

WAL-MART STORES, INC. v. SAMARA BROTHERS, INC.

By Antonia Sequeira

The words of Justice Sandra Day O'Connor echoed through the courtroom, "it's hard to know how to define inherently distinctive . . . it's sort of like pornography: I know it when I see it."¹ Similarly, the lower courts had been debating for quite some time over that very question of how to define inherent distinctiveness. The Supreme Court somewhat clarified this elusive concept in handing down a landmark decision in the area of trade dress law that touched newspaper headings around the world with phrases like "Wal-Mart Cleared of Stealing Designs; Knockoffs Legal, High Court Says."² The Court had made it easier for retail stores, like K-Mart and Wal-Mart, to produce cheap "knockoffs" of popular clothing designs.³ In contrast with its 1992 decision in *Two Pesos, Inc. v. Taco Cabana, Inc.*,⁴ where the Court appeared to offer increased protection to unique product packages and designs, the Court, in *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*,⁵ opted to protect the consumer and encourage competition.⁶ More specifically, the *Wal-Mart* Court held that product designs could never be inherently distinctive, making it more difficult for product designers to protect their unique designs under trade dress law.⁷ In this manner, the Court promoted competition by limiting trade dress production for product designs. The Court also clarified that designers could still protect their distinctive designs, but trade dress law would only protect the designs had acquired secondary meaning, or

¹ Transcript of Record at 4, *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 120 S.Ct. 1339 (2000) (No. 99-150).

² Daniela Deane, *Wal-Mart Cleared of Stealing Designs; Knockoffs Legal, High Court Says*, THE WASHINGTON POST, Mar. 23, 2000, at E1

³ See Craig S. Mende, *How the High Court Sliced the Safety Net Against Knockoffs*, 41 BRANDWEEK, August 21, 2000, at 30.

⁴ *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763 (1992).

⁵ *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 120 S.Ct. 1339 (2000).

⁶ See *id.* at 1343. See also Julius Rabinowitz, *'Wal-Mart' Clarifies Product Appearance Trade Dress, High Court Added a Condition to Lanham Act Protectability: Proof of Secondary Meaning*, 22 NAT'L L.J., May 1, 2000, at C4 (considering how the *Two Pesos* Court focused on protecting small businesses, while the *Wal-Mart* Court had the opposite concern).

⁷ See *Wal-Mart*, 120 S.Ct. at 1344.

alternatively the designers could resort to other forms of intellectual property protection.⁸ Interestingly, however, the Court failed to explain how to distinguish between product design and packaging, but instead left this burden to the lower courts. Moreover, the Court did not clearly reconcile *Wal-Mart* with its seemingly conflicting opinion in *Two Pesos*.⁹ In summary, though the *Wal-Mart* decision demonstrates some of these doctrinal flaws, from a policy view the Supreme Court decided correctly in opting to protect consumers in the marketplace.

I. BACKGROUND

A. The History of Trade Dress and the Lanham Act

Historically, the foremost goal of trade dress protection was to prevent a manufacturer from dressing his product like that of another manufacturer, thus deceiving consumers into mistakenly purchasing goods from the wrong maker.¹⁰ By the late nineteenth century, courts also began to protect against the piracy of product packaging and unique product shapes.¹¹ The broad label of unfair competition supplied product packaging and shapes with legal protection as forms of “trade dress.”¹² This trade dress law was meant to protect consumers from confusion by making it easier for consumers to distinguish between differently dressed products and associate the dress with a particular producer.¹³ Yet, trade dress law also allows producers to protect the good will in their uniquely dressed products after much investment in advertising and promotion (since consumers can easily identify and thus, continue to buy the products), thereby

⁸ *See id.* at 1345.

⁹ The Court did, however discuss *Two Pesos* briefly and it found that *Two Pesos* involved product packaging rather than design. *See id.* at 1345-46.

¹⁰ *See* STEPHEN F. MOHR ET AL., U.S. TRADE DRESS LAW, EXPLORING THE BOUNDARIES 1 (Int’l Trademark Ass’n eds., 1997).

¹¹ *See id.*

¹² *See* J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS § 7.53 (2000).

¹³ *See* Lanham Act § 43(a), 15 U.S.C. § 1125(a) (2000) (protecting consumers against use of words, terms, names, symbols or devices that are “likely to cause confusion . . . as to the origin, sponsorship, or approval” of goods).

encouraging producers to continue to invest in producing high quality products.¹⁴ In a sense, producers, the parties with the incentive to “police misuse of their marks,” were permitted to sue in lieu of individual consumers who would have more difficulty bringing an effective suit to protect against their own confusion.¹⁵

The Lanham Act, enacted in 1946, provided a broad weapon against unfair competition.¹⁶ Section 43(a) offered protection against “deceptive marketing, packaging, and advertising of goods” that could potentially mislead a consumer with regard to a product’s true source.¹⁷ In 1988, the original text was replaced by the rewritten version that provided broader protection against the use of any “word, term, name, symbol, or device, or any combination thereof,” which might cause confusion or deceive consumers.¹⁸ The amendments also codified what had become a well-recognized rule of case law that both registered and unregistered marks were protectable.¹⁹ Eventually, courts further stretched the interpretation of the Act to protect trade dress, as well as trademarks. Traditionally, trade dress law protected the overall image of containers and labels used in product packaging, yet courts later expanded this to include protection of all the elements of a product combined to create the whole image.²⁰ In the early 1980’s, courts further extended trade dress law to protect “the shape and design of the product itself.”²¹

¹⁴ See MCCARTHY, *supra*, note 12, at §§ 2.18, 2.15.

¹⁵ ROBERT P. MERGES, ET AL., *INTELLECTUAL PROPERTY IN THE NEW TECHNOLOGICAL AGE* 605 (Richard A. Epstein, et al. eds., 2d ed. 2000) (discussing this notion as one reading of old common law unfair competition cases).

¹⁶ See JEROME GILSON, *GILSON ON TRADEMARK PROTECTION & PRACTICE* § 7.02 (2000).

¹⁷ See MOHR ET AL., *supra* note 10, at 13 (quoting 20th Century Wear, Inc. v. Sanmark-Stardust, Inc., 747 F.2d 81, 91 (2d Cir. 1984), *cert. denied*, 470 U.S. 1052 (1985)).

¹⁸ Lanham Act § 43(a), 15 U.S.C. § 1125(a) (2000).

¹⁹ See MCCARTHY, *supra* note 12, at § 5.9.

²⁰ See *id.* at § 8.1.

²¹ *Id.*

B. Trade Dress Infringement and the Courts' Approaches To Inherent Distinctiveness

Most courts look for three main criteria when considering trade dress infringement: non-functionality, likelihood of confusion, and distinctiveness.²² First, a design or package cannot be protected unless it is non-functional. Use of a design or package should not lead to utilitarian problems in that the feature is essential to the use of the product, so that it would hinder competition to allow only one producer to use that product feature.²³ Second, it must be likely that consumers will confuse the infringing product with the product for which protection is sought, due to the similar design or packaging.²⁴ Third, a product feature must be distinctive, and there are two types of distinctiveness: inherent distinctiveness and distinctiveness that is acquired through secondary meaning. Trade dress is inherently distinctive if it causes a consumer to immediately recognize that the product comes from a single source or producer.²⁵ Trade dress has acquired distinctiveness when it has a secondary meaning (meaning beyond any normal association between the dress and the product) in the minds of consumers.²⁶ So, the public did not immediately associate the product with its source (as with inherent distinctiveness), but over time, after exclusive use and much advertising, consumers have come to recognize the trade dress as designating the product's source.²⁷

With regard to the distinctiveness factor, there was much conflict among the

²² See *id.* at § 7.54.

²³ See *Inwood Labs., Inc. v Ives Labs., Inc.*, 456 U.S. 844, 850 (1982). In some courts, a design must also not be “aesthetically functional,” meaning visually attractive features must not solely serve the non-trademark function of making the product aesthetically pleasing rather than helping consumers associate the product with its source. See *MERGES*, *supra* note 15, at 745. See also *MCCARTHY*, *supra* note 12, at § 7.79. But see § 7.81 for a criticism of the doctrine of “aesthetic functionality” as an “unwarranted and illogical expansion of the functionality policy.”

²⁴ See *MCCARTHY*, *supra* note 12, at § 7.54.

²⁵ See *ROBERT C. DORR & CHRISTOPHER H. MUNCH, PROTECTING TRADE DRESS* § 2.4 (Aspen Law & Bus. 1999) (1992).

²⁶ See *ADAM L. BROOKMAN, TRADEMARK LAW: PROTECTION, ENFORCEMENT AND LICENSING* § 6.04 [B].

²⁷ See *id.*

circuit courts over how to determine inherent distinctiveness, resulting in various tests. Many courts initially applied the “*Abercrombie*” test, which was put forth by Judge Learned Hand in *Abercrombie & Fitch Co. v. Hunting World, Inc.*²⁸ The *Abercrombie* test separates trademarks (or trade dress) into a spectrum of distinctiveness levels based on how likely it is that the trademark will cause consumers to recognize the product source.²⁹ These categories are designated by the following names, in order of the strongest type of mark to the weakest: 1) arbitrary or fanciful marks; 2) suggestive marks; 3) descriptive marks; and 4) generic marks.³⁰ Arbitrary, fanciful, and suggestive marks are always inherently distinctive since they give little clue as to the product’s source, so consumers associate these marks with a product source because they are truly distinctive (i.e. the mark, “Kodak,” provides no clue that it refers to film products).³¹ Descriptive marks can only be protected after they have acquired secondary meaning, since they describe the product’s source (i.e. “Vision Center” describes optical goods, so consumers normally associate the mark with the source, not just because the mark is so unique), and generic marks refer generally to a class of goods and can never be protected as trademarks (ie. computers).³²

Though the “*Abercrombie*” test was useful in determining which trademarks were inherently distinctive, some courts felt it could not be properly applied to trade dress.³³ Two

²⁸ *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4 (2d Cir. 1976).

²⁹ *See* MCCARTHY, *supra* note 12, at § 11.1 to .4.

³⁰ *See id.*

³¹ *See* Zatarain’s, Inc. v. Oak Grove Smokehouse, Inc., 698 F.2d 786, 791 (5th Cir. 1983).

³² *See id.* at 790. For example, the Fifth Circuit applied the *Abercrombie* test in *Chevron Chemical Co. v. Voluntary Purchasing Groups, Inc.*, 659 F.2d 695, 702 (5th Cir. 1981) explaining that if a product feature is arbitrarily selected and does not describe the product, there is no need to require secondary meaning).

³³ *See* Duraco Products, Inc. v. Joy Plastic Enters., Ltd., 40 F.3d 1431, 1441 (3d Cir. 1994) (rejecting the *Abercrombie* test for product designs).

years after the “*Abercrombie*” test was developed, the “*Seabrook*” test evolved, in *Seabrook Foods, Inc. v. Bar-Well Foods Ltd.*³⁴ This tripartite test is used to ask:

(1) whether the particular dress consists of a common basic shape or design; (2) whether it is unique or unusual in a particular field; and (3) whether it is a ‘mere refinement of a commonly-adopted and well-known form of ornamentation for a particular class of goods viewed by the public as a dress or ornamentation for the goods.’³⁵

Rather than just putting trade dress into a spectrum of distinctiveness, as in the “*Abercrombie*” test, the test separates distinctive trade dress from non-distinctive by allowing courts to directly ask whether the trade dress is unique or common.³⁶ Though courts differed over which test to apply to trade dress, there were also conflicting views over whether trade dress could ever be inherently distinctive.

*Two Pesos v. Taco Cabana*³⁷ was a pivotal Supreme Court case that resolved the conflict over whether trade dress, like trademarks, could be inherently distinctive. The Court found that the overall image of a Mexican restaurant, including décor and festive color schemes, was inherently distinctive.³⁸ Hence, the Court’s holding demonstrated that secondary meaning did not have to be shown in order to protect a product under trade dress theories; some types of trade dress clearly could be inherently distinctive.³⁹

Since the *Two Pesos* decision did not specify which types of trade dress could be inherently distinctive (product design or packaging or both), the courts remained in conflict over whether product designs could ever be inherently distinctive and which tests to apply. Two years

³⁴ 568 F.2d 1342 (C.C.P.A. 1977).

³⁵ *Id.* at 1344.

³⁶ For example, the Fifth Circuit applied this test in *I.P. Lund Trading ApS v. Kohler Co.*, 163 F.3d 27 (5th Cir. 1998), since it found that other factors, along with those in the “*Abercrombie*” test, should be considered in determining distinctiveness.

³⁷ 505 U.S. 763 (1992).

³⁸ *See id.*

³⁹ *See id.* at 776.

after *Two Pesos*, the Third Circuit, in *Duraco Products, Inc. v. Joy Plastic Enters., Ltd.*,⁴⁰ questioned whether a product design could ever be inherently distinctive. The court, in *Duraco*, rejected the application of the “*Abercrombie*” test for product design situations and formulated its own product design test.⁴¹ Under the *Duraco* test, a product design is afforded protection if it is: “(1) unusual and memorable; (2) conceptually separable from the product; and (3) likely to serve primarily as a designator of origin of the product.”⁴² The Second Circuit, in *Knitwaves, Inc. v. Lollytogs, Ltd.*,⁴³ also rejected the “*Abercrombie*” test and formulated its own test employing only the third prong of the *Duraco* test.⁴⁴

In contrast, a few courts have continued to apply the “*Abercrombie*” test to product designs after *Two Pesos*. The Eighth Circuit, in *Stuart Hall Co., Inc. v. Ampad Corp.*,⁴⁵ clearly rejected the “*Duraco*” test, and instead, applied the “*Abercrombie*” test.⁴⁶ The court held that trade dress encompasses both product packaging and design.⁴⁷ Similarly, the Fourth Circuit, in *Ashley Furniture Indus., Inc. v. Sangiacomo N. A., Ltd.*,⁴⁸ held that the *Abercrombie* test should be used when considering inherent distinctiveness in product design issues.⁴⁹ In *Wal-Mart v. Samara Brothers*,⁵⁰ the Supreme Court resolved the issue of inherent distinctiveness with regard to product designs, yet left open other questions like how to decide if a product feature is design

⁴⁰ 40 F.3d 1431 (3d Cir. 1994)

⁴¹ *See id.* at 1441 (rejecting the *Abercrombie* test as being inapplicable to product features, since it was difficult to effectively separate such features into categories within the spectrum of distinctiveness).

⁴² *See id.*

⁴³ 71 F.3d 996 (2d Cir. 1995).

⁴⁴ *See id.* at 1008-09. The court refused to employ the three-part *Duraco* test explaining that it was not rooted in the Lanham Act’s language. *See id.* at 1009 n. 6.

⁴⁵ 51 F.3d 780 (8th Cir. 1995).

⁴⁶ *See id.* at 787.

⁴⁷ *See id.* A district court within the Ninth Circuit, in *DCNL, Inc. v. Almar Sales Co.*, also expressed agreement with these views of the Eighth Circuit. *See* 47 U.S.P.Q.2d 1406 (N.D. Cal. 1997).

⁴⁸ 187 F.3d 363 (4th Cir. 1999).

⁴⁹ *See id.* at 370-71.

⁵⁰ 120 S.Ct. 1339, 1344 (2000).

or packaging, and which inherent distinctiveness test to use if the feature turns out to be packaging..

II. CASE HISTORY

A. The Facts of the Case

Samara Brothers, Inc. (“Samara”) designs and manufactures children’s clothing.⁵¹ The heart of Samara’s business is its children’s clothing line composed primarily of spring and summer one-piece seersucker outfits, displaying appliqués of hearts, fruits, flowers, etc.⁵² In 1995, Wal-Mart Stores, Inc. (“Wal-Mart”), a well-known retailer, contracted with Judy-Philippine, Inc., one of its suppliers, to produce a line of children’s clothing patterned after photographs of Samara’s appliqué garments with only small modifications.⁵³ In June 1996, a buyer at J.C. Penney, one of the stores that sold Samara’s garments under contract, informed Samara that its designs were being sold by Wal-Mart at a lower price than permitted by J.C. Penney’s contract.⁵⁴ Samara discovered that Wal-Mart was manufacturing and selling copies of Samara’s clothes.⁵⁵ Samara sued these retailers under various claims, including infringement of unregistered trade dress under §43(a) of the Lanham Act.⁵⁶

B. The District Court

The jury found Wal-Mart liable under all of Samara’s claims, and Wal-Mart moved for judgment as a matter of law, but the district court denied Wal-Mart’s motion.⁵⁷ The court held that though certain non-distinctive elements of Samara’s designs could not be protected, the jury

⁵¹ *Id.* at 1341.

⁵² *Id.*

⁵³ *Id.*

⁵⁴ *Id.* at 1341-42.

⁵⁵ *Id.*

⁵⁶ *Id.*

⁵⁷ *Samara Bros., Inc. v. Judy-Philippine, Inc.*, 969 F. Supp. 895, 897 (S.D.N.Y. 1997), *aff’d* 165 F.3d 120 (2d Cir. 1998), *vacated by* 120 S.Ct. 1339 (2000).

could have reasonably found that the “combination of these elements was distinctive and thus protectable.”⁵⁸ Wal-Mart appealed this judgment to the Second Circuit.⁵⁹

C. The Second Circuit

The Second Circuit affirmed the denial of Wal-Mart’s Motion for Judgment as a Matter of Law regarding Samara’s Lanham Act claim.⁶⁰ Like the district court, the Second Circuit reached its conclusion by referring to its opinion, in *Landscape Forms, Inc. v. Columbia Cascade Co.*,⁶¹ and applying the 3rd prong of the “*Duraco*” test, which asks whether the trade dress was “likely to be . . . an indicator of the product’s source.”⁶² The court noted that there was no doubt that the “overall look” of a product and a distinctive combination of design elements could indicate a product’s source.⁶³ The court found that Samara’s clothing involved a distinctive combination of elements, and so could be inherently distinctive.⁶⁴ The Supreme Court granted certiorari limited to the question of “what must be shown to establish that a product’s design is inherently distinctive.”⁶⁵

D. The Supreme Court

In a unanimous opinion, by Justice Scalia, the Supreme Court held that unregistered product design trade dress could not be inherently distinctive, since consumers do not typically associate the product design with the product’s source.⁶⁶ Thus, product designs can only be protected upon a showing of secondary meaning.⁶⁷

⁵⁸ *Id.* at 898.

⁵⁹ *Samara Bros., Inc. v. Wal-Mart Stores, Inc.*, 165 F.3d 120, 122 (2d Cir. 1998), *vacated by* 120 S.Ct. 1339, (2000).

⁶⁰ *See id.* at 132.

⁶¹ 113 F.3d 373 (2d Cir. 1997).

⁶² *Id.* at 125 (discussing *Landscape Forms*, 113 F.3d 373 (2d Cir. 1997)).

⁶³ *Id.* (discussing *Landscape Forms*, 113 F.3d 373 (2d Cir. 1997)).

⁶⁴ *Id.* at 127.

⁶⁵ *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 120 S.Ct. 308 (1999).

⁶⁶ *See Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 120 S. Ct. 1339, 1344 (2000).

⁶⁷ *Id.* at 1346.

The Court first compared product designs to color, finding that both designs and color were not inherently distinctive.⁶⁸ The Court recalled its discussion of trademarks, in *Qualitex v. Jacobson Products*,⁶⁹ where it held that colors could never be inherently distinctive. In drawing its analogy, the Court found that product designs, like colors, do not immediately cause a consumer to think of a brand or product source.⁷⁰ Thus, both colors and product designs require a showing of secondary meaning in order to acquire trade dress protection. The Court further explained that even a unique product design is not inherently distinctive since it is typically intended to make a product more appealing and not to identify a brand.⁷¹ As an example, the Court considered a cocktail shaker shaped like a penguin.⁷² The Court explained that consumers know that even this unusual design “is intended not to identify the source, but to render the product itself more useful or more appealing”.⁷³

In the Court’s view, applying the inherent distinctiveness principle to product designs might be harmful to consumers by depriving them of the chance to benefit from aesthetic designs of competing products.⁷⁴ Consumers should not be deprived of competition by a “rule of law that facilitates plausible threats of suit against new entrants based upon alleged inherent distinctiveness.”⁷⁵ Competition will be deterred, the Court clarified, by even the threat of a successful suit, so “given the unlikelihood of inherently source-identifying design, the game of allowing suit based upon alleged inherent distinctiveness...(is) not worth the candle.”⁷⁶ The

⁶⁸ *See id.* at 1344.

⁶⁹ *Qualitex v. Jacobson Products*, 514 U.S. 159 (1995).

⁷⁰ *See Wal-Mart*, 120 S.Ct. at 1344 (discussing *Qualitex v. Jacobson Products*, 514 U.S. 159 (1995), which held that the green and gold color of a brand of dry cleaning pads could be protected as a trademark, but only after a showing of secondary meaning).

⁷¹ *Id.*

⁷² *Id.*

⁷³ *Id.*

⁷⁴ *See id.*

⁷⁵ *Id.* at 1344.

⁷⁶ *Id.* at 1345.

Court also noted that the availability of other methods of protection, like patents and copyrights, offsets any harm a producer may suffer by the requirement that secondary meaning be shown before product design can be protected under trade dress law.⁷⁷

The Court also discussed its decision in *Two Pesos v. Taco Cabana*,⁷⁸ where the Court held that trade dress, at least in the form of restaurant décor, could be inherently distinctive. Yet, the Court did not overrule its opinion, in *Two Pesos*, because the Court concluded that the *Two Pesos* holding involved product packaging or “some *tertium quid* that is akin to product packaging,” while *Wal-Mart* involved product design.⁷⁹ So, in the Court’s view, the two opinions were consistent.

Finally, the Court recognized that the lower courts would have some difficulty drawing lines between product design and product packaging.⁸⁰ The Court suggested the classic Coca-Cola bottle as an example of a product feature that could either be considered packaging (for the soda) or design (for people who collect the bottles).⁸¹ Yet, the Court simply commented that lower courts should lean toward classifying ambiguous cases as product design rather than packaging.⁸² The Court reversed the Second Circuit’s decision and remanded for proceedings consistent with its opinion.⁸³

III. ANALYSIS

The Court’s overall conclusion was correct, from a policy perspective, but its opinion in reaching the conclusion creates some doctrinal problems. The consumer-oriented decision will probably promote competition, and so is beneficial from a policy view. Doctrinally, however,

⁷⁷ *See id.*

⁷⁸ 505 U.S. 763 (1992).

⁷⁹ *Wal-Mart*, 120 S.Ct. at 1345.

⁸⁰ *See id.* at 1345-46.

⁸¹ *Id.* at 1346.

⁸² *Id.*

⁸³ *Id.*

the *Wal-Mart* opinion may only create more confusion in the area of trade dress law. The Court should have provided an explanation about how to deal with the new product design versus packaging issue.

A. From A Policy View, The Court Reached The Correct Overall Conclusion

The Court reached the correct result, as a policy matter, for two main reasons. First, *Wal-Mart* will likely benefit consumer's interests since it promotes competition in the marketplace and there is a strong competitive interest in protecting designs. Second, *Wal-Mart* does not leave product designs unprotected, but instead requires proof of secondary meaning or encourages designers to employ patents or copyrights to protect designs.⁸⁴

1. Promoting Competition and Consumer Interests

The competitive need for a higher standard of distinctiveness (through a showing of secondary meaning) for acquiring trade dress is especially prevalent with regard to product designs. Packaging only acts as an encasement for the actual product, and is normally the portion of a product that is likely to be discarded. Thus, competition probably will not be threatened by allowing trade dress protection for a packaging style without a showing of secondary meaning. In contrast, design is intertwined with the product, so if a producer is given rights to a design, he no longer has rights to something that will just be abandoned; he actually has rights to the product, itself. Competition is likely to be jeopardized by trade dress law that permits any sort of exclusive right to an actual product, particularly since trade dress protection is unlimited in duration.

Allowing trade dress protection of product designs may also frustrate competition by reducing an already limited supply product style options. There is a more substantial

⁸⁴ *See id.* at 1345-46 (suggesting design patents and copyrights as alternative protections and holding that a design is protectable only upon showing of secondary meaning).

competitive interest in duplicating product designs, as opposed to packaging and labeling.⁸⁵ Since the design makes up the product itself, limiting the number of designs available for producers to choose from directly restrains what types of products a producer can create. It may be relatively easy for a producer to modify or create a new product package, but changing a product design will involve reconfiguring the product itself.

By holding that product design cannot be inherently distinctive, the Court has likely furthered the interests of consumers and promoted competition. The *Wal-Mart* decision will likely benefit consumers by making it more difficult for producers to prove a design deserves trade dress protection. With inherent distinctiveness, producers must demonstrate that consumers automatically associate the design with a particular source.⁸⁶ To prove secondary meaning exists, however, the producer must show that over time consumers have come to recognize the trade dress to identify the product as originating with a single source.⁸⁷ Courts will consider secondary meaning factors such as the advertising expenditures by trade dress owners, surveys of consumers who associate the trade dress with a single source, how long the trade dress was used, and whether use was exclusive.⁸⁸ Thus, a producer will often be limited to protecting only designs that have existed for a while, and will be forced to spend a great deal of money on advertising and surveys to prove the design deserves trade dress protection.⁸⁹ As a result, it will be more difficult for producers to acquire exclusive trade dress rights to use particular product designs. So, this will encourage competitors to create cheaper copies of these unprotected designs, thereby providing consumers with more options in the marketplace. Rather

⁸⁵ See, e.g., Lisa I. Fried, *High Court Makes Guarding Product Design Harder Trademark Case*, 223 N.Y.L.J 5 (2000).

⁸⁶ See DORR, *supra* note 25, at § 2.03[B][1] (2000).

⁸⁷ See, e.g., MCCARTHY, *supra* note 12, at §15.5; BROOKMAN, *supra* note 27, at § 6.04 [B].

⁸⁸ See BROOKMAN, *supra* note 27 § 6.04 [B][1].

⁸⁹ With modern media and technology, however, it may be possible for a producer to publicize a design quickly and sufficiently to cause consumers to recognize the design source, thus warding off competitors. Craig S. Mende, *How the High Court Sliced the Safety Net Against Knockoffs*, 41 BRANDWEEK, August 21, 2000, at 30.

than allowing a few popular designers to have monopolies on certain product styles, *Wal-Mart* provides other designers with the chance to incorporate these styles and make new and innovative products.

As an alternative argument, *Wal-Mart* could possibly harm consumers who are interested in diversity in products rather than similarly designed knockoffs. Limiting trade dress protection of designs could result in reliance of retailers, like Wal-Mart, on producing lower quality knockoffs of popular designs rather than investing resources to create their own innovative designs.⁹⁰ Consumers could lose the benefit of making choices between many creative designs and instead, may be limited to choosing between similar looking design knockoffs.

Even if some design diversity is lost by limiting trade dress protection of designs, this fact only supports the view that there should be some form of product design protection and not that that form of protection should be trade dress law. The main point is that the purpose of trade dress law is to prevent consumer confusion as to a product's source and not to promote marketplace diversity.⁹¹ Most of the time, however, consumers probably will not automatically associate an innovative new product design with the source. The Court suggests, in *Wal-Mart*, that since product designs rarely will be immediately source-identifying, it is worthwhile to put forth a rule declaring that product design can never be inherently distinctive.⁹² Otherwise, competition would be deterred by the "game of allowing suit based upon alleged inherent distinctiveness."⁹³ Though a successful suit would be very unlikely, just the threat of such a suit may hinder competition, and this would be more detrimental to competition than the initial loss

⁹⁰ See e.g., MCCARTHY, *supra* note 12, at § 2.4 (quoting Richard Craswell, *The Craswell Report*, 7 (1979), discussing the idea that trademarks give a manufacturer an "incentive to improve the quality of his product" and without such protections, "a manufacturer would gain little or nothing from improving his product's quality").

⁹¹ See MCCARTHY, *supra* note 12, at § 8.1 (explaining that "unlike patent and copyright law, trade dress law does not exist as a reward for innovation or creativity," but instead it "exists only if it can be proven that the trade dress identifies and distinguishes" the product source).

⁹² See *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 120 S.Ct. 1339, 1345 (2000).

⁹³ See *id.*

of protection for those designs that might really be inherently distinctive.⁹⁴ Hence, in the interests of promoting competition, the Court's decision to require secondary meaning for product designs was probably a wise one.

2. Design Patents, Copyrights, and Secondary Meaning

Wal-Mart does not eliminate all trade dress protection for product designs, but rather encourages producers to develop secondary meaning in their designs or to turn to other methods of design protection.⁹⁵ Producers may still attain trade dress protection, but only after proof of secondary meaning.⁹⁶ The *Wal-Mart* decision simply requires a higher showing of proof regarding distinctiveness for product designs so that only the most distinctive designs will be sheltered from competitor piracy. Even if demonstration of secondary meaning is impossible or is too expensive, a unique design may still be protected through a design patent or a copyright.⁹⁷

There are, however, some problems with the use of design patents or copyrights to protect designs, and there are also difficulties with requiring a showing of secondary meaning for trade dress protection.⁹⁸ Design patents are expensive and may take a long time to obtain.⁹⁹ Additionally, copyrights do not provide full protection, but only allow sketches and patterns to be protected and not entire clothing items.¹⁰⁰ Moreover, some designers may have difficulty showing that their designs have attained secondary meaning over time. Clothing designers, for example, change their styles or create new designs so frequently, that they would seldom be able to protect the designs if a showing of secondary meaning is required.¹⁰¹

⁹⁴ *See id.*

⁹⁵ *See id.* (suggesting copyrights or design patents as alternative types of protection).

⁹⁶ *See id.* at 1346.

⁹⁷ *See* DORR, *supra* note 25, § 9.02[C], [D] (discussing both copyrights and design patents as effective means of protecting trade dress).

⁹⁸ *See* Fried, *supra* note 85.

⁹⁹ *See id.*

¹⁰⁰ *See id.*

¹⁰¹ *See id.*

These deficiencies in protection do not suggest, however, that the Court was incorrect in requiring a showing of secondary meaning for trade dress protection of product designs. Instead, it may be that trade dress law, which is unlimited in protection duration, is not be the appropriate form of intellectual property protection for product designs that are not source identifying and do not have secondary meaning.¹⁰² If trade dress is meant to protect product features that cause consumers to connect them with the product source, then maybe rapidly evolving clothing designs that never acquire this connection should not be given any trade dress protection.¹⁰³ Furthermore, the fact that both patents and copyrights may fail to protect some product designs may mean that a new form of intellectual property protection is necessary to deal with these issues. In any case, though the protection level of design patents and copyrights may not be exhaustive, they do provide some measure of protection that will apply to most designs.¹⁰⁴ Hence, producers who cannot show secondary meaning for their designs should seek protection under these intellectual property regimes, rather than under trade dress law.

B. Doctrinal Problems with the Supreme Court's Decision

Though the Court seems to have reached a correct decision from a policy standpoint, there are two main doctrinal problems apparent in the Court's method of reaching its conclusion. First, the Court in *Wal-Mart* introduced the new burden to lower courts of distinguishing between packaging and design, and failed to explain how this distinction should be made. Second, the Court failed to reconcile its seemingly conflicting *Two Pesos* opinion with its current reasoning in *Wal-Mart*.

¹⁰² See BROOKMAN, *supra* note 26, at § 6.01 (explaining that, in order to be protectable trade dress, the elements making up trade dress must have been used so as to denote the product source).

¹⁰³ See *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 157 (1989) (holding that the general public has the right to copy product designs, which are not protected by a patent or copyright, if there is no consumer confusion or deception regarding the design).

¹⁰⁴ See DORR, *supra* note 25, at § 9.02[D] (discussing design patents on product shapes and giving some examples of design patents that have been issued for products).

1. Lack of Explanation for How to Distinguish Between Packaging and Design

The *Wal-Mart* decision is beneficial in that the lower courts no longer have to consider the confusing issue of whether or not a product design is inherently distinctive.¹⁰⁵ The Court seems to have created a more efficient bright-line rule¹⁰⁶ that designs can never be inherently distinctive. Though some product designs may fail to fit within this rule (i.e. a design that seems to be inherently distinctive since it automatically identifies the product source),¹⁰⁷ as long as the rule properly classifies *most* designs, the bright-line rule may increase efficiency in trade dress law.¹⁰⁸ After *Wal-Mart*, courts will no longer be encumbered with the murky distinction between a product design that immediately identifies the source and one that does not. However, in creating this bright-line rule the Court may have complicated trade dress law.

Although the Court removed the design inherent distinctiveness issue from consideration, the Court failed to explain how to deal with the equal or even greater evil: distinguishing between product packaging and design. The Court may have replaced a molehill with a mountain since making the distinction may be an onerous chore.¹⁰⁹ The lower courts will have

¹⁰⁵ See Section I.A., *supra*, for a discussion of the lower courts' various tests in trying to determine inherent distinctiveness.

¹⁰⁶ A "bright-line rule" is defined as "a judicial rule of decision that is simple, straightforward, and avoids or ignores the ambiguities or difficulties of the problems at issue." BLACK'S LAW DICTIONARY 74 (Bryan A. Garner ed, pocket ed. 1996).

¹⁰⁷ The Court did not examine any situations in which product designs actually do appear to be inherently distinctive, yet the design of some motor vehicles, for example, seems to be inherently distinctive. Unlike a cola bottle, the outer appearance of a car is usually very important to all types of buyers and collectors; it constitutes more than just a package covering an engine. The shape and design of a Volkswagen bug or the Lamborghini Countach are so distinctive that they are likely to automatically cause consumers to recognize that they originate from a single source. Furthermore, a few courts have recognized the designs of vehicle features to be inherently distinctive. *See, e.g.*, *Ferrari s.p.a. v. Roberts*, 944 F.2d 1235, 1239-1240, 20 U.S.P.Q.2d (BNA) 1001, 1005-06 (6th Cir. 1991) (holding that the shape and appearance of the Ferrari could be protected as a product configuration case); *Rolls-Royce Motors Ltd. V. A & A Fiberglass, Inc.*, 428 F. Supp. 689, 698, 193 U.S.P.Q. (BNA) 35, 45 (N.D. Ga 1977) (holding that the Rolls-Royce grille was protected as a type of product configuration trade dress).

¹⁰⁸ *See, e.g.*, *Bowen v. Massachusetts*, 487 U.S. 879, 927 (1988) (finding that it is efficient to have a bright-line rule for dealing with challenges to Medicaid disallowance decisions).

¹⁰⁹ *See* Section III.A.2. for a discussion of some difficulties in distinguishing between design and packaging.

to establish, without Supreme Court guidance, a whole new method for distinguishing between design and packaging; the courts may all apply different and conflicting tests, as they did in determining inherent distinctiveness.¹¹⁰ Furthermore, if after applying these new tests, the feature is found to be packaging, then the court must, once again, muddle through the same old group of inherent distinctiveness tests to decide if the packaging is inherently distinctive.¹¹¹ The Supreme Court failed to explain which inherent distinctiveness test should be applied in this situation and it failed to provide a test for distinguishing between packaging and design or even a definition of what constitutes packaging versus design.

The Court, itself, recognized that in some situations the lower courts might have difficulty distinguishing between packaging and design.¹¹² The Court discussed the classic glass Coca-Cola bottle as an example of this.¹¹³ On first glance, the classic Coke bottle appears to be product packaging, meant only as dressing for the actual product—the soda. For a collector, however, the bottle may be the actual product of interest, and the cola just an added feature of a collectable good. If the bottle is the product, then it is the product’s design, which courts will examine for distinctiveness.¹¹⁴ Thus, packaging and design can be indistinguishable, depending on the product that one is buying (the soda or the classic bottles of Coca-Cola) and even depending on the buyer (a soda buyer or a classic bottle collector).

Two Pesos v. Taco Cabana exhibits another example of packaging that could also be characterized as product design.¹¹⁵ The Court found that the overall image of a Mexican restaurant, including décor, festive atmosphere, and dining and patio areas decorated brightly

¹¹⁰ See Section I.A for a discussion of the different tests used by the courts to decide if a product feature is inherently distinctive.

¹¹¹ See *id.*

¹¹² See *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 120 S. Ct. 1339, 1345-46 (2000).

¹¹³ See *id.*

¹¹⁴ See *id.*

¹¹⁵ See *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763 (1992).

with murals, paintings, and artifacts, was inherently distinctive.¹¹⁶ Yet, the restaurant décor has elements of both packaging and design. If the consumers visit the Mexican restaurant for the dining ambiance, then the restaurant room and its furnishings are the actual product. The festive style of the restaurant makes up the design of the product, or the restaurant ambiance. If the food, however, is the restaurant's product, then the festive atmosphere may be considered a package meant to dress up the product in an appealing manner.

Yet, the Court only provided a weak explanation of how the lower courts should deal with product features that could be either design or packaging, and did not follow its own suggestion when discussing *Two Pesos*. With the Coca-Cola bottle example, the Court concluded that in such a case, where it is difficult to decide if the product feature is packaging or design, "courts should err on the side of caution and classify ambiguous trade dress as product design, thereby requiring secondary meaning."¹¹⁷ Yet, in *Two Pesos*, which is arguably a close case between packaging and design, the Court found the restaurant interior design to be inherently distinctive.¹¹⁸ Indeed, the lower courts had difficulty deciding whether to treat *Two Pesos* as a packaging or a design case because the Supreme Court had generically referred to the décor as trade dress.¹¹⁹ In *Wal-Mart*, the Supreme Court, itself, only vaguely described the restaurant décor as packaging or "some *tertium quid* that is akin to product packaging"¹²⁰ Troublingly, the Supreme Court declared *Two Pesos* to be a packaging case immediately before it directed the

¹¹⁶ *See id.*

¹¹⁷ *See Wal-Mart*, 120 S.Ct. at 1346.

¹¹⁸ *See Two Pesos*, 505 U.S. at 776.

¹¹⁹ The Third Circuit interpreted *Two Pesos* to involve packaging, while the Eighth and Fourth Circuits interpreted it as a product design case. *See* Deborah F. Buckman, *When Is Trade Dress "Inherently Distinctive" For Purposes of Trade Dress Infringement Actions Under § 43(a) of Lanham Act (15 U.S.C.A. § 1125(a))--Cases After Two Pesos*, 161 A.L.R. Fed. 327, § 2(a) (2000) (discussing the Third Circuit's interpretation that *Two Pesos* was a product packaging case, while the Eighth Circuit understood the Court to be eliminating any distinction between packaging and design trade dress, and interpreted *Two Pesos* to be a product configuration case); *see also* Symposium, *Trade Dress Protection: The Issue of Distinctiveness and Potential Conflicts*, 7 N. Ky. L.Rev. 1041, 1048 (also discussing the same views of the Third and Eighth Circuits, along with the Fourth Circuit's view that *Two Pesos* was a design case).

¹²⁰ *Wal-Mart*, 120 S.Ct. at 1345

lower courts to err on the side of finding close cases to be product design.¹²¹ The Court gave no explanation for why *Two Pesos* is a packaging case, or why the Court, itself, chose not to err on the side of calling it a design case.

2. Failure to Reconcile *Wal-Mart* and *Two Pesos*

By refusing to overrule *Two Pesos*, the Court has left as applicable law, a case that arguably conflicts with the rule it adopts in *Wal-Mart*. In light of the Supreme Court's opinion in *Two Pesos*, the *Wal-Mart* decision represents a distinct retreat from the *Two Pesos* holdings. The *Two Pesos* opinion focused most predominantly on the producer's interests, including a producer's right to the goodwill of his business, his right maintain a competitive position, and the burdens his company would face if he were required to demonstrate secondary meaning.¹²² *Two Pesos* seemed to be broadening unregistered trade dress protection. In contrast, the consumer-oriented *Wal-Mart* decision considered how product design suits based on inherent distinctiveness issues might deprive consumers of the benefits of competition.¹²³

Another change with *Wal-Mart*, in comparison to *Two Pesos*, is that the Court seems to have modified its application of the Lanham Act. In *Two Pesos*, the Court addressed the lack of textual basis, in section 43(a) of the Lanham Act, for "treating inherently distinctive . . . trademarks differently from inherently distinctive trade dress."¹²⁴ Since the Lanham Act did not treat trademarks and trade dress differently, then there would be no reason for the Court to do so. The Court found that both inherently distinctive trade dress and trademarks should be afforded protection without a secondary meaning requirement since this served the Lanham Act's

¹²¹ See *Wal-Mart*, 120 S.Ct. at 1345-46.

¹²² See *Two Pesos*, 505 U.S. at 774-76.

¹²³ See *Wal-Mart*, 120 S.Ct. at 1344.

¹²⁴ *Two Pesos*, 505 U.S. at 774.

purpose.¹²⁵ Interestingly, however, the Lanham Act also lacks a textual basis for treating product packaging differently from product design; the Act only refers to protection, in general, to avoid consumer confusion.¹²⁶ The *Wal-Mart* Court failed to address this issue. This change in Lanham Act interpretation may complicate how the lower courts' choose to read the Lanham Act. This modified interpretation also raises the question that if the Lanham Act does not support treating packaging and design differently, maybe the Court should not have done so either, at least from a doctrinal standpoint. Yet, the Lanham Act simply does not clarify how product design versus product packaging should be treated. Possibly the Court chose the most beneficial and most reasonably applicable interpretation by finding product design cannot be inherently distinctive.

In addition to changing its application of the Lanham Act, the Court may have modified its definition of inherent distinctiveness. In *Two Pesos*, for example, the Court clarified that trade dress is inherently distinctive if it is “capable of identifying products or services as coming from a specific source.”¹²⁷ In *Wal-Mart*, however, the Court suggested that a product design is inherently distinctive if a producer intends the design to represent a source.¹²⁸ Instead of focusing solely on whether a product feature will automatically represent the source or is capable of identifying the source, the Court considered whether a feature is *intended* to represent the source.¹²⁹ The Court discussed a penguin-shaped cocktail shaker as an example of a design that is not inherently distinctive; consumers will know the design is “intended not to identify the source, but to render the product itself more useful or more appealing.”¹³⁰ Customers may,

¹²⁵ *See id.*

¹²⁶ *See* Lanham Act § 43(a), 15 U.S.C. § 1125(a) (2000).

¹²⁷ *Two Pesos*, 505 U.S. at 773.

¹²⁸ *See Wal-Mart*, 120 S.Ct. at 1344.

¹²⁹ *See id.* at 1344 (discussing how a penguin shaped cocktail shaker is “intended not to identify the source, but to render the product itself more useful or more appealing”).

¹³⁰ *See id.*

however, perceive a design as indicating the source although it was not intended to do so, or if it was intended only to be an attractive ornamentation. Even a design or package that was not intended to indicate the product source may result in consumer confusion if copied, and the Lanham Act should protect such consumers against confusion, regardless of producer intent.¹³¹ Hence, from a doctrinal view, this flaw may suggest that the Court used an improper analysis to reach its conclusion.

C. What the Supreme Court Should Have Done Differently

The Court should have strengthened its opinion from a doctrinal standpoint by resolving all of the problems considered in Section B. The Court should have provided a test for distinguishing between packaging and design, or at least more clearly defined what the Court considered to be packaging and design. The Court also should have reconciled *Two Pesos* and *Wal-Mart* and clarified why the *Two Pesos* restaurant décor was product packaging.

The Court may have also been able to resolve the packaging versus design issue by treating them both in the same manner. The Court could have overruled *Two Pesos* and found that secondary meaning should be required for all forms of trade dress. There are some benefits to requiring secondary meaning for designs,¹³² yet there would also be advantages to requiring secondary meaning for all trade dress. This alternative would still be likely to benefit consumers by requiring a higher standard of proof of distinctiveness for all forms of trade dress, both packaging and design. As previously discussed in Section III.A.2, design patents and copyrights still would be available for distinctive trade dress. Furthermore, the lower courts would no longer have to deal with distinguishing between packaging and design, nor would they have to determine inherent distinctiveness. One problem with this alternative, however, is that there

¹³¹ See DORR, *supra* note 25, at § 2.2 (explaining that the “stated purpose of the Lanham Act is to protect consumers from deceitful practices”).

¹³² See Section III.A.1, *supra*, for a discussion of some benefits to requiring secondary meaning for designs.

seem to be many cases where product packaging really is inherently distinctive. It might not be appropriate for the Court to require secondary meaning in all of these situations. With packaging, which is more likely to be source-identifying than design, the risk of consumer confusion is probably greater. Then again, it is questionable whether consumers will really associate trade dress with a product source without some time for secondary meaning to develop.

V. CONCLUSION

In summary, though *Wal-Mart* may be disquieting for the lower courts considering product packaging and design issues, as a policy matter, the Court came to the correct result. Both consumer interests and competition will likely be promoted by this decision. There seems to be a strong competitive interest in duplicating product designs since a design is intertwined with the product itself. Moreover, *Wal-Mart* also does not greatly harm designers since there are still other, though possibly imperfect, methods of protecting designs.

Though this decision may be beneficial from a policy view, *Wal-Mart* demonstrates some doctrinal flaws. The Court failed to provide the lower courts with an explanation of how to deal with the burdensome issue of distinguishing between packaging and design. The Court also should have reconciled *Two Pesos* and *Wal-Mart* by clearly explaining why it classified the *Two Pesos* restaurant décor to be product packaging, rather than erring on the side of product design as it directed the lower courts to do. Instead, the Court seemed to gloss over the issue by just declaring *Two Pesos* to be something like packaging and thus, avoiding overruling *Two Pesos*. These problems weaken the Court's opinion from a doctrinal standpoint. The decision would have been greatly improved had the Court avoided these problems and explained how to distinguish between packaging and design.