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THE IMPACT OF RECENT SUPREME COURT DECISIONS ON TRADE DRESS PROTECTION AND THE USE OF COLORS AS TRADEMARKS

by DAVID P. TWOMEY*

I. INTRODUCTION

In Two Pesos, Inc. v. Taco Cabana, Inc.¹ the U.S. Supreme Court clarified the law of trade dress protection. Three years later the Supreme Court resolved the issues involving the protection of "color alone" as a trademark in Qualitex Co. v. Jacobson Products Co. Inc.² This paper will set forth the law of trade dress and show the impact of the Two Pesos, Inc. decision on current trade dress law. Additionally, the paper will present the history of the controversy relating to the use of color alone as a trademark, and analyze the Supreme Court's decision on this matter. The difference between trade dress protection and trademark protection will be explored. And the underlying policies of the Lanham Act will be applied and evaluated in the context of the two decisions.

II. TRADE DRESS

Firms invest significant resources to develop and promote the appearance of their products and the packages in which these products are sold so that they are clearly recognizable by consumers. "Trade dress" involves a product's total image, and in the case of consumer goods includes the overall packaging look in which each

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product is sold. When a competitor adopts a confusingly similar trade dress, it dilutes the first user's investment and goodwill and deceives consumers, hindering their ability to distinguish between competing brands.

In the *Two Pesos, Inc. v. Taco Cabana Inc.* case a Mexican restaurant chain, Two Pesos, Inc., starting in 1985, copied the trade dress of a very successful small Mexican restaurant chain Taco Cabana, located in San Antonio, and rapidly opened restaurants in most major Texas cities. In 1987 Taco Cabana sued Two Pesos for trade dress infringement under Section 43(a) of the Lanham Act. The trial court entered a judgment for Taco Cabana Inc. even though the jury found that Taco Cabana's trade dress was inherently distinctive but had not acquired a secondary meaning. On appeal before the U.S. Court of Appeals for the Fifth Circuit, Two Pesos argued that a finding of no secondary meaning contradicted a finding of inherent distinctiveness. The Court of Appeals rejected this argument; and the matter was appealed to the U.S. Supreme Court.

The Supreme Court held that a party's trade dress which is inherently distinctive is protected under Section 43(a) of the Lanham Act without showing the trade dress had acquired secondary meaning, since the trade degree itself is capable of identifying products or services concerning a specific source.

Under the *Two Pesos, Inc.* decision, the Supreme Court elevated trade dress protection to equal status with unregistered trademarks under Section 43(a) of the Lanham Act.

In order to prevail in a trade dress infringement case brought under Section 43(a) of the Lanham Act, the plaintiff must prove its trade dress is (1) distinctive, (2) non-functional, and (3) the defendant's

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3 Badger Meter Inc. v. Grinnell Corp., 13 F.3d 1145 (7th Cir. 1994).
5 Taco Cabana's trade dress is described as follows: “a festive eating atmosphere having interior dining and patio areas decorated with artifacts, bright colors, paintings, and murals. The patio includes interior and exterior areas with the interior patio capable of being sealed off from the outside patio by overhead garage doors. The stepped exterior of the building is a festive and vivid color scheme using top border paint and neon stripes. Bright awnings and umbrellas continue the theme.” 932 F.2d 1113, 1117 (5th Cir. 1991).
6 112 S. Ct. at 2756. Descriptive marks that otherwise could not be registered under the Lanham Act may be registered if they become distinctive of the applicant's goods in commerce. This acquired distinctiveness is generally called "secondary meaning." See id. at 2757.
7 Id.
8 Id.
9 Id. at 2761.
trade dress in confusingly similar to the plaintiff's. Since the Two Pesos decision a number of plaintiff's have been successful in their trade dress actions. Prior to the Two Pesos decision, trade dress claims had faced significant judicial skepticism, and only very unique trade dress coupled with a high likelihood of consumer confusion would result in judicial relief.

Trade dress protection under Section 43(a) of the Lanham Act is the same as that provided qualified unregistered trademarks and does not provide all of the protection available to the holder of the registered trademark. Protections afforded registered trademark holders not available to individuals asserting trade dress protection under Section 43(a) are: ability to prevent importation of confusingly similar goods; constructive notice of ownership; incontestable status; and prima facie evidence of validity and ownership.

III. COLORS AS TRADEMARKS

Because trade dress protection under Section 43(a) of the Lanham Act does not provide the breadth of protections provided for registered trademark holders, manufacturers may seek the additional protection of registering their color(s) as a trademark, where the color is able to serve as a "symbol or device" and qualify as a trademark under the Lanham Act.

10 Paddington v. Attiki Importers and Distributors Inc. 996 F.2d 577, 582 (2nd Cir. 1993).
11 Id. (involving the infringement of the trade dress of a Greek liqueur). Badger Meter Inc. v. Grinnell Corp., 13 F.3d 1145 (7th Cir. 1994) (involving infringement of a water meter similar in appearance to the plaintiff's); Hoffman v. Kleinhander, 1994 WQL 240335 (S.D.N.Y. May 31, 1994) (involving a sales brochure for an artist's work); Imagineering, Inc. v. Van Klassens, Inc. 53 F.3d 1260 (Fed. Cir. 1995) (involving the infringement of the trade dress of a manufacturer's furniture design); Dorr-Oliver Inc. v. Fluid-Quip, Inc. 894 F. Supp. 1190 (N. D. Ill. 1995) (involving the trade dress infringement of a washer used in processing corn); Philip Morris Inc. v. Star Tobacco Corp. 879 F. Supp. 379 (S.D.N.Y. 1995) (involving the infringement of trade dress of the manufacturer's product "Marlboro" cigarettes by a competitor who copied the Marlboro package for its "Gunsmoke" cigarettes).
12 In Warner Lambert Co. v. McCrory's Corp., 718 F. Supp. 389 (D.N.J. 1989) a federal court refused to enjoin a McCrory's private label version of Listerine mouthwash even though McCrory's product copied several components of Listerine's trade dress, including its amber color, clear bottle and black cap. In American Home Products Corp. v. Barr Labs Inc., 834 F.2d 368 (3rd Cir. 1987) the Court refused to grant an injunction against the sale of red-brown ibuprofen tablets identical in color to the Advil brand.
A. History of Colors Alone as Trademarks

As early as 1906 the depletion of the supply of usable colors has been the basis for a court to deny protection of color alone as a trademark. In *Diamond Match Co. v. Saginaw Match Co.*,\(^{17}\) where Diamond Match Co. sought trademark protection of the blue and red colored tips on their matches, the court in denying protection pointed out that two colors for each brand of matches would be appropriated if trademark protection were allowed, and all of the available colors would soon be appropriated to the exclusion of new competitors.\(^{18}\)

In *Campbell Soup Co. v. Armour & Co.*, a 1949 case, where Campbell Soup Co. sought an injunction against the use by Armour of a red and white label on food products, the U.S. Court of Appeals for the Third Circuit upheld the district court's denial of relief for the plaintiffs, stating in part:

What the plaintiffs are really asking for then, is a right to the exclusive use of labels which are half red and half white for food products. If they may monopolize red in all its shades, the next manufacturer may monopolize orange in all its shades and the next yellow in the same way. Obviously, the list of colors will soon run out.\(^{19}\)

The Federal Circuit's 1985 decision in the case of *In re Owens-Corning Fiberglass Corp.* allowed for the first time registration of a color as a trademark.\(^{20}\) The Court determined that color alone—pink as a trademark for fiberglass insulation—could be registered where it was non-functional, showed secondary meaning and was not excluded by the specific Lanham Act registration bars.\(^{21}\) However, in a subsequently case decided by the Seventh Circuit, the court in *NutraSweet Co. v. Stadt Corp.*, expressed an absolute prohibition against trademark protection for color alone.\(^{22}\)

In the context of a long judicial history recognizing a bar against the registration of color alone as a trademark, and in the context as well of the recent conflict in the circuit courts of appeals as to whether or not the law recognizes the use of color alone as a trademark, the U.S. Supreme Court granted *certiorari* in *Qualitex*

\(^{17}\) 142 F. 727 (6th Cir. 1906).
\(^{18}\) *Id.* at 729-30.
\(^{19}\) 175 F.2d 795, 798 (3rd Cir. 1949).
\(^{20}\) *In re, 36 Owens-Corning Fiberglass Corp.*, 774 F.2d 1116 (Fed. Cir. 1985).
\(^{21}\) *Id.* at 1121 (functionality); *id.* at 1124 (secondary meaning); *id.* at 1119 (specific Lanham Act registration bars).
\(^{22}\) 917 F.3d 1024, 1028 (7th Cir. 1990).
Co. v. Jacobsen Products Co. Inc., in order to decide if the Lanham Act allows colors alone to be registered as trademarks.\textsuperscript{23}

B. The Qualitex Case

Since the 1950s, Qualitex Company colored the dry cleaning press pads it manufactured with a special shade of green-gold.\textsuperscript{24} In 1989 its competitor, Jacobson Products Co. began to manufacture and sell press pads with a similar green-gold color. Qualitex sued Jacobson in 1990 alleging a violation of its trade dress under Section 43(a) of the Lanham Act.\textsuperscript{25} It also filed an application to register the green-gold color of its press pads as a trademark with the U.S. Patent and Trademark Office; and when a Certificate of Registration was issued, Qualitex amended its complaint to allege a trademark infringement.\textsuperscript{26} Qualitex won the lawsuit in the U.S. District Court, but the Ninth Circuit set the judgment aside in Qualitex’s favor on the trademark infringement claim because in its view the Lanham Act does not permit a manufacturer to register “color alone” as a trademark.\textsuperscript{27}

In a unanimous decision of the United States Supreme Court written by Justice Breyer, the Court reversed the judgment of the Ninth Circuit,\textsuperscript{28} and concluded that if a color serves as a symbol that distinguishes a firm’s goods and identifies their source without serving any other significant function, a color may, sometimes at least, meet the basic legal requirements for use as a trademark.\textsuperscript{29}

The Supreme Court did not accept Jacobson’s color depletion argument which was based on ninety years of precedent that to permit one or a few products to use colors as trademarks will deplete the supply of usable colors to the point where a competitor’s inability to find suitable color will put that competitor at a significant disadvantage.\textsuperscript{30} The Court refused to allow an occasional problem with color depletion to justify a blanket prohibition of the use of color alone as a trademark.\textsuperscript{31} And, it expressed the belief that the “func-

\begin{itemize}
\item \textsuperscript{23} Qualitex Co. v. Jacobson Products Co. Inc. 115 S. Ct. 1300 (1995).
\item \textsuperscript{24} Id. at 1302.
\item \textsuperscript{25} Id.
\item \textsuperscript{26} Id.
\item \textsuperscript{27} Id.
\item \textsuperscript{28} Id. at 1308.
\item \textsuperscript{29} Id. at 1304. See also, 1302 & 1303. Section 1127 of the Lanham Act states that “Trademarks includ[e] any, word, name, symbol, or device, or any combination thereof.” This is very broad language. Color can be used as a symbol capable of carrying a meaning that the item in question identifies and distinguishes a particular brand and thus indicates its source.
\item \textsuperscript{30} Id. at 1306.
\item \textsuperscript{31} Id.
\end{itemize}
tionality" doctrine would normally prevent any acute competitive consequences. The "functionality doctrine" prevents trademark law from inhibiting legitimate competition by allowing a producer to control a useful product feature (function) through a trademark. If a product's functional features could be used as trademarks, a monopoly over such features could be obtained without regard to whether they qualified as patents and could extend forever, because trademarks may be renewed in perpetuity. Thus, if the color stripes used on candy packages functioned to indicate the flavors of candies in the packages, the use of the functional colors alone cannot serve as a trademark. Fiberglass insulation is yellow-brown in its natural state. Owens-Corning Fiberglass Corporation colored the product pink. This color is non-functional and through spending over $42,000,000 in advertising the "pink" insulation between 1972 and 1981, the nonfunctional color pink alone became a source identifying mark with the public and was properly registered as a trademark under the Lanham Act.

IV. CONCLUSION

The Lanham Act provides national protection of trademarks and trade dress so that owners may secure the goodwill of their business and consumers may distinguish between competing producers and products. Trademark law then helps to assure a producer that it, and not an imitating competitor, will reap the financial rewards associated with a desirable product. And, an additional objective is to protect consumers from competitors who would deceive consumers as to the source of the products being purchased.

From a policy point of view the Qualitex decision is a proper one. If a producer has invested in a color alone as a source identifying trademark, creating goodwill in this product, this investment should be protected from competitors who would attempt to appropriate that goodwill for themselves. The Court properly found that Jacobson Products Co. infringed on Qualitex's green-gold color alone trademark for press pads when Jacobson colored its competing press pads a similar non-functional green-gold color.

Trade dress lawsuits under Section 43(a) of the Lanham Act often remedy inherently unfair business practices which damage the good-

32 Id.
33 Id. at 1304.
34 Id. at 1304.
35 Lifesavers Corp. v. Curtiss Candy Co., 182 F.2d 4 (7th Cir. 1950).
36 In re, Owens-Corning Fiberglass Corp., 774 F.2d 1116, 1125 (Fed. Cir. 1985).
will of businesses and confuse or deceive the public. In the *Two Pesos, Inc.* decision, the trial court found and the court of appeals agreed that Two Pesos brazenly copied Taco Cabana’s successful trade dress and proceeded to expand in a manner that foreclosed several important markets within Taco Cabana’s natural zone of expansion. It is very common today for owners of private label or store-brand consumer products to compete with national brands. Most trade dress lawsuits today involved national-brand manufacturers bringing suit against private-label retailers for trade dress infringement under Section 43(a) of the Lanham Act. Consumers themselves search for lower price alternatives to brand name products. However, it is a trade dress infringement for a private-label to so closely copy a national brand as to confuse consumers as to the source of the product they are buying. Private label retailers have every right to compete against national brands based on price or quality. Rather than copy a national brand’s package, however, the private label firm should chose to use comparative advertising to the national brand on its own distinctive package, making certain that its brand name and logo are displayed more prominently than the national brand name referred to in the comparison. This strategy amounts to fair competition based on price.

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38 *Two Pesos Inc.*, 112 S. Ct. at 2756, n.5.
39 See ADVERTISING AGE, April 1, 1994 at 29.