

**SUPREME COURT ANSWERS DAVID W. OPDERBECK'S
ARTICLE, *AN ECONOMIC PERSPECTIVE ON PRODUCT
CONFIGURATION TRADE DRESS.***

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The last volume of Seton Hall's Legislative Journal contained David W. Opderbeck's article, *An Economic Perspective on Product Configuration Trade Dress*.¹ Shortly before its publication, the United States Supreme Court handed down *Wal-Mart Stores, Inc., v. Samara Bros., Inc.*,² which did not side with Opderbeck's thoughts on the benefits of applying the traditional test for trademark distinctiveness to a product's configuration or design. A summary of Mr. Opderbeck's article, a survey of the *Wal-Mart* case, and an analysis of the two follows.

I. ARTICLE SUMMARY

In his article,³ David W. Opderbeck addresses a branch of trademark law which protects manufacturers from competitors who copy their product's "trade dress,"⁴ a practice which can confuse consumers as to which competitor produced the item.⁵ The author contends that testing trade dress with the traditional trademark test for "distinctiveness"⁶ is both economically beneficial and consistent with the Supreme Court's development of trademark law.⁷ Opderbeck also

* J.D., expected 2002.

¹ See David W. Opderbeck, *An Economic Perspective on Product Configuration Trade Dress*, 24 SETON HALL LEGIS. J. 327 (2000).

² 120 S. Ct. 1339 (2000).

³ See *id.*

⁴ Trade dress is defined as a product's appearance, design features, and packaging. BLACK'S LAW DICTIONARY, 1038 (6th ed. 1991).

⁵ See Opderbeck, *supra*, note 1, at 341 (citing *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 166 (1989)).

⁶ See *infra*, note 26.

⁷ See *id.* at 329.

notes the differences among the Federal Circuits in their approach to the issue of trade dress protection and attempts to reconcile these varying rationales by showing trade dress protection to be complementary to patent law and beneficial for competition.⁸

Trade dress is defined in §43(a) of the Lanham Act, which codified state common law guarding against consumer confusion.⁹ Under the Act, trademarks include any device or symbol; hence, this definition is broad enough to encompass most any feature meaningful to consumers.¹⁰ Thus, Opderbeck believes the Lanham Act prohibits the copying of any product configuration or design which might identify the product's source to consumers.¹¹

The article next describes the economic interplay between the competitive markets and monopolies produced by trademarks and patents, respectively.¹² The Patent Clause of the United States Constitution is meant to strike a compromise between innovation and monopoly by granting the inventor a limited monopoly to enjoy the income from an invention, after the expiration of which the invention falls into the public domain.¹³ However, neither the Patent Clause nor the Constitution specifically mentions trademarks;¹⁴ therefore, trademark protection is derived from the Commerce Clause.¹⁵ Opderbeck explains that this difference allows trademarks to play an economic role which patents cannot, such that one complements the other.¹⁶ For example, while patents are limited in duration,¹⁷

⁸ See generally *id.* at 341-69.

⁹ See *id.* at 341 (citing *Bonito Boats*, 489 U.S. at 166).

¹⁰ See *id.* at 365 (citing *Qualitex Co. v. Jacobson Products Co., Inc.*, 115 S. Ct. 1300, 1302-03 (1995)).

¹¹ See *id.*

¹² See *id.* at 340-41, 370 (citing *Bonito Boats*, 489 U.S. at 146).

¹³ See *id.* at 340 (citing *Bonito Boats*, 489 U.S. at 146).

¹⁴ See *id.* at 332.

¹⁵ See *id.* at 370.

¹⁶ See *id.* The author suggests that the "functionality doctrine" is critical to differentiating the roles of patents and trademarks. This doctrine states that the functional characteristics of an invention remain in the public domain unless protected by a patent. See *id.* at 339-40, 368 (citing *Inwood Lab. v. Ives Lab.*, 456 U.S. 843, 862-63 (1982)). Another manufacturer may reproduce an unpatented functional design characteristic without infringing on trade dress, thus preventing a conflict between patent law and trade dress protection. See *id.* at 340. Courts take several approaches to determining functional characteristics, though all test for the absence of substitutes for the design. See *id.* at 367. This is based on the idea that a product feature which is nonfunctional has perfect or nearly perfect substitutes, so that its exclusive use will not result in a monopoly. See *id.* On the other hand, where the feature is function there are no substitutes at hand and a monopoly is

trademarks do not expire and need not be registered.¹⁸ Also unlike patents, trademarks can acquire a secondary meaning whereby consumers so closely associate a trademark with its product that the trademark alone may serve as a primary indicator of the product's manufacturer.¹⁹

There are also many economic benefits to trademarks, including reduced "search" costs,²⁰ which Opderbeck argues can apply to product configuration and design.²¹ To refute the argument that a product's design or trade dress cannot indicate its manufacturer, the author points to consumer survey evidence which shows that design can acquire a secondary meaning, well-known examples being Tiffany lamps and Rolls Royces.²² As a result, Opderbeck believes that trade dress can be protected, and product costs lowered, using only the traditional trademark test for distinctiveness.²³ Opderbeck asserts that the test applies to trade dress without difficulty because ordinary familiarity

created. *See id.*

¹⁷ *See id.* at 332.

¹⁸ *See id.* at 328.

¹⁹ *See id.* at 333 n.36.

²⁰ *See id.* at 360-61. Search costs are those associated with locating a product and its alternatives. *Id.* Higher search costs make it more difficult for consumers to consider alternative suppliers, which in turn frees the manufacturer to raise prices. *See id.* at 361. Lower search costs, however, give consumers greater freedom by supplying information about different prices and suppliers. *See id.* Trademarks, then, lower search costs by allowing consumers to form strong associations of consistent price and quality with a particular product. *See id.* Conversely, trademarks encourage suppliers to produce products of a consistent quality and price in order to maintain this association. *See id.* Without protection, Opderbeck argues that consumers would not associate the trademark with consistent quality and price. *See id.*

Search costs are not the only costs involved in trademark protection, although Opderbeck argues that these other costs are nominal. *See id.* at 362-63. For example, there are "rent seeking" costs for research and development, which Opderbeck believes are nominal due to the infinite number of potential trademarks. *Id.* There are also "deadweight costs" such as advertisements or exaggerated impressions of quality which are designed to produce competition or monopoly. *Id.* at 362.

²¹ *See id.* at 363.

²² *See id.* at 363-64.

²³ The test is a scale of increasing distinctiveness. *See id.* at 333 n.36. "Generic" terms such as "valve" identify the item, not the source, and are not protected. *Id.* "Descriptive" terms such as "reliable valves" primarily identify the characteristics of the product and are not protected unless the terms acquire secondary meaning. *Id.* "Suggestive" terms are more distinctive and may bring the item to mind without describing it, e.g. "Tide." *Id.* at 334 n.36. "Arbitrary" terms do not refer to the item's characteristics, e.g. "Apple" computers. *Id.* "Fanciful" terms are invented for the sole purpose of serving as a trademark, e.g. "Kodak." *Id.* Suggestive, arbitrary, and fanciful terms are inherently distinctive, not needing secondary meaning for protection. *Id.*

with product designs assists in the recognition of uniqueness.²⁴

Opderbeck acknowledges that his legal and economic views of product configuration trade dress have endured criticism over time.²⁵ For example, in *Sears Roebuck & Co. v. Stiffel Co.*²⁶ and *Compco Corp. v. Day-Brite Lighting, Inc.*,²⁷ the Supreme Court held that federal patent law preempted state unfair competition law²⁸ since state unfair competition laws negate the Constitution's policy of limited patent monopoly.²⁹ For the next 25 years only a patent could protect product configurations, until the Court decided *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*³⁰ There, Justice O'Connor maintained that the *Sears-Compco* doctrine³¹ allowed states a limited capacity to protect trade dress, though only to the extent that state laws against unfair competition protect an item's source-identifying, non-functional elements.³² In accord with Opderbeck's economic views, Justice O'Connor stated that trade dress promotes competition by protecting against consumer confusion.³³

However, the United States Supreme Court recently rejected Opderbeck's approach in *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*³⁴ In this case, the Court found that there is no inherent distinctiveness in a product's design.³⁵ Instead, a showing of secondary meaning is required.³⁶

²⁴ See *id.* at 366-67.

²⁵ See *id.* at 336-41.

²⁶ 376 U.S. 225 (1964).

²⁷ 376 U.S. 234 (1964).

²⁸ See *id.* at 336.

²⁹ See *id.* at 337 (citing *Sears*, 376 U.S. at 229).

³⁰ 489 U.S. 141 (1989).

³¹ 376 U.S. 225 (1964).

³² See *id.* at 338, 340-41 (citing *Bonito Boats*, 489 U.S. at 158).

³³ See *id.* at 341 (citing *Bonito Boats*, 489 U.S. at 166).

³⁴ 120 S. Ct. 1339 (2000).

³⁵ See *Wal-Mart*, 120 S. Ct. at 1344.

³⁶ See *id.* at 1346. Prior to *Wal-Mart*, the federal appellate courts split three ways in determining what test best suited the protection of product configuration trade dress. See Opderbeck, *supra*, note 1, at 341. The Seventh Circuit applied the traditional standard to trade dress in *Kohler Co. v. Moen Inc.*, 12 F.3d 632 (7th Cir. 1993). See *id.* at 342. Since patents and trademarks forbid fundamentally different activities, the court found that both may simultaneously protect product configuration. See *id.* at 344 (citing *Kohler*, 12 F.3d at 638). The court was not worried that trade dress defeats patent law, since functional features do not receive trade dress protection. See *id.* at 344-45. The Tenth Circuit, however, held that a product configuration claimed in an expired patent is not entitled to trade dress protection since it has passed into the public domain via patent law. See *id.* at

II. THE CASE SURVEY

TRADEMARK LAW—LANHAM TRADE-MARK ACT—PLAINTIFF MAY NOT RECOVER FOR UNREGISTERED PRODUCT DESIGN TRADE DRESS WITHOUT SHOWING OF SECONDARY MEANING—*Wal-Mart Stores, Inc., v. Samara Bros., Inc.*, 120 S. Ct. 1339 (2000).

In 1995, petitioner Wal-Mart Stores, Inc. (Wal-Mart) sent photographs of respondent Samara Brothers' clothing to its supplier, Judy-Philippine, Inc., to manufacture clothing lines based on the photographs.³⁷ Judy-Philippine filled the order, which contained many copyrighted elements. The copied designs confused a buyer for another franchise, who thought the clothes were Samara Brothers'.³⁸

Samara Brothers filed a complaint against Wal-Mart in the U.S. District Court for the Southern District of New York, alleging consumer fraud and unfair competition as well as infringement of federal copyright law and §43(a) of the Lanham Act for unregistered trade dress.³⁹ After the jury found for Samara Brothers on all claims, Wal-Mart renewed its motion for judgment as a matter of law, alleging that insufficient evidence had been presented on the distinctiveness of the

349 (citing *Vornado Air Circulation Systems, Inc. v. Duracraft Corp.*, 58 F.3d 1498, 1510 (10th Cir. 1995)). The Tenth Circuit did not believe the functionality doctrine could resolve the clash between trade dress and patent law because the plaintiff's patent covered a nonfunctional feature. *See id.* (citing *Vornado*, 58 F.3d at 1506). Lastly, the Third Circuit found it ontologically impossible to apply the inherent distinctiveness test to a product's configuration, so it distinguished trade dress for the product's packaging from trade dress for the product itself. *See id.* at 353 (citing *Duraco Products v. Toy Plastics Enterprises, Ltd.*, 40 F.3d 1431, 1441 (3d Cir. 1994)).

Opderbeck criticizes the Tenth and Third Circuits' understanding of trade dress in favor of applying the traditional trademark distinctiveness test as the Seventh Circuit did. *See id.* at 363-64, 368. Opderbeck rejects the Tenth Circuit's concern about trade dress' intrusion on patent law, urging that the two concepts are separated by the functionality doctrine. *See id.* at 369. Opderbeck also remarks that the Third Circuit's ontological problem of severing trade dress from the product itself merely complicates the functionality doctrine. *See id.* at 368. To ease the determination, the author suggests applying merger analysis used in antitrust actions. *See id.*

³⁷ *See* *Wal-Mart*, 120 S. Ct. at 1341.

³⁸ *See id.* at 1341-42.

³⁹ *See id.* at 1342.

clothing designs to sustain a trade dress claim.⁴⁰ The District Court denied the motion and the Second Circuit affirmed.⁴¹ The United States Supreme Court granted certiorari and, writing for a unanimous Court, Justice Scalia held that only upon a showing of secondary meaning will a product's design be protected as unregistered trade dress under the Lanham Act.⁴² The Court reversed the Second Circuit's decision and remanded the case.⁴³

Discussing first the statutory basis of trade dress actions, Justice Scalia noted that §43(a) of the Lanham Act grants a cause of action for any "symbol" or "device,"⁴⁴ terms which prior cases have held may refer to almost anything capable of meaning.⁴⁵ The Justice next set forth two requirements for supporting a claim of trade dress infringement: that the feature cannot be functional and it must be likely to cause consumer confusion.⁴⁶ The Supreme Court also read into the Act a distinctiveness requirement, reasoning that a product that is not distinctive is incapable of causing confusion about its origin.⁴⁷

Justice Scalia next elaborated on how to evaluate a mark's uniqueness for either inherent distinctiveness or secondary meaning.⁴⁸ If the intrinsic nature of a mark identifies a source, the Court stated, then it is inherently distinctive.⁴⁹ Thus, in the present case, the Court believes that the product's design must identify its specific manufacturer and not the generic product.⁵⁰ A product's design may also be protected as trade dress, the Justice explained, if it acquires a secondary meaning, since the Lanham Act allows a manufacturer to register marks that have become distinctive.⁵¹

The Supreme Court then asserted that some marks are categorically incapable of inherent distinctiveness, citing its holding in *Qualitex* that a color is only inherently distinctive upon a showing of

40 *See id.*

41 *See id.*

42 *See id.* at 1341-42, 1346.

43 *See id.* at 1346.

44 *Id.* at 1342 (quoting Lanham Trade-Mark Act §43 (a), 15 U.S.C. § 1125(a) (1988)).

45 *See id.* at 1342-43 (quoting *Qualitex*, 115 S. Ct. at 1300).

46 *See id.* at 1343.

47 *See id.*

48 *See id.*

49 *See id.* (quoting *Two Pesos*, 505 U.S. at 768).

50 *See id.* (quoting *Inwood*, 456 U.S. at 851, n.11 (1982)).

51 *See id.* (quoting Lanham Trade-Mark Act § 2(f), 15 U.S.C. § 1052(f) (1988)).

secondary meaning.⁵² There the Court had reasoned that color cannot automatically indicate the product's manufacturer to a consumer,⁵³ Justice Scalia believed the same to be true of a product's design, asserting that there is no consumer predisposition to equate a product's design with its manufacturer.⁵⁴ In actuality, the Court asserted, consumers are only aware that a product's design makes it appealing or more useful, even where the design is highly unusual.⁵⁵

Since a product's design serves primarily aesthetic and utilitarian purposes, the Court felt that protecting a design as trade dress deprives consumers of those benefits.⁵⁶ The Supreme Court also worried that these aesthetic and utilitarian purposes would make it nearly impossible to formulate a test which would prove that the primary purpose of a product design is to identify its manufacturer.⁵⁷ Justice Scalia rejected the traditional test's requirement that a trademark be "unique" or "unusual," arguing that this would rarely provide a definitive answer in cases involving product design and that it had failed to do so in this case.⁵⁸

The Supreme Court also raised policy concerns, observing that the threat of suit can stifle competition.⁵⁹ Because of the high improbability that a product design can be inherently distinctive, Justice Scalia believed that allowing suit without such proof would allow producers to threaten their competitors with hollow claims of trademark infringement.⁶⁰ The Court suggested that if a manufacturer believes its design is inherently distinctive, it always has the option of registering the design under the Lanham Act, thereby preventing any hardship.⁶¹

Lastly, the Court distinguished *Two Pesos, Inc. v. Taco Cabana, Inc.*,⁶² which *Samara Brothers* cited for the proposition that a product's design could be inherently distinctive.⁶³ That case held that an action for trade dress protection of a Mexican restaurant's décor could succeed

52 See *id.* at 1344 (citing *Qualitex*, 115 S. Ct. at 1303).

53 See *id.* (citing *Qualitex*, 514 U.S. at 163).

54 See *id.*

55 See *id.*

56 See *id.*

57 See *id.* at 1344-45.

58 See *id.* at 1345.

59 See *id.*

60 See *id.*

61 See *id.*

62 505 U.S. 763 (1992).

63 See *id.*

without a showing of secondary meaning; however, the Justice points out that restaurant décor is distinguishable from product design.⁶⁴ While Justice Scalia admitted such distinctions may be difficult to make, he believed that lawsuits arising over restaurant décor arise less frequently than do actions for a product's design.⁶⁵ If and when such distinctions need to be made, however, the Supreme Court instructed courts to default on the side of caution and require a showing of secondary meaning.⁶⁶

III. ANALYSIS AND CONCLUSION

As where the Supreme Court's decision in *Wal-Mart* presents a thoughtful analysis of the legal and policy issues behind extending trade dress protection to product design, Opderbeck's analysis is incomplete. While the Court and Opderbeck provide roughly the same statutory analysis of trade dress, they diverge over policy issues.

Justice Scalia effectively contends that usefulness or appeal to the consumer, and not source identification, is the primary purpose of product design. The Justice's example of color illustrates this point. Even if unique, it is difficult to see how a color might identify a product's manufacturer without also having developed a secondary meaning in the consumer's mind; the same can be said regarding a product's design.

Opderbeck, on the other hand, believes that "distinctiveness" suffices; however, the examples he cites to support this thesis have all acquired secondary meaning. Thus, the author appears to equate distinctiveness with secondary meaning without discussing how to apply a test based on the former and which does not require the latter.

This distinction is most obvious when viewed in the context of the policy argument enunciated by Justice Scalia: that allowing trade dress protection of product design without a showing of secondary meaning would allow competitors to threaten each other. Unlike Opderbeck, the Court addresses this issue by recognizing that since a product's design is unlikely to identify its manufacturer, actions based on the distinctiveness test could become a tool to stifle competition. Thus, despite the economic bent of his argument, Opderbeck fails to take this

⁶⁴ See *id.* (citing *Two Pesos*, 505 U.S. at 773).

⁶⁵ See *id.*

⁶⁶ See *id.* at 1346.

particular cost into consideration.

After reading Opderbeck's article, one would not expect the Supreme Court to so easily discard the distinctiveness test in cases of trade dress. This is so primarily because Opderbeck cites the Court's opinion in *Qualitex* for the proposition that the Lanham Act's definition of trade dress is so expansive. But Opderbeck fails to mention that *Qualitex* actually limited trade dress protection of color to secondary meaning because color cannot have inherent distinctiveness. When one considers that the *Wal-Mart* Court was unanimous in its opinion, Opderbeck's analysis appears to be a personal view of what test the Court should apply to trade dress. Lastly, although the *Wal-Mart* case was decided subsequent to writing his article, Opderbeck does acknowledge the case in a footnote. However, he fails to discuss its repudiation of his views, stating only that the Court did not amply discuss patent law and the functionality doctrine.⁶⁷

⁶⁷ See Opderbeck, *supra*, note 1, at 328 n.5.