Cir. 1986); *Thompson Medical Co. v. Pfizer Inc.*, 753 F.2d 208, 215-16 (2d Cir. 1985)).

106. *Id.* at 2760.

107. The Court stated:

If a verbal or symbolic mark or the features of a product design may be registered under § 2, it necessarily is a mark ‘by which the goods of the applicant may be distinguished from the goods of others,’ 60 Stat. 428, and must be registered unless otherwise disqualified. Since § 2 requires secondary meaning only as a condition to registering descriptive marks, there are plainly marks that are registrable without showing secondary meaning. These same marks, even if not registered, remain inherently capable of distinguishing the goods of the users of these marks. Furthermore, the copier of such a mark may be seen as falsely claiming that his products may for some reason be thought of as originating from the plaintiff.

*Id.* at 2759.

when a trade dress has been found to be inherently distinctive. According to the Court, requiring proof of secondary meaning would impose substantial barriers to trade dress protection.<sup>108</sup> These barriers could lead to an influx of confusingly similar trade dress, which would make it more difficult for consumers to identify a producer with its product.<sup>109</sup> This would undermine the underlying purpose of the Lanham Act—to secure a mark's goodwill to its owner.<sup>110</sup>

In addition, the Court emphasized that a contrary holding could cause anticompetitive effects by burdening small-business owners in the start-up of their businesses.<sup>111</sup> Competitors of a suggestive, fanciful, or arbitrary trade dress developer are more apt to attempt to appropriate the trade dress at the outset of its use, rather than after the trade dress has been used in the market for a long period of time. This is likely to result in financial loss to the developer.<sup>112</sup>

Although the Court resolved the issue of whether secondary meaning is required to protect inherently distinctive trade dress, the majority nevertheless declined to address two crucial and related issues. Specifically, the majority declined to decide what makes a product's trade dress distinctive and what amount of copying is necessary to constitute infringement.<sup>113</sup> In addition, the Court failed to limit its decision with respect to the variables of time, scope, or geographical area.

### C. *The Concurrences*

In his concurrence, Justice Stevens agreed with the majority that

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108. *Id.*

109. *Two Pesos*, 112 S. Ct. at 2759.

110. *Id.*

111. The Court rejected petitioner's suggestion that in order to overcome this burden, trade dress should receive limited protection at the outset without proof of secondary meaning. The petitioner went on to argue that such protection should be only temporary and subject to defeasance if, over time, the dress has failed to acquire a secondary meaning. *Id.* at 2757-61.

In addition, the Court denied that under its inherently distinctive test, the initial user of any shape or design would cut off competition from products of like design and shape. Under its test, only nonfunctional, distinctive trade dress is protected under section 43(a). *Id.* at 2755.

112. *Id.* at 2759.

113. Although the majority commented on which types of marks are generally considered inherently distinctive, it failed to provide any guidelines for determining when a trade dress that embodies a business's total image would qualify as being arbitrary, fanciful or suggestive. Thus, the Court failed to recognize that although it may be easy to classify a mark under one of these categories, it is more difficult to classify "a combination of visual elements that, taken together, may create a distinctive visual impression." See analysis *infra* part IV.

both registered and unregistered trademarks and trade dress should receive essentially the same protection.<sup>114</sup> However, although he emphasized that the federal courts had transformed the meaning of the text of section 43(a) over the past few decades,<sup>115</sup> Justice Stevens agreed with the judicial interpretation because it remained consistent with the statute's purpose and because Congress had endorsed the change in the Trademark Revision Act of 1988.<sup>116</sup> Although Congress did not specifically address the question of whether section 43(a) required secondary meaning, the steps Congress had taken in this subsequent legislation suggested to Justice Stevens that secondary meaning is not required if trade dress is found to be inherently distinctive.<sup>117</sup>

In his brief concurrence, Justice Thomas also asserted that the statutory language of section 43(a) supported the majority's holding.<sup>118</sup> He explained that because there are an infinite variety of ways to package a product, a particular trade dress is now considered as fully capable of serving as a "representation or designation" of source under section 43(a) as a particular trademark.<sup>119</sup> Therefore, first users of distinctive trade dress, like first users of distinctive trademarks, should be entitled to the presumption that their packaging and designs designate the source of their products.<sup>120</sup>

#### IV. ANALYSIS

While the *Two Pesos* decision settled the dispute over which test courts should follow to determine whether unregistered trade dress qualifies for protection under section 43(a), the opinion neither delineated the standards for determining when a product's trade dress is inherently distinctive, nor set the parameters for applying such a test. These omissions are significant since they are likely to result in conflicting authority over which elements exist in an in-

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114. *Two Pesos*, 112 S. Ct. at 2761 (Stevens, J., concurring).

115. *Id.* at 2761-62 (Stevens, J., concurring).

116. Justice Stevens noted that the United States Trademark Association supported the judicial expansion of section 43(a):

Section 43(a) is an enigma, but a very popular one. Narrowly drawn and intended to reach false designations or representations as to the geographical origin of products, the section has been widely interpreted to create, in essence, a federal law of unfair competition. . . . It has definitely eliminated a gap in unfair competition law, and its vitality is showing no signs of age.

*Id.* at 2763 (Stevens, J., concurring) (citing *USTA Report, supra* note 24, at 426).

117. *Id.* at 2764 (Stevens, J., concurring).

118. *Id.* at 2766 (Thomas, J., concurring).

119. *Two Pesos*, 112 S. Ct. at 2767 (Thomas, J., concurring).

120. *Id.* (Thomas, J., concurring).

herently distinctive test. Furthermore, they suggest the Court's implicit adoption of the doctrine of "secondary meaning in the making."<sup>121</sup>

*A. Application of the Inherently Distinctive Test to Trade Dress Protection*

In *Two Pesos*, the Court brought trade dress within the realm of trademark protection by holding that section 43(a) protects trade dress that has attained the status of an unregistered trademark.<sup>122</sup> Specifically, the Court held that the inherently distinctive test applies to trade dress cases.<sup>123</sup> However, in reaching this conclusion, the Court failed to recognize the fundamental differences between trademark and trade dress. Determining whether a word or symbol is inherently distinctive may be relatively easy;<sup>124</sup> it is more difficult, however, to reach this conclusion when the inherently distinctive test is applied to a trade dress, such as a restaurant's decor. Although some courts apply the same standards to evaluate the inherent distinctiveness of a trade dress that they would apply to a trademark,<sup>125</sup> such tests are nonetheless based on subjective rather than empirical findings.<sup>126</sup>

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121. The judge-made doctrine of "secondary meaning in the making" establishes "that a firm that is making efforts to create a secondary meaning, but has not yet succeeded, should be protected as against a competitor who knowingly rushes in to market a product under a similar mark." 1 MCCARTHY, *supra* note 13, § 15:21[2], at 15-83.

Secondary meaning in the making derives support from the analogous "second comer" doctrine which states:

A senior user in possession of a distinctive mark has a right not to have a second comer intentionally cause a likelihood of confusion between two marks in an attempt to exploit the reputation of the senior user's mark, since this would deprive the first user of control over its reputation and goodwill.

Thompson Medical Co., Inc. v. Pfizer, Inc., 753 F.2d 208, 214 (2d Cir. 1985).

122. *Two Pesos*, 112 S. Ct. at 2760.

123. *Id.* at 2761.

124. The test generally applied to determine whether a mark is inherently distinctive is whether the design is unique and not a basic shape or a mere refinement of the ornamentation normally found on a type of product. *See* Brooks Shoe Mfg. Co., Inc. v. Suave Shoe Corp., 716 F.2d 854, 857-58 (11th Cir. 1983) (citing Seabrook Foods, Inc. v. Bar-Well Foods, Ltd., 568 F.2d 1342, 1344 (1977) (trademark case)).

125. *See, e.g.*, Blue Coral, Inc. v. Turtle Wax, Inc., 664 F. Supp. 1153, 1163 (N.D. Ill. 1987) (looking at elements such as the color of the packaging, the color of the liquid, and the use of a clear rather than an opaque bottle to determine whether an inherently distinctive trade dress was created).

126. As one commentator has noted:

To say that the overall design of a useful article is 'inherently distinctive' of a particular source just by examining it and perhaps dissecting it, seems to me an impermissible exercise of intuitive judging. It substitutes an impression that the design is outstanding, or eccentric, or clever, or something, for the proofs of

In addition, by recognizing the similar treatment afforded registered and unregistered trademarks, the Court failed to differentiate between the common law underpinnings of trade dress and the statutory requirements of trademark registration. For example, a firm may register its trademark on the Principal Register without a showing of secondary meaning if the trademark is inherently distinctive.<sup>127</sup> As soon as the trademark is registered, the firm provides the world with notice: competitors may consult the public register to avoid using a confusingly similar mark.<sup>128</sup> In contrast, trade dress usually remains unregistered.<sup>129</sup> It is only through its use and exploitation over time that the appearance of the product and its accumulated goodwill becomes associated with its source of origin. Because this association provides the only notice to competitors of the proprietary nature of a trade dress, goodwill or reputation is the most important aspect of trade dress protection. Distinctive appearance is merely one element of trade dress protection; it is not a substitute for secondary meaning.

### B. *The Importance of Proving Secondary Meaning*

Because they claim it is too difficult and costly to prove, most courts reject the need for proof of secondary meaning for inherently distinctive trade dress.<sup>130</sup> The Supreme Court in *Two Pesos* also used this reasoning when it indicated that requiring proof of

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association with a source, gained in the marketplace, that add up to a showing of secondary meaning.

Ralph S. Brown, *Design Protection: An Overview*, 34 U.C.L.A. L. REV. 1341, 1380 (1987).

127. 15 U.S.C. § 1052 (1988).

128. According to one commentator:

Registration on the Principal Register requires submission of an application and fee to the United States Patent & Trademark Office and a mark that: (1) meets the Lanham Act definition of trademark; (2) is in actual use in interstate commerce; (3) is 'affixed' to the goods; and (4) is not barred from registration by Lanham Act § 2, 15 U.S.C. § 1052 (1988).

William F. Gaske, *Trade Dress Protection: Inherent Distinctiveness as an Alternative to Secondary Meaning*, 57 FORDHAM L. REVIEW 1123, 1124 n.6 (1989) (quoting 1 MCCARTHY, *supra* note 13, § 19:6, at 884-85).

129. Although trade dress may be registered on both the Principal and Supplemental Register if it meets the requirements of trademark registration, it often remains unregistered "because the trade dress contains functional features or was not originally intended to identify the source." *Id.* at 1124.

130. For example, one must put forth the following evidence in order to prove secondary meaning: advertising expenditures, consumer surveys, sales success, unsolicited media coverage, attempts to plagiarize the mark, and length and exclusivity of use. *Thompson Medical Co., Inc. v. Pfizer, Inc.*, 753 F.2d 208, 217 (2d Cir. 1985). In analyzing whether a trade dress has acquired secondary meaning, "no one source is crucial and every type of evidence need not be produced." *Id.*

secondary meaning would have anticompetitive effects by creating burdens on the start-up of small businesses.<sup>131</sup>

However, the Court failed to recognize that without proof of secondary meaning for trade dress, a second comer in the market receives no notice that another firm is currently using the nonverbal symbol, whether or not it is inherently distinctive. In addition, secondary meaning carries a different significance for nonverbal symbols as opposed to verbal symbols. Verbal symbols contain meanings in themselves.<sup>132</sup> Therefore, it is only when a subsequent meaning becomes attached to a verbal symbol and becomes its primary or dominant meaning in the market that the verbal symbol has acquired a secondary meaning.<sup>133</sup> However, for a nonverbal symbol to attain a secondary meaning, it must become associated with the source of the goods in consumers' minds, thereby achieving a trademark function of identification.<sup>134</sup>

Thus, contrary to the Court's opinion, requiring secondary meaning for product and package design does not foster unfair competition but instead properly restricts protection to only those aspects of a product that have become associated with the source. This limits the monopoly rights granted under section 43(a) of the Lanham Act by leaving in the public domain product features that do not identify the source of a product.<sup>135</sup>

The result of not requiring secondary meaning is that the market is left with a broad, over-encompassing test, unlimited by time, scope, or geographic area. By implicitly approving the doctrine of "secondary meaning in the making,"<sup>136</sup> the Court has opened the door for manufacturers who are first in the market with an unregis-

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131. *Two Pesos*, 112 S. Ct. at 2761 (rejecting the addition of a secondary meaning requirement for inherently distinctive trade dress).

132. RESTATEMENT OF TORTS § 716 cmt. b (1938). Section 716 is no longer a part of the RESTATEMENT (SECOND) OF TORTS. In the introductory note to the RESTATEMENT (SECOND) OF TORTS, the editors explained that after the decision was made to include the section in the Restatement, "the influence of Tort law has continued to decrease, so that it is now largely of historical interest and the law of Unfair Competition and Trade Regulation is no more dependent upon Tort law than it is on many other general fields of the law."

133. *Id.*

134. 1 MCCARTHY, *supra* note 13, § 15:2, at 521.

135. The Seventh Circuit has observed that monopolies must be restrained in order to preserve competition and consumer choices: "Because trademarks do not have a fixed time limit like copyrights and patents, other and vaguer methods are used to cut them off at the point where their value as information about product origin is exceeded by their cost in impeding competition." *W.T. Rogers Co., Inc. v. Keene*, 778 F.2d 334, 347 (7th Cir. 1985).

136. For a definition of "secondary meaning in the making" see *supra* note 121.

tered trade dress to limit rather than foster competition. Under this theory, any intentional copying of a product's distinctive trade dress is persuasive, if not conclusive evidence, of the consumer recognition and goodwill of a product. Thus, a manufacturer may limit another's use of a trade dress in an entirely different market area by proving that the second manufacturer intentionally copied his trade dress.<sup>137</sup> Commentators frequently reject this theory as inimical to a primary purpose of the Lanham Act, which is to protect only those designations associated with the origin of a product.<sup>138</sup> This doctrine not only places too much emphasis on a defendant's subjective state of mind, a test not used since the common law action of passing off, but it also wrongfully entitles a manufacturer to a monopoly in that trade dress.

The Court dictates this approach on the premise that a trade dress, like a trademark, is capable of serving as a "representation or designation" of source under section 43(a) because there are an infinite variety of ways to package a product.<sup>139</sup> However, this premise is flawed.<sup>140</sup> Unlike trademarks, which use words or symbols, the possible combinations of product packaging are limited, both by cost and functionality.<sup>141</sup> Therefore, rather than being consistent with the purpose of section 43(a) to foster competition and protect a product's goodwill, the Court's interpretation effectively limits the range of product and packaging designs available

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137. See *Jolly Good Indus., Inc. v. Elegra, Inc.*, 690 F. Supp. 227 (S.D.N.Y. 1988) (finding a likelihood of confusion between a beverage dispenser designed to be a replica of a 1920s era gasoline pump and a similarly designed gumball machine and aquarium). In *Two Pesos*, despite the fact that Taco Cabana's trade dress had not acquired secondary meaning, the Supreme Court prohibited Two Pesos from using the trade dress in market areas where Taco Cabana had not yet even ventured. This implies that the Court relied on the fact that Two Pesos intentionally appropriated Taco Cabana's inherently distinctive trade dress as evidence of the consumer recognition and goodwill of Taco Cabana's restaurant.

138. See *A.J. Canfield Co. v. Concord Beverage Co.*, 629 F. Supp. 200, 211 (3d Cir. 1985). The doctrine of "secondary meaning in the making" also conflicts with the common law rule of unfair competition. See also Carter, *supra* note 28, at 765-767 (claiming that the common law rule limits an action for unfair competition to cases in which the junior user is competing with the senior user and has imitated the mark in order to trade on the senior user's goodwill).

139. *Two Pesos*, 112 S. Ct. at 2767 (Thomas, J., concurring).

140. See Carter, *supra* note 28, at 770 (arguing that "some words and symbols are inherently cheaper information economizers than others . . . some marks are better than others").

141. See Brief of Private Label Manufacturer's Ass'n as Amicus Curiae at \*38, *Two Pesos v. Taco Cabana*, 112 S. Ct. 2753 (1992) (No. 91-971) (*available in* LEXIS, Genfed library, Briefs file) (arguing that an extension of trade dress protection would limit the range of product and packaging design to the detriment of private label manufacturers).

for other manufacturers to compete effectively in the market.<sup>142</sup> While such a test may reduce the "likelihood of confusion" among consumers of competing products, it significantly limits their choices.

## V. IMPACT

The *Two Pesos* opinion failed to define inherently distinctive trade dress. Additionally, it failed to define how much copying of a trade dress constitutes infringement. As a result, trial courts are left to decide these questions without Supreme Court guidance. Because the inherently distinctive test is much easier to apply, plaintiffs will likely go to court more often and will settle cases less often. The test requires only that one prove that one's trade dress is either arbitrary, suggestive, or fanciful. According to the Court in *Two Pesos*, virtually any combination of color and design will be inherently distinctive and protectable under section 43(a) at the moment its user introduces the product into the market. Because of the time and cost involved, requiring proof of secondary meaning formerly acted as a deterrent to frivolous suits. However, after *Two Pesos*, nothing remains to restrain users of trade dress from bringing law suits.

While an inherently distinctive test makes it easier for a plaintiff to prove his or her case, it places an unreasonable burden on competitors. Because competitors can look to no public register to determine whether a trade dress is already being used in the marketplace, they must attempt to determine in advance whether a product's design or packaging is inherently distinctive.

In addition, because trade dress protection extends to the overall packaging or design of a product, even if a product's individual components are not protectable, manufacturers of patentable designs will likely seek protection under section 43(a) rather than under copyright or patent law. In comparison to copyright protection, which generally lasts only for the life of an author plus fifty years,<sup>143</sup> and patent protection, which lasts fourteen years,<sup>144</sup> trade dress protection may extend indefinitely.<sup>145</sup> The Supreme Court's holding in *Two Pesos*, requiring only that a product be inherently distinctive, expands trade dress protection and grants a perpetual

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142. *Id.*

143. *See* 17 U.S.C. § 302(a) (1977).

144. *See id.* § 173.

145. *See* 1 MCCARTHY, *supra* note 13, § 6:3, at 127 (noting that "rights in a trademark continue for as long as the mark is used to identify and distinguish").



monopoly to the first user of a product's design. Unfortunately, this holding may result in courts granting protection for product designs that section 43(a) was never intended to protect.

## VI. CONCLUSION

In *Two Pesos*, the Supreme Court resolved the conflict over whether the scope of the Lanham Act extends to inherently distinctive trade dress that has not acquired secondary meaning in the marketplace. The Supreme Court's decision broadens the reach of the Lanham Act and expands a plaintiff's case. Because of the low threshold required to acquire trade dress protection, first users of a trade dress will seek judicial protection, even when the trade dress consists merely of some light fixtures and a few murals on the wall. Moreover, provided that the light fixtures and murals taken together are inherently distinctive, these first users will receive this protection. The relevance of this issue may soon be brought to light as more plaintiffs test the issue of what constitutes inherently distinctive trade dress and as they seek protection for items of intellectual property that Congress never meant to include within the ambit of section 43(a).

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