

## LEGAL UPDATE

### ATTENTION WAL-MART SHOPPERS: SUPREME COURT REQUIRES SHOWING OF SECONDARY MEANING FOR PRODUCT DESIGN

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#### I. INTRODUCTION

On March 22, 2000, the United States Supreme Court decided the case of *Wal-mart Stores, Inc. v. Samara Bros., Inc.*<sup>1</sup> The decision represents a change in the way in which a producer may obtain trade dress protection for its product pursuant to the Lanham Act of 1946.<sup>2</sup> The Court's decision answered many questions left open by previous decisions, but it failed to create a bright-line test for lower courts to follow. This legal update addresses the state of protectable trade dress in the aftermath of the *Wal-mart* decision.

#### II. TRADE DRESS: GENERALLY

Trade dress encompasses 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."<sup>3</sup> The traditional definition of trade dress has been gradually expanded to include "the totality of any elements [sic] in which a product or service is packaged or presented."<sup>4</sup> Lanham Act section 43(a) is the vehicle by which a party may assert federal trade dress protection.<sup>5</sup> Section 43(a) prohibits the use in interstate commerce of "any word, term, name, symbol, or device" which "is likely to cause confusion . . . as to the origin,

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<sup>1</sup> 120 S. Ct. 1339 (2000).

<sup>2</sup> See Trademark (Lanham) Act of 1946 § 43, 15 U.S.C.A. § 1125(a) (1998 & Supp. 2000).

<sup>3</sup> *John H. Harland Co. v. Clarke Checks, Inc.*, 711 F.2d 966, 980 (11th Cir. 1983).

<sup>4</sup> 1 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 8:1, at 8-2 (4th ed. 2000).

<sup>5</sup> See 15 U.S.C.A. § 1125(a); 1 MCCARTHY, *supra* note 4, § 8:7, at 8-24.

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sponsorship, or approval” of another person’s product.<sup>6</sup> Courts generally apply the traditional rules of trademark and trade dress law when construing section 43(a).<sup>7</sup> Under traditional trade dress law, the totality of elements combined to create the overall appearance or visual image of a product are capable of protection as a type of identifying symbol of origin.<sup>8</sup>

Traditionally, proof of secondary meaning was a condition precedent to obtaining trade dress protection.<sup>9</sup> However, in the seminal case of *Two Pesos, Inc. v. Taco Cabana, Inc.*, the Supreme Court brought the law of trade dress in line with the rest of trademark law.<sup>10</sup> In that case, the plaintiff sought trade dress protection for the motif and eating atmosphere used in its Mexican restaurants.<sup>11</sup> The Court held that where the trade dress at issue is inherently distinctive, proof of secondary meaning is not required to prevail on a claim under section 43(a).<sup>12</sup> “There is no persuasive reason to apply to trade dress a general requirement of secondary meaning which is at odds with the principles generally applicable to infringement suits under § 43(a).”<sup>13</sup> However, the Court left unanswered the question of what must be shown to establish that a product’s design is inherently distinctive. Eight years would pass before the Supreme Court would address this question.

### III. TRADE DRESS: AFTER WAL-MART STORES, INC. V. SAMARA BROTHERS, INC.

In *Wal-Mart Stores, Inc. v. Samara Brothers, Inc.*, the respondent, Samara Brothers, Inc. (Samara), a manufacturer of children’s clothing, brought an action for infringement of unregistered trade dress against Wal-Mart Stores, Inc. (Wal-Mart), a retailer of, among other things, children’s clothing.<sup>14</sup> In 1995, Wal-Mart contracted with Judy-Philippine, Inc. to manufacture a line of children’s outfits.<sup>15</sup> The samples on which the outfits were based included photographs of garments from Samara’s clothing line, from which Judy-Philippine, Inc. copied sixteen designs.<sup>16</sup> After being notified by one of its customers that Wal-Mart was selling knockoffs of its garments at lower prices,

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<sup>6</sup> 15 U.S.C.A. § 1125(a)(1)(A).

<sup>7</sup> See 1 MCCARTHY, *supra* note 4, § 8:7, at 8-24.

<sup>8</sup> See *id.* § 8:1, at 8-2.

<sup>9</sup> See *id.* § 8:8, at 8-26.

<sup>10</sup> 505 U.S. 763, 770 (1992).

<sup>11</sup> See *id.* at 765.

<sup>12</sup> See *id.* at 776 (holding that Taco Cabana’s trade dress was inherently distinctive, and thus was entitled to protection despite the lack of proof of secondary meaning).

<sup>13</sup> *Id.* at 770.

<sup>14</sup> 120 S. Ct. 1339, 1341-42 (2000).

<sup>15</sup> See *id.* at 1341.

<sup>16</sup> See *id.*

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Samara brought suit in the United States District Court for the Southern District of New York.<sup>17</sup> The jury found that Samara's trade dress was protectable, and that Wal-Mart willfully infringed Samara's trade dress.<sup>18</sup> Wal-Mart renewed its motion for judgment as a matter of law, claiming there was insufficient evidence to support Samara's argument.<sup>19</sup> The trial judge denied Wal-Mart's motion.<sup>20</sup>

The United States Court of Appeals for the Second Circuit, in a two-to-one decision, upheld the lower court's judgment.<sup>21</sup> The Court held that:

[t]o recover for trade dress infringement under § 43(a), a plaintiff must prove two elements: (1) that its trade dress is protectable because (a) it is inherently distinctive or (b) it has acquired distinctiveness by achieving a "secondary meaning" in the marketplace; and (2) that there is a likelihood of confusion between its product and the defendant's product.<sup>22</sup>

The Court found that Samara sufficiently proved at trial that its clothing line exhibited a "distinctive combination of ingredients" that warrants trade dress protection under section 43(a).<sup>23</sup> Furthermore, the Court found ample evidence to support the jury's conclusion that Wal-Mart deliberately sought to deceive customers as to the source of the goods.<sup>24</sup>

On certiorari, the United States Supreme Court addressed the circumstances under which a product's design is distinctive, and therefore protectable, under section 43(a) of the Lanham Act.<sup>25</sup> The Court observed that although some categories of marks may be inherently distinctive, not all marks are necessarily inherently distinctive.<sup>26</sup> The Court treated design like color and held that it was not inherently distinctive.<sup>27</sup> "In the case of product design . . . consumer

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<sup>17</sup> See *Samara Bros., Inc. v. Judy-Philippine, Inc.*, 969 F. Supp. 895 (S.D.N.Y. 1997). The action also named Judy-Philippine, Kmart, Caldor, Hills, and Goody's as defendants. See *Wal-Mart*, 120 S. Ct. at 1342. All of the defendants except Wal-Mart settled before trial. See *id.*

<sup>18</sup> See *Samara Bros.*, 969 F. Supp. at 896-97 (noting that the jury awarded Samara \$240,458.53 for the infringement of trade dress, as well as \$912,856.77 for infringement of 13 copyrights and \$50 for state law violations).

<sup>19</sup> See *id.* at 897.

<sup>20</sup> See *id.*

<sup>21</sup> See *Samara Bros., Inc. v. Wal-Mart Stores, Inc.*, 165 F.3d 120, 122, 132-33 (2d Cir. 1998).

<sup>22</sup> *Id.* at 124 (citing *Fun-Damental Too, Ltd. v. Gemmy Indus. Corp.*, 111 F.3d 993, 999 (2d Cir. 1997)).

<sup>23</sup> *Id.* at 126. Secondary meaning was therefore irrelevant to the analysis.

<sup>24</sup> See *id.* at 127.

<sup>25</sup> See *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 120 S. Ct. 1339, 1341 (2000).

<sup>26</sup> See *id.* at 1343-44 ("Indeed, with respect to at least one category of mark—colors—we have held that no mark can ever be inherently distinctive.").

<sup>27</sup> See *id.* at 1344 (citing *Qualitex Co. v. Jacobson Prod. Co., Inc.*, 514 U.S. 159, 162-63

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predisposition to equate the feature with the source does not exist.”<sup>28</sup> Moreover, the Court held that the inherent distinctiveness principle runs afoul of the public interest, for application of the principle limits competition by facilitating the threat of suit against new market entrants based upon alleged inherent distinctiveness.<sup>29</sup>

Furthermore, a producer can obtain protection in other ways, such as by securing a design patent or a copyright for the design, as Samara did in this case.<sup>30</sup> “The availability of these other protections greatly reduces any harm to the producer that might ensue from our conclusion that a product design cannot be protected under § 43(a) without a showing of secondary meaning.”<sup>31</sup>

Finally, the Court made it clear that it intended only to limit the scope of *Two Pesos*, not to overturn it.<sup>32</sup> “*Two Pesos* is inapposite to our holding here because the trade dress at issue, the decor of a restaurant, seems to us not to constitute product design.”<sup>33</sup> According to Justice Scalia, the trade dress at issue in *Two Pesos* was more akin to product packing than to product design.<sup>34</sup> Product packaging can be inherently distinctive, as the *Two Pesos* court held, but to establish infringement for product design, a plaintiff must demonstrate that the product has acquired secondary meaning.<sup>35</sup> The Supreme Court, therefore, reversed the decision of the Second Circuit, and remanded the case for a determination of whether Samara demonstrated secondary meaning.<sup>36</sup>

As a result of the *Wal-Mart* decision, lower courts must now draw difficult lines between product design, requiring a showing of secondary meaning, and product-packaging, which is capable of inherent distinctiveness. The Court noted that, “[t]o the extent that there are close cases . . . the courts should err on the side of caution and classify ambiguous trade dress as product design, thereby requiring secondary meaning.”<sup>37</sup> Although it is too soon to realize the full implications of the *Wal-Mart* decision, recent cases suggest that the trial

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(1995) (holding that color could be protected as a trademark, but only upon a showing of secondary meaning)).

<sup>28</sup> *Wal-Mart*, 120 S. Ct. at 1344 (“Consumers are aware of the reality that, almost invariably, even the most unusual of product designs . . . is intended not to identify the source, but to render the product itself more useful or more appealing.”).

<sup>29</sup> *See id.*

<sup>30</sup> *See id.* at 1345.

<sup>31</sup> *Id.*

<sup>32</sup> *See id.* (“*Two Pesos* unquestionably establishes the legal principle that trade dress can be inherently distinctive, but it does not establish that product-design trade dress can be.”) (citation omitted).

<sup>33</sup> *Id.*

<sup>34</sup> *See id.*

<sup>35</sup> *See id.* at 1346.

<sup>36</sup> *See id.*

<sup>37</sup> *Id.* at 1346.

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courts can, without much disruption, amply address the distinction outlined by the Supreme Court.<sup>38</sup>

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<sup>38</sup> See, e.g., *Yurman Design v. PAJ, Inc.*, 93 F. Supp. 2d 449, 461 (S.D.N.Y. 2000) (“[T]he jury found both that Yurman Design’s trade dress was inherently distinctive and that it had obtained secondary meaning in the marketplace.”); *Yankee Candle Co. v. Bridgewater Candle Co., LLC.*, No. 98-30226-MAP, 2000 U.S. Dist. LEXIS 10632, at \*4 (D. Mass. July 27, 2000) (holding that the trade dress claims at issue “did not present even a close case[.]” and are clearly in the “package design” category). The United States Patent & Trademark Office has followed suit, as well. See *In re Jeffery Rom*, 2000 TTAB LEXIS 409, at \*2 (Jun. 26, 2000) (refusing registration of a product’s design where applicant asserted only inherent distinctiveness).