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# Wal-Mart Stores, Inc. v. Samara Brothers, Inc.: The Supreme Court Steps Back from Two Pesos and Requires Secondary Meaning in All Product Design Trade Dress Cases

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## CASE NOTES

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### *Wal-Mart Stores, Inc. v. Samara Brothers, Inc.*: The Supreme Court Steps Back From *Two Pesos* and Requires Secondary Meaning in All Product Design Trade Dress Cases

Tahj Gomes and Carla De Silva<sup>†</sup>

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#### I. INTRODUCTION

The United States Supreme Court unanimously held in the case of *Wal-Mart Stores, Inc. v. Samara Brothers, Inc.*,<sup>1</sup> that product designs

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Carla De Silva will receive her J.D. from Santa Clara University School of Law in May 2001. Ms. De Silva is the Notes Editor for the Santa Clara Computer & High Technology Law Journal. Ms. De Silva would like to thank Mr. Gomes for participating in the Casenote Project in addition to thanking all the other contributing editors and authors for volunteering their time and effort to this project.

<sup>1</sup> *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205, 216 (2000).

are not inherently distinctive and therefore cannot be protected as unregistered trade dress under Section 43(a) of the Lanham Act<sup>2</sup> unless and until the product design has developed "secondary meaning" in the mind of the public.

## II. BACKGROUND

Samara Brothers, Inc. designs and manufactures a line of children's clothing.<sup>3</sup> Samara Brothers' primary line of clothing is a line of "spring/summer one piece seersucker outfits decorated with appliques of hearts, flowers, fruits and the like."<sup>4</sup> Wal-Mart is a national retailer that sells, among other things, children's clothing.<sup>5</sup>

In 1995, Wal-Mart contracted with a supplier to manufacture a line of children's outfits based on the Samara Brothers' line of seersuckers for sale in the 1996 spring/summer season. Wal-Mart provided the manufacturer with photographs from the Samara Brothers' line and the supplier dutifully copied sixteen garments<sup>6</sup> "with only minor modifications."<sup>7</sup> Wal-Mart subsequently sold the knock-off seersuckers in 1996 for a gross profit of \$1.15 million.<sup>8</sup>

Samara Brothers learned of Wal-Mart's actions in June of 1996 and filed suit in the United States District Court for the Southern District of New York, alleging that Wal-Mart's sale of the knock-offs infringed the unregistered trade dress in its seersucker line of clothing.<sup>9</sup>

After a week-long trial, the jury returned a verdict for Samara Brothers on all counts, including the trade dress infringement claim. Wal-Mart moved for judgment as a matter of law arguing, *inter alia*, that there was insufficient evidence to support the jury verdict because Samara Brothers' trade dress consisted of non-distinctive features customarily used in children's clothing and that Samara Brothers' trade dress therefore merited no protection under Section 43(a) of the Lanham Act.<sup>10</sup> The district court denied Wal-Mart's

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<sup>2</sup> 15 U.S.C.A. § 1125(a) (West 2000).

<sup>3</sup> *Wal-Mart Stores*, 529 U.S. at 207.

<sup>4</sup> *Id.*

<sup>5</sup> *Id.*

<sup>6</sup> *Id.* at 207-8.

<sup>7</sup> *Id.* at 207-8.

<sup>8</sup> *Id.* at 208.

<sup>9</sup> *Wal-Mart Stores*, 529 U.S. 205, 208.

<sup>10</sup> *Samara Bros., Inc. v. Judy-Philippine, et al.*, 969 F. Supp. 895 (S.D.N.Y. 1997); *see also Wal-Mart Stores*, 529 U.S. 205, 208.

motion, awarded damages and attorney's fees to Samara Brothers<sup>11</sup> and imposed an injunction barring Wal-Mart from the continued sale of the knock-off seersuckers.<sup>12</sup>

Wal-Mart appealed to the Second Circuit Court of Appeals which affirmed the trial court's decision with regard to the trade dress claim.<sup>13</sup> The Supreme Court granted *certiorari* to resolve the following question: "What must be shown to establish that a product's design is inherently distinctive for purposes of Lanham Act trade dress protection?"<sup>14</sup>

### III. OVERVIEW OF THE ARGUMENTS

Wal-Mart argued in its brief and in oral argument that a product's configuration, as opposed to its packaging, is descriptive of the product by its very nature and can therefore never be inherently distinctive. Moreover, since a product design is always descriptive of the product, Samara Brothers should have been required to make a showing of secondary meaning before their trade dress was protected under the Lanham Act.<sup>15</sup>

The Court expressed some concern during oral argument that Wal-Mart was asking it to overrule its *Two Pesos* decision which held that the unique trade dress of a Mexican restaurant was inherently distinctive and therefore protectable without proof of secondary meaning.<sup>16</sup> Wal-Mart responded that it was not necessary to overrule *Two Pesos* because although *Two Pesos* established that some trade dress may be inherently distinctive, it also left room for the possibility that certain *types* of trade dress, like the color of the press pad at issue in *Qualitex Co. v. Jacobson Products Co., Inc.*,<sup>17</sup> will require a showing of secondary meaning before they can be protected under Section 43(a).<sup>18</sup> Wal-Mart argued that rather than overruling *Two Pesos*, the Court should confine the *Two Pesos* holding to cases that

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<sup>11</sup> *Samara Bros.*, 969 F. Supp. 895, 901.

<sup>12</sup> *Id.*

<sup>13</sup> *Samara Bros., Inc. v. Wal-Mart Stores, Inc.* 165 F. 3d 120, 125-7 (2d Cir. 1998). The Second Circuit refused to endorse the trade dress injunction fashioned by the district court and remanded for a more suitable injunction. *Id.* at 128, 132.

<sup>14</sup> *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 528 U.S. 808 (1999).

<sup>15</sup> 1999 WL 1045142, \*10, \*19.

<sup>16</sup> 2000 WL 72053, \*8.

<sup>17</sup> 514 U.S. 159 (1995). In *Qualitex*, decided after *Two Pesos*, the Supreme Court held that the green-gold color of the petitioner's products was protectable as a *trademark* because the color of the product was not functional and had acquired secondary meaning.

<sup>18</sup> 2000 WL 72053, \*8.

do not involve product configuration. Wal-Mart further argued that this approach was entirely consistent with the Court's previous decisions in *Two Pesos* and *Qualitex*.<sup>19</sup>

Samara Brothers countered that the same criteria should be applied to all trade dress cases under the *Two Pesos* decision because that decision had required application of the *Abercrombie* distinctiveness scale<sup>20</sup> to all trade dress cases and because the *Two Pesos* court had reasoned that there was no basis for requiring secondary meaning because the design, in that case (a restaurant), was inherently distinctive.<sup>21</sup> A brief look at the opinion in the *Two Pesos* case shows that the Court did indeed suggest that all trade dress cases should be analyzed under *Abercrombie*, that trade dress *can be* inherently distinctive and that secondary meaning is not required if a particular trade dress is inherently distinctive:

The Fifth Circuit was quite right in *Chevron*, and in this case, to follow the *Abercrombie* classifications consistently and to inquire whether trade dress for which protection is claimed under section 43(a) is inherently distinctive. If it is, it is capable of identifying products or services as coming from a specific source and secondary meaning is not required. This is the rule generally applicable to trademarks, and the protection of trademarks and trade dress under section 43(a) serves the same statutory purpose of preventing deception and unfair competition. There is no persuasive reason to apply different analysis to the two. The "proposition that secondary meaning must be shown even if the trade dress is a distinctive, identifying mark, [is] wrong, for the reasons explained by Judge Rubin for the Fifth Circuit in *Chevron*."<sup>22</sup>

Samara Brothers argued that the difficulty in distinguishing between the design and the packaging of a product would make a secondary meaning test unworkable.<sup>23</sup> Wal-Mart responded on rebuttal that product configuration is descriptive by its very nature and should, therefore, require secondary meaning. Wal-Mart also argued that requiring secondary meaning for product designs would "work no harm" and would bring more certainty to this area because the Patent and Trademark Office and trademark practitioners are

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<sup>19</sup> 1999 WL 1045142, \*10, 2000 WL 72053, \*8, \*11-13.

<sup>20</sup> *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4 (1976).

<sup>21</sup> 1999 WL 124842, \*23.

<sup>22</sup> 505 U.S. 763, 773 (citing *Blau Plumbing, Inc. v. S.O.S. Fix-It, Inc.*, 781 F.2d 604, 608 (7th Cir. 1986)).

<sup>23</sup> 2000 WL 72053, \*34.

already quite familiar with the secondary meaning test.<sup>24</sup>

#### IV. HOLDING, RATIONALE & DISCUSSION

The Court overwhelmingly agreed with Wal-Mart that it made more sense to limit *Two Pesos* and reign in the expanding scope of protection afforded to unregistered trade dress under Section 43(a) than it did to maintain the status quo and allow the scope of Section 43(a)'s protection to expand further. Justice Scalia, writing for a unanimous Court, stated that "a product's design is distinctive, and therefore protectable, only upon a showing of secondary meaning."<sup>25</sup>

Justice Scalia began the opinion by remarking that a product's trade dress is properly considered a "symbol" or "device" subject to protection under Lanham Act Section 43(a), notwithstanding the lack of *textual* protection for trade dress<sup>26</sup> and that the protection afforded to trade dress under Section 43(a) has recently expanded to include not only a product's packaging, but also the design of the product itself.<sup>27</sup> Justice Scalia went on to point out that although Section 43(a) includes no *textual* distinctiveness requirement, the courts have universally applied a distinctiveness requirement to trade dress cases because:

(1) without distinctiveness, a particular trade dress would not "cause confusion . . . as to the origin, sponsorship, or approval of [the subject] goods",<sup>28</sup> as required by Section 43(a), and;

(2) the requirements for registering a mark (or trade dress) under Section 2 of the Lanham Act are generally applicable in determining whether a mark (or trade dress) is protected under Section 43(a).<sup>29</sup>

Justice Scalia also explained that the distinctiveness requirement can be satisfied in one of two ways.<sup>30</sup> First, a mark (or a product's trade dress) is "inherently distinctive" if its "intrinsic nature serves to identify a particular source."<sup>31</sup> Second, a mark or a product's trade

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<sup>24</sup> *Id.* at \*51-52.

<sup>25</sup> *Wal-Mart Stores*, 529 U.S. 205, 216.

<sup>26</sup> *Id.* at 209.

<sup>27</sup> *Id.* at 209-10.

<sup>28</sup> *Id.* at 210.

<sup>29</sup> *Id.* Distinctiveness is required for registering trade dress under Section 2.

<sup>30</sup> *Id.*

<sup>31</sup> *Wal-Mart Stores*, 529 U.S. 205, 210 (citing *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 768 (1992)). In an apparent step back from *Two Pesos*, the court noted that courts apply the *Abercrombie* test "in the context of word marks." *Wal-Mart Stores*, 529 U.S. at 210.

dress can *acquire* distinctiveness “even if it is not inherently distinctive, if it has developed secondary meaning.”<sup>32</sup> A mark or trade dress develops secondary meaning “when, in the minds of the public the primary significance of a [mark] is to identify the source of the product rather than the product itself.”<sup>33</sup>

Justice Scalia specifically noted that the foundation for differentiating between marks that are inherently distinctive and marks that have developed secondary meaning is found in Section 2 of the Lanham Act.<sup>34</sup> Furthermore, Section 2 of the Act specifically states that nothing therein will prevent “the registration of a mark used by the applicant which has become distinctive of the applicant’s goods in commerce,”<sup>35</sup> however, nothing in the Act “demands the conclusion that every category of mark necessarily includes . . . some marks [that] are inherently distinctive.”<sup>36</sup> Moreover, “with respect to at least one category of mark—colors—[this Court has] held that no mark can ever be inherently distinctive.”<sup>37</sup>

Having laid the ground work to follow the reasoning of the *Qualitex* decision rather than *Two Pesos*, the *Wal-Mart* decision effectively sounded the death knell for the doctrine of inherent distinctiveness in product configuration by echoing Wal-Mart’s argument “that design, like color, is not inherently distinctive.”<sup>38</sup> The Court proceeded by clarifying that word marks and product packaging commonly derive their inherent distinctiveness “from the fact that the very purpose of attaching a particular word to a product, or encasing it in a distinctive packaging, is most often to identify the source of the product.”<sup>39</sup> “Consumers are . . . predisposed to regard [such] symbols as indication of the producer, which is why such symbols almost *automatically* tell a consumer that they refer to a brand.”<sup>40</sup>

In distinct contrast, however, product designs, like color, differ because “consumer predisposition to equate the [design] feature with

<sup>32</sup> *Wal-Mart Stores*, 529 U.S. at 211.

<sup>33</sup> *Id.* at 210-11 (citing *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 851 n. 11 (1982)). Although the court noted that the term “secondary meaning” is strictly accurate only when applied to word marks, it opted to follow the conventional terminology. *Id.*

<sup>34</sup> *Id.* at 211; see 15 U.S.C.A. § 1052 (West 2000).

<sup>35</sup> 15 U.S.C.A. § 1052(f) (2000).

<sup>36</sup> *Wal-Mart Stores*, 529 U.S. at 211.

<sup>37</sup> *Id.* (citing *Qualitex*, *supra* note 17, at 162-63).

<sup>38</sup> *Wal-Mart Stores*, 529 U.S. at 212.

<sup>39</sup> *Id.*

<sup>40</sup> *Id.* at 212 (citing *Abercrombie*, *supra* note 20, at 162-63 (internal quotes omitted)).

the source does not exist.”<sup>41</sup> On the contrary, “[c]onsumers are aware of the reality that, almost invariably, even the most unusual of product designs—such as a cocktail shaker shaped like a penguin—is intended not to identify the source, but to render the product itself more useful or more appealing.”<sup>42</sup> *Wal-Mart* is an apparent attempt by the Court to judicially recognize this reality.

The *Wal-Mart* Court reasoned that requiring a prerequisite showing of secondary meaning for unregistered product designs would ultimately serve to protect new market entrants from “anti-competitive strike suit[s],”<sup>43</sup> by removing an environment that “facilitates plausible threats of suit against new entrants based upon alleged inherent distinctiveness.”<sup>44</sup>

The Court unanimously rejected the suggestion that it adopt a hybrid of the *Seabrook* test for determining inherent distinctiveness of a *product design*.<sup>45</sup> The *Seabrook* test is inadequate because it “would rarely provide the basis for summary disposition of an anticompetitive strike suit,” and furthermore, because that test could not even be applied to the facts of the case itself, let alone trade dress cases.<sup>46</sup>

Ultimately, the Court reasoned that any apparent harshness of their new, bright line rule was mitigated by a producer’s ability to seek a design patent or copyright protection for the design of its products.<sup>47</sup> It also reiterated that its decision in *Wal-Mart* was not *directly* in conflict with *Two Pesos* and that *Two Pesos* had absolutely no bearing on the *Wal-Mart* case because the design of the restaurant in *Two Pesos* was more akin to product packaging or “some *tertium quid*,”<sup>48</sup> than it was to product design.<sup>49</sup>

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<sup>41</sup> *Id.* at 213.

<sup>42</sup> *Id.*

<sup>43</sup> *Id.* at 214.

<sup>44</sup> *Wal-Mart Stores*, 529 U.S. at 213.

<sup>45</sup> *Id.* at 213-14.

<sup>46</sup> *Id.* at 214. The *Seabrook* test was derived from a 1977 *product packaging* decision by the Court of Customs and Patent Appeals. The test, “in determining the inherent distinctiveness of a product’s packaging, considered, among other things, ‘whether it was a ‘common’ basic shape or design, whether it was unique or unusual in a particular field, [and] whether it was 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.’” *Id.* (citing *Seabrook Foods, Inc. v. Bar-Well Foods, Ltd.*, 568 F.2d 1342 (C.C.P.A. 1977)).

<sup>47</sup> *Wal-Mart Stores*, 529 U.S. at 214.

<sup>48</sup> A middle course or an intermediate component. For example, “where there are two systems of law and two orders of courts, there must . . . be some *tertium quid* to deal with conflicts of law and jurisdiction.” MERRIAM-WEBSTER ONLINE DICTIONARY at <http://www.m-w.com> (last visited Apr. 23, 2001).

Any doubt that the Court took the practical approach was virtually eliminated by their response to Samara Brothers' argument that the manner in which it distinguished *Two Pesos* may "force courts to draw difficult lines between product-design and product-packaging trade dress."<sup>50</sup> The Court acknowledged that "there will indeed be some hard cases" to be dealt with "at the margin," but predicted that "the frequency and the difficulty of having to distinguish between product design and product packaging will be much less than the frequency and the difficulty of having to decide when a product design is inherently distinctive."<sup>51</sup>

The motivation behind the Supreme Court's approach was confirmed when, in closing, Justice Scalia provided the following advice to courts confronted with distinguishing between product design and product packaging trade dress: "[t]o the extent that there are close cases . . . courts should err on the side of caution and classify ambiguous trade dress as product design, thereby requiring secondary meaning."<sup>52</sup>

## V. CONCLUSION

There is little practical value in waxing philosophical about the bright-line rule drawn by the Supreme Court in *Wal-Mart v. Samara Brothers*. As trademark practitioners, perhaps we should be satisfied with the knowledge that, for now, the practical approach by the Court has simplified this murky area of trademark practice and, like Voltaire's character "Candide," be content to simply "cultivate our garden."<sup>53</sup>

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<sup>49</sup> *Wal-Mart Stores*, 529 U.S. at 215.

<sup>50</sup> *Id.*

<sup>51</sup> *Id.*

<sup>52</sup> *Id.*

<sup>53</sup> VOLTAIRE, CANDIDE 30:159 (presented by the Electronic Literature Foundation) at <http://elf.chaoscafe.com/voltaire/candied> (last visited Apr. 23, 2001).