

## Saint Louis University Public Law Review

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Volume 20  
Number 2 *Intellectual Property: Policy  
Considerations From a Practitioner's  
Perspective (Volume XX, No. 2)*

Article 10

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2001

### Wal-Mart Stores, Inc. v. Samara Bros., Inc.; Is the Expansion of Trade Dress Law Far Enough?

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#### Recommended Citation

Sundberg, Jill (2001) "Wal-Mart Stores, Inc. v. Samara Bros., Inc.; Is the Expansion of Trade Dress Law Far Enough?," *Saint Louis University Public Law Review*: Vol. 20 : No. 2 , Article 10.  
Available at: <https://scholarship.law.slu.edu/plr/vol20/iss2/10>

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**WAL-MART STORES, INC. v. SAMARA BROS., INC.;<sup>1</sup> IS THE  
EXPANSION OF TRADE DRESS LAW FAR ENOUGH?**

I. INTRODUCTION

The fact that one may copy their competitor's trade dress without crossing the infringement line is a hot legal topic, creating a rivalry between brand name manufacturers and private label imitators as well as brand name companies and brand name competition. However, decisions in the Supreme Court and lower courts have led to confusing and unclear guidelines in determining when one infringes on trade dress law. Determining these standards aptly has been called "one of the most difficult analytical issues in all of trade dress law."<sup>2</sup>

First, the 1992 Supreme Court decision in *Two Pesos* clarified that trade dress will not cause infringement if it is inherently distinctive.<sup>3</sup> However, the Court failed to adopt a standard to determine when trade dress is inherently distinctive. This led to a variety of tests to be created by the lower circuits and a spectrum of differing opinions. Next, in *Wal-Mart Stores, Inc. v. Samara Bros, Inc.*, the Supreme Court decided product packaging can be inherently distinctive, but product design is never inherently distinctive.<sup>4</sup> Even though the Supreme Court set forth these clear guidelines it again failed to specify a test to determine the meaning of inherently distinctive, nor a bright line difference between product design and product packaging.<sup>5</sup>

This article first provides an overview of the development of trademark law and the expansion of the trade dress doctrine. Next, the article presents the various tests fashioned by the lower courts to determine what exactly makes trade dress inherently distinctive. Finally, this article analyzes the Supreme Court's decision in *Wal-Mart Stores*.<sup>6</sup> The last section concludes by glancing at whether the *Wal-Mart* decision is applicable to the ever-changing technology of the Internet.

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1. *Wal-Mart Stores, Inc. v. Samara Bros, Inc.* 120 S. Ct. 1339 (2000).
  2. *Krueger Int'l, Inc. v. Nightingale Inc.*, 915 F. Supp. 595, 600 (S.D.N.Y. 1996).
  3. *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763 (1992).
  4. *Wal-Mart Stores, Inc.*, 120 S. Ct. at 1339.
  5. *Id.*
  6. *Id.*

## II. BACKGROUND

### A. *Traditional Trademark Law*

United States trademark law, codified in the Lanham Act,<sup>7</sup> is an exercise of Congress's power to regulate interstate commerce under the Commerce Clause. The purpose of the Act is to "secure to the owner of a mark the goodwill of his business and to protect the ability of consumers to distinguish among competing producers."<sup>8</sup> The Act also seeks to make "actionable the deceptive and misleading use of marks and to protect persons engaged in commerce against unfair competition."<sup>9</sup> While section 32 of the Lanham Act<sup>10</sup> protects registered marks, section 43(a)<sup>11</sup> protects qualifying unregistered trademarks. Thus section 43(a)<sup>12</sup> of the Lanham Act creates a cause of action against a defendant who uses an unregistered trademark that causes a likelihood of confusion among consumers as to the source, sponsorship, or approval of its goods.<sup>13</sup>

A trademark is defined as "any work, name, symbol or device, or any combination thereof used by a person . . . to identify and distinguish his or her goods, including a unique product from those manufactured or sold by others to indicate the source of the goods, even if that source is unknown."<sup>14</sup> Marks may be classified in the following categories of increasing distinctiveness: generic, descriptive, suggestive, arbitrary, or fanciful.<sup>15</sup> These are often known as the "*Abercrombie* factors."<sup>16</sup> Marks that are deemed suggestive, arbitrary or fanciful are entitled to trademark protection because their "intrinsic nature serves to identify a particular source of a product."<sup>17</sup> Further, it is argued that trademark protection should be afforded to suggestive or distinctive terms which shed light upon the qualities or characteristics of goods, but which are not descriptive of such goods in that "an effort of the imagination on the part of the observer" would be required to know their nature.<sup>18</sup>

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7. 15 U.S.C. §§ 1051-1127 (1998).

8. *Park N' Fly, Inc. v. Dollar Park and Fly, Inc.*, 469 U.S. 189, 198 (1995).

9. *Two Pesos, Inc.*, 505 U.S. at 767-768 (citing Lanham Act § 45, 15 U.S.C. § 1127 (1998)).

10. 15 U.S.C. § 1114 (1998).

11. 15 U.S.C. § 1125(a) (1982).

12. *Id.*

13. *Two Pesos, Inc.*, 505 U.S. at 768.

14. 15 U.S.C. § 1127 (1994); for example a commonly known mark is "Nike", and symbol marks, such as Nike's "swoosh" symbol.

15. *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 9 (2d Cir. 1976).

16. *Id.*

17. *Two Pesos, Inc.*, 505 U.S. at 768.

18. *General Shoe Corp. v. Rosen*, 111 F.2d 95, 98 (4th Cir. 1940).

In comparison, generic marks are those that refer to “the genus of which the particular product is a species.”<sup>19</sup> Examples of generic terms include “aspirin” and “thermos.”<sup>20</sup> These marks are not protectable as trademarks because the number of such appropriate terms is limited and all merchants should be equally allowed to use such terms to describe their own goods when competing for customers.<sup>21</sup>

Lastly, marks that serve only a descriptive function in relation to a product may be protectable under trademark law as inherently distinctive.<sup>22</sup> A descriptive term identifies a characteristic or quality of an article or service such a color, odor, function, dimensions, or ingredients.<sup>23</sup> Over time, a descriptive mark may acquire distinctiveness that allows it to be protected under section 2(f) of the Lanham Act.<sup>24</sup> This type of acquired distinctiveness is called secondary meaning.<sup>25</sup> Secondary meaning is established when a manufacturer shows 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.<sup>26</sup>

#### B. Trade Dress Law

Trade dress can be registered as a trademark with the United States Patent and Trademark Office (PTO) if the trade dress is: 1) inherently distinctive or has acquired secondary meaning; and 2) is non-functional.<sup>27</sup> While trade dress protection is not expressly set forth in the Lanham Act, it has evolved and been recognized through the development of case law.<sup>28</sup> 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.<sup>29</sup> It refers to the appearance of a product when that appearance is used to identify the producer.<sup>30</sup> Historically, trade dress referred only to the product packaging

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19. *Abercrombie & Fitch*, 537 F.2d at 9.

20. *Bayer Co. v. United Drug Co.*, 272 F. 505 (S.D.N.Y. 1921).

21. *Canal Co. v. Clark*, 80 U.S. 311 (1871).

22. *Two Pesos, Inc.*, 505 U.S. at 769.

23. *Zatarains, Inc. v. Oak Grove Smokehouse, Inc.*, 698 F.2d 786, 790 (5th Cir. 1983).

24. 15 U.S.C. § 1052(f) (1998).

25. See Rohit A. Sabnis, *Product Configuration Trade Dress and Abercrombie: Analysis of Ashley Furniture Industries, Inc. v. Sangiacomo N.A. Ltd.*, MINN. INTELL. PROP. REV. 183, n.36 (2000).

26. *Id.*

27. *Prufrock Ltd. v. Lasater*, 781 F.2d 129, 132 (8th Cir. 1986).

28. See David K. Hou, *Protecting Internet Trade Dress: What to do about Product Configuration?*, 5 B.U. J. SCI. & TECH. L. 5 (1999).

29. *John Harland Co. v. Clarke Checks, Inc.*, 711 F.2d 966, 980 (11th Cir. 1883).

30. *Publications International, Ltd. v Landoll, Inc.*, 164 F.3d 337, 338 (7th Cir. 1998).

and labeling, but recently courts have expanded the term to include the total design of a product.<sup>31</sup>

Some examples of trade dress held to be protectable include the festive décor of a restaurant,<sup>32</sup> the shape of a Coca-Cola bottle<sup>33</sup> and the shape of a book.<sup>34</sup> There are two distinguishable categories of trade dress, product packaging and product configuration.<sup>35</sup> Product packaging trade dress includes the total image created by the actual packaging in which a product is marketed.<sup>36</sup> This is conceptually separable from the actual product.<sup>37</sup> However, product configuration trade dress encompasses the design or particular feature of the product, but the design is not separable from the product.<sup>38</sup> Rather, it is part of the product itself.<sup>39</sup>

Like trademarks, trade dress is capable of being distinctive and capable of being protected under the Lanham Act if it is either inherently distinctive or has acquired distinctiveness through secondary meaning.<sup>40</sup> Furthermore, the trade dress has to be non-functional.<sup>41</sup> This functionality requirement prevents trademark law, which seeks to promote competition by protecting the goodwill of a source, from inhibiting competition by granting exclusive rights to a functional product feature.<sup>42</sup> The aesthetic functionality doctrine further seeks to protect competition by recognizing that in some instances non-useful or decorative product features should be denied trade dress protection.<sup>43</sup> Courts have recognized that in some cases, competitors need to copy strictly decorative product features in order to compete effectively.<sup>44</sup> The Second Circuit has held that when a decorative or ornamental feature “is claimed as a trademark and trademark protection would significantly hinder competition by limiting the range of adequate alternatives, the aesthetic functionality doctrine denies such protection.”<sup>45</sup>

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31. See *Ashley Furniture Industries, Inc. v. Sangiacomo N.A. Ltd.*, 187 F.3d 363 (4th Cir. 1999).

32. *Two Pesos, Inc.*, 505 U.S. at 763.

33. United States Trademark Reg. No. 696,147 (issued Aug. 2, 1960).

34. *Harlequin Enters, Ltd. v. Gulf Western Corp.*, 644 F.2d 946 (2d Cir. 1981).

35. See Margaret Barrett, *Trade Dress Protection for Product Configuration and the Federal Right to Copy*, 20 HASTINGS COMM. & ENT. L.J. 471, 475 n.15 (1998).

36. *Id.* at 475.

37. *Id.*

38. *Id.*

39. *Id.*

40. See *Two Pesos, Inc.*, 505 U.S. at 769-70.

41. *Id.* at 769.

42. See *Qualitex Co. v. Jacobson Products*, 514 U.S. 159, 164 (1995).

43. Sabnis, *supra* note 25, at 189.

44. *Id.*

45. *Id.*

While case law has covered the broad concept of trade dress, there are two important issues that still need to be addressed by the courts. First, it is still questionable under which circumstance the features or design of a product are properly considered inherently distinctive. Secondly, it is unclear what is the difference between product design and product packaging. The Supreme Court's recent decisions in *Two Pesos* and *Wal-Mart* have shed some light on these issues, while also creating confusion among lower courts struggling to answer these questions using the standards set out by the Supreme Court.<sup>46</sup>

### III. THE SUPREME COURT: *TWO PESOS*

In *Two Pesos, Inc. v. Taco Cabana, Inc.* the Supreme Court granted certiorari to resolve the split among the Court of Appeals on the question of whether trade dress that is inherently distinctive and therefore protectable under section 43(a) of the Lanham Act even though showing that it has acquired secondary meaning is lacking.<sup>47</sup>

In 1987, Taco Cabana, a Mexican restaurant chain, sued Two Pesos, a rival chain, claiming that Two Pesos deliberately copied Taco Cabana décor.<sup>48</sup> Taco Cabana argued that the restaurant's trade dress, a combination of nonfunctional features such as bright festive colors and distinctive roof design, created a distinctive total image for its restaurant chain.<sup>49</sup> As a result of the distinctive image, Taco Cabana claimed it was entitled trademark protection under the Lanham Act.<sup>50</sup> The trial court agreed and held that trade dress may include the shape and general appearance of the exterior of the restaurant, the identifying sign, the interior kitchen floor plan, the décor, the menu, the equipment used to serve the food, the server's uniforms and other features reflecting on the total image of the restaurant.<sup>51</sup> The jury found that Two Pesos "intentionally and deliberately" infringed Taco Cabana's trade dress and awarded Taco Cabana millions of dollars in damages.<sup>52</sup>

On appeal, Two Pesos argued that trade dress was not capable of being inherently distinctive.<sup>53</sup> Therefore, Taco Cabana should have been required to prove that the restaurant's décor had acquired secondary meaning.<sup>54</sup> Prior to the *Two Pesos* decision some courts of appeal held that trade dress was not capable of being inherently distinctive, and secondary meaning must be proved

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46. *Two Pesos, Inc.*, 505 U.S. at 763; *Wal-Mart Stores, Inc.*, 120 S. Ct. at 1339.

47. 505 U.S. at 765.

48. *Id.*

49. *Id.*

50. *Id.*

51. *Id.* at 766.

52. *Id.* at 764.

53. *Two Pesos, Inc.*, 505 U.S. at 763.

54. *Id.* at 766.

in order to afford protection.<sup>55</sup> The Court, in an unanimous decision, held “trade dress that is inherently distinctive is protectable under section 43(a) of the Lanham Act without a showing that it had acquired secondary meaning.”<sup>56</sup> Thus, the Supreme Court adopted the majority rule followed at the time by the Fifth,<sup>57</sup> Seventh,<sup>58</sup> and Eleventh Circuits<sup>59</sup> that trade dress was capable of being inherently distinctive.

By overruling the Second and Third Circuits, which had required a showing of secondary meaning for protection of trade dress, the *Two Pesos* Court unified the standard for trademark and trade dress law.<sup>60</sup> As in traditional trademark cases, a trade dress plaintiff whose product is inherently distinctive can receive automatic protection without secondary meaning. *Two Pesos*, however, did not set out a clear test as to what constitutes inherently distinctive trade dress.

Although the *Two Pesos* decision clearly required secondary meaning in addition to a showing of inherent distinctiveness for trade dress protection, it was silent as to what constituted distinctive trade dress.<sup>61</sup> The court approvingly cited the traditional *Abercrombie* Factors, but merely assumed that the Fifth Circuit was correct in holding the trade dress at issue was inherently distinctive.<sup>62</sup> Although one could imply from the Court’s application of the *Abercrombie* factors that the court was approving those factors as determinative of trade dress distinctiveness, some post-*Two Pesos* circuit court decisions have held otherwise.

#### A. Lower Court’s Interpretation of *Two Pesos*

*I.P. Lund Trading Aps v. Kohler Co.*, decided by the First Circuit, involved allegations that the defendants impermissibly copied the plaintiff’s “falling water” faucet designs.<sup>63</sup> Lund’s faucet was designed by noted architect Arne Jacobsen and received numerous design awards.<sup>64</sup> Kohler admittedly copied the design and offered the faucets for sale at a lower price.<sup>65</sup>

The First Circuit affirmed the holding of the lower court that the *Abercrombie* factors did not apply and that Lund’s faucet was not inherently

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

56. *Two Pesos, Inc.*, 505 U.S. at 767.

57. *Taco Cabana Int’l, Inc. v. Two Pesos, Inc.*, 932 F.2d 1113, 1120 (5th Cir. 1991).

58. *Computer Care v. Service Systems Enters. Inc.*, 982 F.2d 1063 (7th Cir. 1992).

59. *Brooks Shoe Mfg. Co. v. Suave Shoe Corp.*, 716 F.2d 854 (11th Cir. 1983).

60. *Two Pesos, Inc.*, 505 U.S. at 770.

61. *Id.* at 766-70.

62. *Id.*

63. *I.P. Lund Trading Aps v. Kohler Co.*, 163 F.3d 27, 32 (1st Cir. 1998).

64. *Id.* at 32.

65. *Id.*

distinctive.<sup>66</sup> The court concluded that by rejecting the *Abercrombie* test as a means of determining inherent distinctiveness in product configurations and instead followed the decision of the Court of Customs and Patent Appeals in *Seabrook Foods, Inc. v. Bar-Well Foods Ltd.*<sup>67</sup> The *Seabrook Foods* test was “whether the design, and shape of a combination of elements is so unique, unusual or unexpected that one can assume without proof that it will automatically be perceived by customers as an indicator of origin – a trademark.”<sup>68</sup>

Next, the Second Circuit applied its analysis to *Knitwaves, Inc. v. Lollytags, Ltd.*<sup>69</sup> In this case, the Second Circuit was faced with the task of determining “what it means for trade dress to be inherently distinctive.”<sup>70</sup> This case involved the copying of plaintiff’s “squirrel” and “leaf” design appliqués on children’s sweaters.<sup>71</sup> The court held that designs on children’s sweaters were product features and in contrast with product packaging, should not be analyzed for inherent distinctiveness using the *Abercrombie* classifications.<sup>72</sup>

In *Two Pesos* the court stated that they did not intend to nullify the statutory definition of a trademark requiring “a person ‘use’ or ‘intend’ to use the mark to identify and distinguish his/her goods. . .from those manufactured or sold by others and to indicate the source of the goods.”<sup>73</sup> The court found that the presumption of this source identifying function given to inherently distinctive product packaging under *Abercrombie* should not be extended to product configurations because configurations are primarily aesthetic or functional rather than source identifying.<sup>74</sup> Furthermore, the court found that the proper inquiry for determining inherent distinctiveness is to ask whether product features are “likely to serve primarily as a designator of origin of the product.”<sup>75</sup> Therefore, according to the Second Circuit “a plaintiff must do more than demonstrate that the appearance of its product serves some source identifying function.”<sup>76</sup> It must demonstrate that the primary purpose behind the design was to identify its product source.<sup>77</sup>

The Third Circuit was the first to confront the issue of what constitutes inherently distinctive trade dress after the Supreme Court’s decision in *Two*

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66. *Id.* at 64.

67. *Id.* at 40.

68. *I.P. Lund*, 163 F.2d at 27.

69. *Knitwaves, Inc.*, 71 F.3d at 996 (2d Cir. 1995).

70. *Id.* at 1007.

71. *Id.* at 999.

72. *Id.* at 1009.

73. *Id.* at 1008.

74. *Knitwaves, Inc.*, 71 F.3d at 1008.

75. *Id.*

76. *Id.*

77. *Id.* at 1009, n.6.



*Pesos* in *Duraco Products, Inc. v. Joy Plastic Enterprises*.<sup>78</sup> It sought to delineate when, if ever, product configurations should be deemed inherently distinctive.<sup>79</sup> The case dealt with the copying of the shape and texture of a garden planter.<sup>80</sup> The court, like the Second Circuit in *Knitwaves*, found the *Abercrombie* classifications inapplicable to determining inherent distinctiveness in product configurations.<sup>81</sup> The court stated classifications for product features are improper because “being constitutive of the product itself and thus having no such dialectical relationship to the product . . . they cannot be said to be ‘suggestive’ or ‘descriptive’ of the product, or ‘arbitrary’ or ‘fanciful’ in relation to it.”<sup>82</sup>

In declining to adopt the classifications, the court gave two reasons why they should not applied to product configuration trade dress.<sup>83</sup> First, it stated product configuration bears a different relationship to the product than do trademarks.<sup>84</sup> Second, the court emphasized that unlike traditional trademarks, one cannot automatically assume that product configurations will serve as a source-identifying function.<sup>85</sup> As a result, the new test formed by the Third Circuit was that “the product configuration must be: (1) unusual and memorable; (2) conceptually separable form the product; and (3) likely to serve primarily as a designator of origin of the product.”<sup>86</sup>

Other circuits have derived their test from the *Seabrook Foods* test, but have not expressly adopted it.<sup>87</sup> While, in contrast, the Fourth and the Eighth Circuits have expressly rejected it.<sup>88</sup>

Recently, the Fourth Circuit was faced with the issue of what constitutes an inherently distinctive product configuration in *Ashley Furniture Industries, Inc. v. SanGiacomo N.A. Ltd.*<sup>89</sup> Ashley Furniture sued SanGiacomo for copying the design of one of Ashley’s bedroom furniture suites.<sup>90</sup> Applying the *Abercrombie* classifications, the Fourth Circuit held that the overall appearance of the furniture was neither arbitrary or fanciful and therefore inherently

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78. 40 F.3d 1431 (3rd Cir. 1994).

79. *Id.* at 1440.

80. *Id.* at 1433.

81. *Id.* at 1441.

82. *Id.* at 1440-41.

83. *Duraco Products*, 40 F.3d at 1440.

84. *Id.*

85. *Id.*

86. *Id.* at 1434.

87. See *I.P. Lund*, 163 F.3d at 33; *Knitwaves, Inc.*, 71 F.3d at 1008.

88. See *Ashley Furniture Indus.*, 187 F.3d at 371; *Stuart Hall Co. v. Ampad Corp.*, 51 F.3d 780, 788 (8th Cir. 1995).

89. 187 F.3d at 366.

90. *Id.*

distinctive.<sup>91</sup> By adopting the *Abercrombie* factors the court rejected the tests fashioned by the First, Second and Third Circuits.<sup>92</sup>

Finally, the Eighth Circuit visited the *Two Pesos* analysis in *Stuart Hall Co. v. Ampad Co.*<sup>93</sup> The Eighth Circuit sought to determine the proper test for determining inherent distinctiveness in trade dress.<sup>94</sup> The case questioned the manufacturing of specialized notebooks and pads that had graphics and text copied and sold at a lower price by a competitor.<sup>95</sup> The *Stuart Hall* Court adopted the *Abercrombie* standards for determining inherent distinctiveness in all types of trade dress cases.<sup>96</sup> According to the court, *Two Pesos* held that product configuration and product packaging should be treated uniformly.<sup>97</sup> Thus, the Eighth Circuit felt the *Abercrombie* analysis should be applied in both instances.<sup>98</sup>

The circuit court conflict has important implications for trade dress protection. Some thought that *Wal-Mart* would have clarified the issue, but the Supreme Court's decision resulted in only added confusion to the area of trade dress law.

#### IV. THE ISSUE OF TRADE DRESS AND INHERENT DISTINCTIVENESS REVISITED BY THE SUPREME COURT

##### A. *Case Description of Wal-Mart, Inc. v. Samara Bros, Inc.*<sup>99</sup>

In *Wal-Mart*, the Supreme Court questioned under what circumstances a product's design is distinctive and therefore protectable as unregistered trade dress.<sup>100</sup> This case involved Samara Brothers, Inc. which designs and manufactures children's clothing, and Wal-Mart Stores, Inc. who is one of the nations best known retailers.<sup>101</sup> Samara's primary product lines were spring/summer one-piece seersucker outfits decorated with appliqués of hearts, flowers, fruits and the like.<sup>102</sup> A number of chain stores, including J.C. Penny, sold this line of clothing under contract with Samara.<sup>103</sup> During that time Wal-Mart contracted with one of its suppliers, Judy Philippine, Inc. to manufacture

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91. *Id.* at 374.

92. *Id.* at 371.

93. *Stuart Hall Co.*, 51 F.3d at 780.

94. *Id.* at 782.

95. *Id.* at 783.

96. *Id.* at 788.

97. *Id.* at 787.

98. *Stuart Hall Co.*, 51 F.3d at 787.

99. *Wal-Mart Stores, Inc.*, 120 S. Ct. at 1339.

100. *Id.* at 1341.

101. *Id.*

102. *Id.*

103. *Id.*

a line of children's outfits for sale in the 1996 spring/summer season.<sup>104</sup> Wal-Mart then sent Judy-Philippine photographs of a number of garments from Samara's line.<sup>105</sup> She made minor modifications to sixteen of Samara's garments, thereby producing a line of clothing for Wal-Mart, which contained many copyrighted elements.<sup>106</sup> In 1996, Wal-Mart briskly sold the so-called knockoffs, generating more than \$1 million in gross profits.<sup>107</sup>

However, in June of 1996, a buyer of J.C. Penny called a representative of Samara to complain that she had seen Samara garments on sale at Wal-Mart for a lower price than J.C. Penny was allowed to charge under its contract with Samara.<sup>108</sup> The Samara representative told the buyer that Samara did not supply its clothing to Wal-Mart.<sup>109</sup> As a result of this situation, Samara officials investigated the circumstances and found that Wal-Mart and several other major retailers, such as K-Mart, Hills and Goody's, were selling knockoffs of Samara's outfits produced by Judy-Philippine.<sup>110</sup> In response to the information disclosed from the investigation, Samara sent cease and desist letters, none of which the companies responded.<sup>111</sup> Then Samara brought action in the District Court for the Southern District of New York arguing most importantly, infringement of unregistered trade dress under section 43(a) of the Lanham Act.<sup>112</sup> All of the defendants, except Wal-Mart, settled before trial.<sup>113</sup> After a week-long trial, the jury found in favor of Samara on all claims, awarding Samara damages, interest, costs and fees totaling almost \$1.6 million, together with injunctive relief.<sup>114</sup> Wal-Mart then renewed a motion for judgment as a matter of law, which the trial court denied, and the Second Circuit affirmed.<sup>115</sup> The Supreme Court granted certiorari.<sup>116</sup>

The Supreme Court held in an action for infringement of unregistered trade dress under section 43(a) of the Lanham Act, a product's design is distinctive, and therefore protectable, only upon a showing of secondary meaning.<sup>117</sup> First, the court looked at the requirement of distinctiveness. In evaluating distinctiveness, courts have differentiated between marks that are inherently distinctive, marks whose intrinsic nature serves to identify their particular

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104. *Wal-Mart Stores, Inc.*, 120 S. Ct. at 1341.

105. *Id.*

106. *Id.*

107. *Id.*

108. *Id.* at 1342.

109. *Wal-Mart Stores, Inc.*, 120 S. Ct. at 1342.

110. *Id.*

111. *Id.*

112. *Id.* at 1342.

113. *Id.*

114. *Wal-Mart Stores, Inc.*, 120 S. Ct. at 1342.

115. *Id.*

116. *Id.*

117. *Id.* at 1346.

source, and marks whose primary significance in the minds of the public is to identify the product's source rather than the product itself.<sup>118</sup> The Court found that product design, like color, is not inherently distinctive.<sup>119</sup> With product design, as with color, consumers are aware of the reality that, almost invariably, that feature is intended not to identify the source, but to render the product itself more useful or more appealing.<sup>120</sup>

In particular, the Court differentiated trade dress into two categories: product packaging and product design.<sup>121</sup> It emphasized that product packaging is still capable of establishing inherent distinctiveness.<sup>122</sup> However, the Court drew a bright line test for product design that the plaintiff must always prove secondary meaning.<sup>123</sup> *Two Pesos* was distinguished since, in that case, the trade dress at issue was restaurant décor, which does not constitute product design, but rather product packaging.<sup>124</sup> Furthermore, by distinguishing *Two Pesos*, the Court realized that the decision here might force courts to draw a difficult line between product design and product packaging trade dress.<sup>125</sup> However, the Court stated that difficulty would be less than the frequency and difficulty of having to decide when a product design is inherently distinctive.<sup>126</sup> The Court went even further when stating "to the extent there are close cases, we believe that courts should err on the side of caution and classify ambiguous trade dress as product design, thereby requiring secondary meaning."<sup>127</sup>

*B. Author's Analysis of Wal-Mart's Holding.*

The *Wal-Mart* decision only added to the current state of confusion among the lower courts. At this time, not only does the lower court have to determine what makes product packaging inherently distinctive; they also have to determine the difference between product packaging and product design.

The Court made it clear that *Two Pesos* was only about product packaging. As a result, the controversy in the lower courts concerning whether *Two Pesos* should be applied to trade dress generally has ended. However, the Court failed to specify the test for inherently distinctive for product packaging.

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118. *Id.* at 1343.

119. *Wal-Mart Stores, Inc.*, 120 S. Ct. at 1334.

120. *Id.*

121. *Id.*

122. *Id.*

123. *Id.* at 1345.

124. *Wal-Mart Stores, Inc.*, 120 S. Ct. at 1345.

125. *Id.*

126. *Id.*

127. *Id.* at 1346.

It is important to note that the U.S. Supreme Court again mentioned the *Abercrombie* factors.<sup>128</sup> More specifically, the Court held that fanciful, arbitrary and suggestive trade dresses are deemed inherently distinctive because their intrinsic nature serves to identify a particular source of a product. In this situation, the Court used the *Abercrombie* factors to determine what is inherently distinctive.<sup>129</sup> By mentioning the *Abercrombie* classifications the Court seems to infer that the classifications are an appropriate test for determining whether product packaging is inherently distinctive. However, it would be more appropriate if the Supreme Court would draw a bright line test. Since, the Court felt that the *Abercrombie* analysis is important in determining inherently distinctive trade dress, the reasoning should have specified . Until the Supreme Court indicates the analysis that should be used, the lower courts will remain divided.

The Supreme Court in holding that there are two categories of trade dress, product packaging and product design, failed to specify any criterion on which to make that determination. The line between the two categories is not mutually exclusive. To help resolve the issue to some extent, the Court stated “to the extent that there are close cases, we believe that courts should err on the side of caution and classify ambiguous trade dress as product design, thereby requiring secondary meaning.”<sup>130</sup> However, as a result of this statement, unless the trade dress issue is apparent that it is product packaging, courts will always require a secondary meaning, even when one might not be necessary. This creates an extra burden for the party claiming infringement all the time.

### C. *Is Wal-Mart Applicable to the World of the Internet?*

The two issues mentioned above are not the only two problems that arise out of the *Wal-Mart* decision. Most importantly, the decision is not applicable to the ever-changing world of technology, more specifically commerce over the Internet. The next section will point out in detail the inapplicability of the decision to the Internet. The field of intellectual property is constantly growing and evolving with the great emergence of technology. Intellectual property is an area of law that encounters many new controversial issues, and therefore must adapt to resolve such issues. Trade dress protects consumer recognition of the goods and services’ source and ensures that the trade dress owner secures the returns on her investment in building and maintaining the goodwill associated with the trade dress.<sup>131</sup> The individual designs, features, and identifying characteristics of goods and services, which cyberspace entrepreneurs offer via virtual “storefronts,” deserve similar legal protection as

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128. *Id.* at 1344.

129. *Wal-Mart Stores, Inc.*, 120 S. Ct. at 1344.

130. *Id.* at 1346.

131. Hou, *supra* note 28, at 9.

their tangible counterparts in the physical world.<sup>132</sup> Based on these purposes, there appears to be little reason for denying Internet based trade dress the same protection that physical goods and services' trade dress enjoy.<sup>133</sup> However, some courts' interpretations of trade dress law, if applied to Internet "storefronts" without first accounting for the Internet's unique qualities, suggest that trade dress protection will not be available in cyberspace, and in fact, may be more difficult to obtain for Internet-based products and services.<sup>134</sup>

The fundamental objectives of trademark and trade dress law are to prevent consumer confusion and protect source identification.<sup>135</sup> A major challenge in applying trade dress protection to an Internet site is the inherent variability that exists when a viewer visits an Internet site.<sup>136</sup> The Internet's variability will likely complicate the determination of whether consumers identify a product's source through its design. Problems arise because by its nature web sites are always changing, and web programmers are able to change their products overnight. Within hours a business's Internet appearance services, or manner of providing services can change, and within days or weeks, these aspects may change again. The primary attraction of most Internet sites is that they are regularly updated.<sup>137</sup> This variation can make it difficult to determine what constitutes the product presented to the consumer.<sup>138</sup> The software companies that create Internet browsers and the Internet Service Providers continue to introduce new technology and update services every year, constantly altering the manner in which the consumer interacts and views the Internet web sites.<sup>139</sup> Since, the browser programs remain far from standard, one Internet site may present a different experience to a viewer, depending on what type of browser he or she uses. An analogy can be drawn between visiting an Internet site and the Supreme Court's finding in *Two Pesos* in which it recognized viable trade dress protection for "a festive eating atmosphere" presented to customers in several Mexican restaurants.<sup>140</sup> Clearly, a restaurant visitor's eating experience varies with locations: individual elements of the décor may be different, the menu may vary throughout the year, and the variations in the service of the employees would likely affect each visit.<sup>141</sup> Nevertheless, the Court found that

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132. *Id.* at 1.

133. *Id.* at 8.

134. *Id.*

135. *Id.* at 32.

136. Jason R. Berne, *All Dressed Up and No Place to Go: The Need for Trade Dress Protection of Internet Sites*, 27 AIPLA Q.J. 265, 271 (1999).

137. *Id.*

138. *Id.* at 271.

139. *Id.*

140. *Id.*; *Two Pesos, Inc.*, 505 U.S. at 765.

141. Berne, *supra* note 136, at 271.

the overall experience of the restaurant's "festive atmosphere" was worthy of protection.<sup>142</sup> Therefore, just as the "atmosphere" of a restaurant can incorporate the varying elements of the same overall experience to establish a valid trade dress, an Internet site should be able to incorporate "online" versions of these elements and create online "atmosphere" equally as deserving of trade dress protection.<sup>143</sup> For example, a site may offer a different selection of items for sale at different times of the year, but the layout of each page, the organization of the site, and the overall experience of the transaction would be distinctive and recognizable at each separate visit.<sup>144</sup>

Another major problem is the application of the product packaging/design distinction that was addressed by *Wal-Mart*. Importantly, analysis of the distinctiveness of an Internet site may be greatly influenced by whether it is deemed packaging or product design. This decision has a significant impact on the application of trade dress law to the Internet. The question of whether a particular Internet-based product, service, or Web page constitutes packaging or design and, therefore, requiring a showing of inherent distinctiveness, will greatly impact the availability of trade dress protection for the respective item. Of course, it is often difficult to distinguish between a product's packaging and the product itself. While courts will make decisions based on the facts presented in individual cases, the best approach would seem to be an analysis based on the product as a whole, without an effort to separate the packaging from the product. One useful example of extending trade dress protection to Internet sites can be found in *Tools USA & Equipment Co. v. Champ Frame Straightening Equipment Inc.*, where the court found that the layout and appearance of mail order catalogue was deserving of a trade dress protection.<sup>145</sup> By analogy just as a user of a catalogue experiences an overall impression of using a producer's catalogue and may rely on it as an indication of source, so will Internet users experience and rely on particular Internet sites.<sup>146</sup>

Unlike physical objects, the features of a Web-based product design cannot be conceptually separated from the product packaging; the features are inherently part of one another.<sup>147</sup> Thus, Internet products would never give rise to product packaging cases. Due to the decision in *Wal-Mart* any case that is close, courts should require a secondary meaning. Every Internet case

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142. *Two Pesos, Inc.*, 505 U.S. at 766.

143. Berne, *supra* note 136, at 271.

144. *Id.*

145. *Tools USA & Equipment Co. v. Champ Frame Straightening Equipment Inc.*, 87 F.3d 654 (4th Cir. 1996).

146. *See Tools USA*, 87 F.3d at 662.

147. Hou, *supra* note 28, at 33.

would involve product design instead of packaging, thus requiring secondary meaning and the plaintiff to overcome a heavy burden.<sup>148</sup>

Due to the fact that Internet sites would not be able to demonstrate distinctiveness, in many ways, secondary meaning is at the heart of the underlying principles of trade dress protection. Although the determination of secondary meaning generally requires a consideration of long-term consumer exposure to a particular product, the Internet's variability make such determination difficult at best. Factors cited as establishing secondary meaning include: 1) the duration and exclusivity of the design's use, 2) the amount and nature of advertising that emphasizes the design and its distinctive features, 3) consumer survey evidence linking the design to a single source, and 4) the defendant's intent in copying the design.<sup>149</sup> Given the youth of the Internet as a channel of commerce, the duration of use will likely be minimal, exclusivity of web site features and design will also be minimal due to the copying and imitation existing on the Internet.<sup>150</sup> Furthermore, the Lanham Act states that "proof of substantially exclusive and continuous use thereof as a mark by the applicant in commerce for the five years before the date on which the claim of distinctiveness is made."<sup>151</sup> Due to the fact that web site designs and appearances are unlikely to remain static, a requirement of five years continuous use is clearly inappropriate for Internet trade dress protection. Even if a company could establish that such a site has been in existence for five years, it unlikely to currently present the same "total image" to a customer as it did within the last two or three years.<sup>152</sup> Most primitive Internet sites would not be barely five years old. Once the technology of the Internet becomes more standardized, companies may be able to rely on this statutory provision. Until then, the case law methods of establishing secondary meaning will likely prevail in the area of Internet trade dress.

The current state of trade dress law makes the protection of trade dress of Internet sites difficult due to the inapplicability of the product packaging/design distinction, as well as the Internet's own inherent variability. One solution may be to relax the standards of secondary meaning, to take into account the characteristics of the Internet. However, until a trade dress cause of action is recognized for Internet sites many courts will remain hesitant and confused in this area of law. Clearly, commercial development of the Internet is not likely to end merely because Internet sites are not afforded trade dress

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148. *Id.*

149. *See Duraco Prods.*, 40 F.3d at 1452.

150. *Berne*, *supra* note 136, at 288.

151. 15 U.S.C. § 1052(f) (1998).

152. *See Berne*, *supra* note 136, at 288



protection.<sup>153</sup> However, to remain submissive on this issue may well have an adverse impact on the commercial development of the Internet.<sup>154</sup>

#### V. CONCLUSION

The current state of trade dress protection is still up in unclear. There still exists a split among the circuits about the test to apply when determining when a product is inherently distinctive. *Wal-Mart* court not only failed to clarify the issue, but also added to the confusion by making the courts determine the difference between product design and product packaging before applying some test. The impact of the decision in *Wal-Mart* has yet to be experienced. However, it seems that only under extreme conditions will a trade dress will be deemed inherently distinctive. As a result, only rarely will trade dress protection be available for product design and packaging. Therefore, unless the current state of the law changes trade dress protection will be never be available for Internet sites.

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153. *See id.* at 295.

154. *Id.* at 288.

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