Protecting Appearance and Atmospherics: Trade Dress as a Component of Retail Strategy

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Although many retailers recognize the value of managing store appearance and atmosphere to improve sales and consumer loyalty, few are aware that trade dress, a subset of trademark, may be used to protect retail environments from some forms of imitation. This article discusses the importance of trade dress protection for retailers and expands on the elements of trade dress, the parameters of trade dress protection, and the interaction of trade dress law with retail strategy. The authors also assess whether trade dress protection serves the policy goals of reducing deception and promoting fair competition for the benefit of the public as configured and interpreted under current U.S. law.

Keywords: retailing, intellectual property, trademark, trade dress, atmospherics

Fundamentally, intellectual property rights should serve the public good. In the arena of trademark protection, the law theoretically strikes a balance between providing an incentive for creation and the public benefit derived from the development of creative works. Creators are incentivized, in part, through monopoly protection for their creations—in other words, others cannot legally sell their goods under the brand name of trademark holder.

Yet the exclusive right to use a name or design, enforced through the use of governmental power, must be wielded with care, cognizant that the goal of trademark protection must be the public good. On the one hand, if the power granted to trademark creators is too great, trademark owners benefit without commensurate public enrichment. On the other hand, if the protection granted is too slight, there is insufficient creation incentive, and the public loses the brands that are left uncreated.

In some areas of creative development, existing protection schemes are well known and widely understood. In general, members of the public recognize that it is impossible for a firm to sell its products under the brand name of another company. Trade dress is another matter entirely, however. Relatively narrow, but nonetheless important, trade dress rights protect from imitation everything from product packaging to building interiors and exteriors. As a subset of trademark, trade dress protection can serve as a powerful tool to protect creative endeavors, particularly in the retail environment. Packaging is certainly important, but perhaps a more important creative endeavor to protect from imitation is the way a retail business presents itself to customers as a unique sales experience. Trade dress, within limits, offers that protection.

The present research serves two goals. First, we focus on the scope of trade dress and how the courts have defined that protection, particularly for retail environments. We explore the parameters of trade dress protection, offering some guidelines for retailers that want to protect their unique trade dress as well as those that want to avoid liability for inappropriate imitation. Second, we assess the advantages and disadvantages of the current state of trade dress protection as applied to innovating businesses, imitating businesses, and the consuming public, focusing on whether current U.S. law serves the greater good. In fulfilling the latter of these aims, we make recommendations as to how trade dress protection might be better managed to serve both businesses and the general public.

Managing the Retail Environment

Businesses have a strong incentive to carefully manage the retail environment for their customers. This concept is not new. As early as 1973, Philip Kotler observed that “total design,” the philosophy of creating a unified decor and tone throughout a retail environment, could be an important sales tool. He predicted that “marketing planners will use spatial aesthetics as consciously and skillfully” as other elements of the marketing mix (Kotler 1973, p. 50). Kotler also described the use of retail atmospherics, in which
color, lighting, store layout, and furnishings all played a role in the retailers’ strategic goals. “Buyers may choose vendors as much for their atmospheres as their goods,” to the point that “atmospheres may become the chief form of competition” (Kotler 1973, p. 61). Indeed, a store’s “built environment” or design is considered a primary facet of the servicescape (Bitner 1992).

Retail environmental cues can exert a strong influence on consumers’ affective and cognitive processes, ultimately influencing shopping behavior. A range of methodologies and contexts has provided abundant empirical evidence to support this theory (Turley and Milliman 2000), typically following a basic framework that includes three components: ambient factors, design factors, and social factors (Baker 1986). Ambient factors are those that “exist below the level of the customers’ immediate awareness” (Baker 1986, p. 79), including music (Garlin and Owen 2006; Knoverle et al. 2012), aroma (Morrison et al. 2011; Teller and Dennis 2012), lighting (Custer and Venn 2010; Summers and Hebert 2001), and color (Babin, Hardesty, and Suter 2003; Chebat and Morrin 2007). Design factors are those that are more perceivable and more in the foreground of customers’ consciousness, including store layout (Emmett et al. 2006; Smith and Burns 1996), architecture (Van Oel and Van den Berkhof 2010), accessories (Sen, Block, and Chandran 2002; Wall and Berry 2007), and signage (Dennis et al. 2012; Taylor, Sarkees, and Bang 2012). Social factors refer to social conditions represented by the number, type, and behavior of employees (Bitner 1992; Runyan, Kim, and Baker 2012) and other customers (Hui and Bateson 1991; Machleit, Kellaris, and Erolgu 1994).

Most of these studies have employed laboratory experiments (Turley and Milliman 2000) or field studies (Mari and Poggese 2013) that manipulate one or two conditions, with dependent variables measured as affective (e.g., emotional response to waiting, mood), perceptual (e.g., overall perceptions of quality, pleasantness), or behavioral outcomes (e.g., time spent in store, amount gambled, choice). Studies have considered the physical and ambient elements of retail environments across a variety of specific contexts, including malls (Babin and Darden 1996; Michon, Chebat, and Turley 2005), casinos (Johnson, Mayer, and Champaner 2004), and pharmacies (Edwards and Gustafson 2008). Evidence of the effects of combinations of atmospheric elements supports the assertion that multiple elements should be “congruent” with one another (Mettilla and Wirtz 2001; Spangenberg, Grohmann, and Sprott 2005). The research into store design has grown more sophisticated, and it has become apparent that virtually every aspect of a retail environment may affect consumer shopping behavior.

A significant aspect of retail atmospherics is that environmental elements, in addition to affecting consumers’ behavior, may also serve as a source identifier for consumers who associate particular store characteristics with particular companies. This is true in the case of franchise operations that need to standardize the experience for consumers across multiple stores (Ward, Bitner, and Barnes 1992) as well as for stores that want to differentiate themselves from competitors to attract and retain customers. The benefits of creating a unique retail experience are manifold for businesses, but those that spend time, money, and creative capital to do so may be frustrated when competitors imitate their creations. Design patents are one option that businesses can use to protect the ornamental elements of their retail establishments, but they are valid for only 14 years (35 U.S.C. §173). Trade dress, however, as a type of trademark, may be protected for as long as it is used and can be a powerful method of preventing deceptive imitation. As we discuss in the following section, the measurement of a store environment’s impact on consumer behavior has lessons both for retail managers, who want to maximize positive consumer experiences, and for policy makers, who must strike an appropriate balance between incentivizing creativity and stifling legitimate competition.

**Defining Trade Dress**

The legal term “trade dress” refers to a type of intellectual property encompassing a product’s total image, including features such as size, shape, color, or texture. In the retail context, trade dress also includes interior and exterior architectural motif and decor, signage, menu, cuisine, sales technique, or entertainment features—anything and everything that may play a role in what is loosely identified as a business’s “atmosphere.”

Trade dress is a subset of trademark and is thus protected under §43(a) of the Lanham Act. Originally, trade dress was limited to a product’s packaging or “dressing” (John H. Harland v. Clarke Checks 1983). However, over the past three decades, courts have expanded trade dress to include the totality of elements used to present a product. Trade dress protection has been applied to products as small as a pill (Shire v. Barr Laboratories 2003) and to features as large and multidimensional as a building exterior (Two Pesos v. Taco Cabana 1992).

Because trade dress can encompass everything from product packaging to building design, both retail and nonretail cases serve to define trade dress elements. To prove infringement, a trade dress owner must demonstrate that (1) the trade dress is distinctive or has acquired secondary meaning, (2) the trade dress is nonfunctional, and (3) there is a likelihood of confusion as to the source of another’s product or service offering.

**Trade Dress Must Be Distinctive or Have Acquired Secondary Meaning**

A distinctive trade dress is one that indicates the source of the product offering such that consumers can easily distinguish it from its competition. Trade dress may be inherently distinctive or may possess “secondary meaning” (immediately identifiable as indicative of a particular source). Secondary meaning means that the trade dress itself has come to signify a product source through usage, advertising, or both.

As with traditional trademark, trade dress can be classified into one of five categories that influence a court’s determination of distinctiveness: it may be generic, descriptive, suggestive, arbitrary, or fanciful (Abercrombie & Fitch Stores v. Hunting World Inc. 1976; Cohen 1986; Two Pesos v. Taco Cabana 1992). Generic trade dress refers to the
category of which a product is a member, and it cannot be protected. At the other end of the spectrum, suggestive, arbitrary, and fanciful trade dress are considered “inherently distinctive” and do not require evidence of secondary meaning to be protected. Between these categories lies descriptive trade dress. Descriptive trade dress may be protected, but protection requires proof of secondary meaning. To illustrate trade dress categories in a product context, “the configuration of a banana-flavored candy ... would be generic if the candy were round, descriptive if it were shaped like a banana, suggestive if it were shaped like a monkey, arbitrary if it were shaped like a trombone, and fanciful if it were formed into some previously unknown shape” (Ashley Furniture Industries v. Sangiacomo N.A., Ltd. 1999, p. 370). Extending this idea to retail establishments, an Italian restaurant’s decor would be generic if it featured a knife and fork, descriptive if it showed the fork with spaghetti on it, suggestive if the background included red-and-white checkered tablecloths topped with candles in empty wine bottles, arbitrary if themed with a rainforest motif, and fanciful if the decorations were previously unknown and entirely new.

To prove secondary meaning, a plaintiff must demonstrate that a particular trade dress has come to be associated in consumers’ minds with a particular business or brand and therefore serves an identifying function (Inwood Laboratories Inc. v. Ives Laboratories Inc. 1982). If a retail establishment uses elements typically associated with that business type, the trade dress would be best characterized as descriptive, requiring proof of secondary meaning. For example, Red Lobster’s use of a cooked lobster as a theme for a seafood restaurant featuring lobster is certainly a descriptive trade dress—it pictorially describes what the restaurant offers. However, because Red Lobster has been heavily advertised over several decades, the crimson crustacean on the exterior signage and adorning the restaurant interior almost certainly serves as a source identifier for consumers. In a trade dress dispute, Red Lobster would need to prove secondary meaning for its descriptive trade dress, but that should be easy because many consumers are likely to associate the familiar red lobster icon with the Red Lobster chain. Other seafood restaurants might still be able to use a lobster on their signage as long it is not confusingly similar to Red Lobster.

An important case established the inherent distinctiveness/secondary meaning rule. Beginning in 1978, Taco Cabana operated a chain of fast-food Mexican restaurants in San Antonio, Texas. The trade dress used by the restaurants included the following:

[A] festive eating atmosphere having interior dining 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 (Two Pesos v. Taco Cabana 1992, p. 766).

In December 1985, another Mexican-themed restaurant chain, Two Pesos, opened a location in Houston with decor resembling that of Taco Cabana. After Taco Cabana expanded into Houston in 1986, it sued Two Pesos for trade dress infringement. The jury determined that Taco Cabana’s trade dress was inherently distinctive and that the alleged infringement had created a likelihood of confusion on the part of ordinary customers as to the source of the restaurant’s goods or services but that Taco Cabana had not acquired secondary meaning in the Texas market. Taco Cabana was nonetheless awarded $2.8 million in damages, and Two Pesos was compelled to make changes to the interior and exterior of its restaurants (Taco Cabana v. Two Pesos 1988).

Two Pesos appealed, arguing that the jury’s finding of no secondary meaning contradicted its finding of inherent distinctiveness. Ultimately, the Supreme Court ruled that inherently distinctive trade dress does not require evidence that it has acquired secondary meaning (Two Pesos v. Taco Cabana 1992). The combination of atmospheric elements in the restaurant as well as signage and appearance all created a distinctive, protectable trade dress for Taco Cabana.

### Trade Dress Must Be Nonfunctional

Federal law requires that trade dress be nonfunctional to be registered (15 U.S.C. § 1052(e)), and to protect unregistered trade dress, nonfunctionality must be proven as an element of the case (15 U.S.C. § 1125[a][3]). The nonfunctionality rule was established to prevent the misuse of trade dress rights to protect inventions or other useful designs from competition, either after a patent has expired or perhaps without the benefit of a patent at all (McCarthy 2009; Qualites Company v. Jacobson Products Company 1995). The U.S. Supreme Court has described trade dress as functional if it is essential to the use or purpose of the article or affects the cost or quality of the article (TrafFix Devices v. Marketing Displays 2001).

Unfortunately for business owners, the interpretation of functionality has been inconsistent in retail trade dress cases. Although functional elements cannot be protected under trade dress law individually, a combination of functional elements arranged in a unique way that is distinctive and serves as a source identifier to customers has been held to constitute a protectable trade dress. For example, in one case, the interior design features of an upscale hamburger and sandwich establishment, including its open food prep area, storage of food items throughout the store, use of bar trays as serving platters, predominantly tile floors, and incorporated bakery area, were deemed protectable trade dress (Fuddruckers v. Doc’s B.R. Others 1987). Each individual restaurant feature served a functional purpose; collectively, however, the court ruled that they were entitled to trade dress protection. In other cases, courts have held that the size and layout of pool tables and other elements of a pool hall provided sufficient evidence to raise an issue of fact that the trade dress of the plaintiff’s pool halls was nonfunctional (Clicks Billiards Inc. v. Sixshooters Inc. 2001) and that the combined use of names, descriptions, items, and prices on a restaurant menu satisfied the test of nonfunctionality (BLT Restaurant Group v. Laurent Tourondel 2012).

In contrast, a Florida restaurant group copied the appearance and menu offerings of Hooters, a beer and chicken...
wing establishment known for its scantily clad waitresses. Florida Winghouse, in careful imitation of the highly successful Hooters franchise, opened several restaurants featuring waitresses with uniforms that were strikingly similar (except for the color) to Hooters’ waitress uniforms. Florida Winghouse also decorated its restaurants in a style similar to Hooters (wood-weave plates, vertical paper towel spools, wooden tables, table tents, wood interior, and sports memorabilia) and patterned its menu after Hooters. Hooters sued, alleging, among other things, trade dress infringement. The court ruled that although the “Hooters Girl” was distinctive and had acquired secondary meaning, her presence was primarily functional (“to provide vicarious sexual recreation, to titillate, entice, and arouse male customers’ fantasies”) and thus was not protectable as trade dress (HI Limited Partnership v. Winghouse of Florida 2004, p. 1258). Other interior elements were deemed “far too typical of other restaurants, particularly the sports bar and grill genre, to provide any basis for a finding of infringement” even in combination (HI Limited Partnership v. Winghouse of Florida 2004, p. 10).

Other courts have also held that even combinations of trade dress elements were functional and thus not protectable. These include the exposed kitchen and large open dining area of a down-home cooking restaurant (Prufock v. Lasater 1986); the color combination, awnings, and lighting of a restaurant drive-through (Rally’s v. International Shortstop 1990); or the chairs, tables, and couches of a French bistro (Vraiment Hospitality v. Todd Binkowski 2012).

In assessing functionality, case outcomes may turn on minor elements, and results across federal circuit courts cannot be easily reconciled. For retailers, therefore, no bright-line rules can be drawn regarding the extent to which functional elements may be used as components of a protectable trade dress or, from a junior user’s perspective, what elements might be copied from another establishment without liability. As we have noted, functional elements taken together have formed a portion of an overall look and feel that courts have found protectable. On other occasions, courts have focused on the functionality of the elements and ruled that even in combination, the dress was insufficiently distinctive. What is clear, however, is that the elements of nonfunctionality and distinctiveness cannot be easily unmeshed. A distinctive design is also likely to be held nonfunctional even if it includes functional elements, and an ordinary design will struggle to meet both the distinctiveness and nonfunctionality requirements. Certainly, trade dress that includes ornamental elements that offer no apparent functionality other than source designation is much more likely to pass the nonfunctionality test than trade dress that consists wholly of some combination of functional parts (Disc Golf Association v. Champion Discs 1998; Leatherman Tool Group v. Cooper Industries 1999; Secalt S.A. v. Wuxi Shenxi Construction Machinery Company 2012).

There Must Be Consumer Confusion

The sine qua non of all Lanham Act infringement cases is a demonstration by the plaintiff of a likelihood of confusion between the defendant’s and the plaintiff’s marks. That is, unless consumers are likely to be confused by a similar trade dress (a “junior user” in Lanham Act parlance), the senior user (creator of the trade dress) cannot succeed in an infringement claim.

Courts across the United States use a variety of tests to assess likelihood of confusion, with each circuit applying its own variation of a group of central factors. The core elements in proving confusion are as follows (McCarthy 2009, §24:29):

1. The degree of similarity between the conflicting marks.
2. The similarity of the marketing methods and distribution channels.
3. The characteristics of the consuming public and how careful they typically are when making purchases in the relevant product category.
4. The extent to which the senior user’s mark is distinctive.
5. The perceived likelihood that the senior user would expand into the junior user’s territory.
6. The extent to which the senior user’s mark is recognized in the junior user’s sales territory.
7. The intent of the junior user.
8. Evidence of actual confusion.

The court weighs these factors together to determine whether the likelihood-of-confusion element has been demonstrated and thus whether the plaintiff can collect damages from the defendant. Perhaps more importantly, these factors influence whether the court will issue an injunction against the defendant’s continued use of trademark or trade dress elements.

Likelihood of confusion is a complicated subject that has been the topic of much scholarly research (e.g., Beebe 2006; Miaoulis and D’Amato 1978; Morrin, Lee, and Allenby 2006; Scott 2013). Although direct evidence of actual confusion is not required (Lois Sportswear, U.S.A. v. Levi Strauss & Co. 1986), such evidence is considered one of the common factors across all federal circuits, and indirect evidence of confusion, in the form of consumer surveys, has become an implicit standard for proof of likelihood of confusion in Lanham Act cases.

In retail trade dress cases, it is entirely possible that an establishment may use protectable trade dress yet escape liability because the use does not confuse consumers as to the source or sponsorship of the store. In Planet Hollywood v. Hollywood Casino (1999), the district court determined that even though the restaurant, Planet Hollywood, had developed a distinctive look and feel, or “total image,” that served as a source identifier for consumers, and even though Hollywood Casino had registered several trademarks that it claimed were infringed by Planet Hollywood, there was no evidence to support the likelihood of confusion on the part of either party. The lack of evidence of consumer confusion has been responsible for the downfall of plaintiffs in other cases as well, even when other elements of trade dress infringement might have been apparent (see, e.g., Choice Hotels v. Kaushik 2000; Innovative Networks v. Young 1997; Marco’s Franchising v. Marco’s Italian Express 2007; Shakey’s v. Covalt 1983).
The Parameters of Trade Dress Protection

Because trade dress is “expansive” in its conceptualization and application, elements of trade dress that are relevant to nonretail entities (e.g., packaging, design) may be stretched into the retail arena to encompass retail elements of decor, layout, and atmospherics. Therefore, trade dress protection is a valuable tool for retailers; however, as we discuss in this section, there are limits to what trade dress protection can accomplish.

Retail Buildings and External Appearance

For more than a century, buildings’ external appearance has been legally acknowledged to provide an initial means of differentiation for retailers. In an early case that set the tone for the extent of trade infringement protection that retailers might be granted, a company built a store with an “architecturally peculiar front,” including arches and alcoves, and named its establishment the “Mechanics Store.” More than ten years later, a competitor opened an architecturally similar store next door, named it the “Mechanical Store,” and proceeded to sell virtually the same merchandise. When the original store owner sued, the junior user argued that the name Mechanics Store was generic and could not be protected. The California Supreme Court, however, upheld an injunction prohibiting the copying. Although the case was not decided on trade dress grounds per se, the court held that the competitor was obligated to distinguish his business by name and appearance from the senior user. “[B]y duplicating [the] plaintiff’s building, with its peculiar architecture and immediately adjoining, entering into the same line of business, ... [he] has dressed himself in plaintiff’s garments” (Weinstock, Lubin & Co. v. Marks 1895, p. 145).

As new types of retail businesses expanded through franchise and chain operations in the early and mid-twentieth century, courts continued to protect unique and distinctive business styles, even though the term “trade dress” was not yet in use. An early case involving chain retailers pitted a U.S. hamburger business against a blatant copier. In the 1920s, White Castle operated a chain of hamburger stands in the Midwest region of the United States and began expanding eastward. After White Castle became successful, another chain opened under the name “White Tower,” deliberately copying White Castle’s building specifications, advertising slogans, and food preparation methods, even going so far as to hire a former White Castle employee to aid in the imitation process. Eventually, each chain opened a restaurant in Detroit, with White Tower (the junior user) being the first to arrive in 1928. When White Castle opened its Detroit store a year later, White Tower sought an injunction to prevent White Castle from using its own style of building, trade name, and slogan in the Detroit area. The court held, however, that not only would White Tower be denied an injunction but White Castle, the senior user, could enjoin White Tower from the obvious infringement of the distinctive White Castle appearance (White Tower v. White Castle System of Eating Houses 1937).

Building on these early cases, retailers have often been successful in protecting the unique exterior of their stores from competitive copying, although there are limits to what is protectable. Several cases involving the Fotomat company are illustrative. Created in the mid-1960s, Fotomat was a film processing company built around small, single-employee drive-up kiosks located in shopping center parking lots throughout the United States. Customers could drop off film to be developed and pick up their finished pictures the next day without ever leaving their cars. When several competing companies attempted to replicate Fotomat’s success using the same kind of parking lot kiosks for film developing, Fotomat sued, alleging infringement. In one case, the court held that although there was substantial evidence that consumers were confused about who owned the store they were patronizing, the only elements that were copied were the functional aspects of the Fotomat kiosk, and therefore Fotomat’s request for an injunction to prevent the defendant from copying the kiosk was denied (Fotomat v. Photo Drive-Thru 1977). In another series of cases, however, three different courts held that the imitation of the entire kiosk appearance, including a unique pyramid-shaped yellow roof, could be enjoined because Fotomat’s unusual appearance had been used in advertising and served as a source identifier to customers (Fotomat v. Ace 1980; Fotomat v. Cochran 1977; Fotomat v. Houck 1970). The lesson from these disparate outcomes is that whereas a distinctive appearance is protectable, the style and method of doing business are not. Fotomat was therefore able to prevent companies from offering film development in drive-through stores that looked like a Fotomat and used the Fotomat colors and roof shape, but the company could not prevent all kiosk-based film development competition.

Trade dress protection of external appearance has also been successful for mobile businesses. A particularly aggressive company in protecting its trade dress has been the ice cream retailer Mister Softee, which has successfully obtained injunctions against competitors that have copied the distinctive appearance of its white trucks (see, e.g., Mister Softee v. Valdez 2002). By one account, Mister Softee has successfully pursued more than 40 competitors for trade dress infringement of its distinctive truck style (Guishan v. Scooby Scans 2008; Jeffery 2006).

Trade dress protection of external appearance has also been extended to other types of outdoor retail elements, including landscaping and fixtures. In Pebble Beach v. Tour 18 I (1998), the owners of the Pebble Beach, Pinehurst No. 2, and Harbour Town golf courses brought suit against Tour 18, the operator of two golf courses that consisted of copies of holes from other courses. Tour 18 courses feature holes nearly identical to those from nationally famous courses that have been featured on television. The plaintiffs alleged infringement of the trade dress residing in the individual holes that Tour 18 had copied. The court denied trade dress protection for Pebble Beach and Pinehurst No. 2 because the copied holes were insufficiently distinctive; however, it held Harbour Town’s 18th hole to be protected because of its unique design incorporating a lighthouse and its strong association with the Harbour Town course.

In another case dealing with exterior elements, a Chinese restaurant successfully enjoined the use of identical hand-carved marble lions adorning a competing Chinese restaurant slated to open just 150 yards away. The court held that there was a substantial likelihood of confusion and that the lions
were distinctive enough to serve as a source identifier for the senior user (House of Hunan v. Hunan at Pavilion 1985).

Trade dress may carry over into virtual applications as well. One of the video games in the Grand Theft Auto series is set in Los Santos, a thinly disguised version of Los Angeles with some genuine and some fabricated Los Angeles elements. When the game debuted and included a strip club called the Pig Pen, the owners of its real-life counterpart—the Play Pen—sued, alleging that the game depicted its trademark and trade dress (ESS Entertainment 2000 v. Rockstar Games 2006, 2008). Although the virtual representation of the trade dress of the Play Pen was never questioned, the circuit court found that the representation of the strip club in the game was unlikely to cause confusion because many senior user trade dress elements were not included.

Signage

Several trade dress disputes have centered on the issue of signage infringement. In most of these cases, the trade names have been distinct, but the junior users have employed patterns, styles, and color schemes that were similar to existing businesses. Many of the disputes have involved former franchisees or partners that did not change their exterior appearance after the franchise agreement or partnership ended. In a typical case, a former franchisee of Country Inn & Suites changed the name on its signs following the termination of the franchise agreement and covered up the Country Inn logo, although it still used the existing signs with the Country Inn color scheme. The former parent franchisor sued, alleging trade dress infringement. In holding for the plaintiff, the court wrote that “a former licensee generally bears a greater burden to avoid confusion between its mark and that of its former licensor” (Country Inn & Suites v. Two H. O. Partnership, p. 219). Other courts have followed this reasoning, and former franchisees are typically held to bear the burden of establishing that a new, nonaffiliated business is not still associated with the previous franchisor company.

When complaints merely involve similar colors without a previous franchise relationship between plaintiff and defendant, however, courts have generally ruled in favor of the junior users, unless the color scheme and pattern are identical (see, e.g., Choice Hotels v. Kaushik 2000; Hampton Inns Inc. v. Ameritel Inns Inc. 1995). Although color schemes can be registered as trade dress, as in Qualitex’s green-gold press pads (trademark registration #1633711) or Owens Corning’s pink fiberglass insulation (trademark registration # 1439132), evidence of secondary meaning is typically required. Color registration claims may be bolstered by the use of advertising that draws attention to the colors, such as “Look for us under the red roof” (Red Roof Inns) or “1-800-GET PINK” (Owens Corning fiberglass insulation). As a practical matter, acquisition of secondary meaning is much easier if a color or visual scheme is unusual in an industry. For example, the use of Holstein cow colors and shapes in connection with computer sales, as by Gateway 2000, is an arbitrary association and is a registered mark (USPTO #74191467). In contrast, the use of the same color scheme in association with a dairy product for which cow themes are common would make trade dress protection unlikely because it would be difficult for

black-and-white cow shapes to become singularly associated with a particular dairy source given their ubiquity in the dairy industry.

Interiors, Store Layout, and Atmospherics

Retail interior designs have been a common subject of trade dress infringement litigation, as stores have increasingly turned to the courts to protect their valuable distinctiveness from would-be copiers. In a pair of celebrated cases, a wine retailer sued two companies that allegedly copied its design, with opposite results.

Best Cellars, a wine retailer in New York, Massachusetts, and Washington state, developed a “wine by style” concept of wine retailing, which categorized wines by taste rather than by type of grape or geographical location, using terms such as “fizzy,” “fruity,” or “fresh.” The system was designed to help inexperienced wine consumers feel at ease and featured wines that cost less than $10 a bottle. The wine was also displayed in an unusual way, with the wine bottles stacked bottoms-out, back lit in a wooden wall. A single bottle with an information card stood above each column of wine.

When a former partner of Best Cellars opened a store in Washington, D.C. imitating the display plan and using similar categories, Best Cellars sued, alleging trade dress infringement. The court held for the plaintiff and granted a preliminary injunction, ruling that Best Cellars’ trade dress was inherently distinctive and entitled to protection and that there was a strong likelihood of confusion between the two stores. Substantial evidence that the defendant intentionally copied the plaintiff’s business played a significant role in the court’s decision (Best Cellars v. Grape Finds at Dupont 2000).

In a contrasting case, Best Cellars later sued a California wine retailer that also seemed to have copied its retail design. Using a similar display and wine categorization system, the California store shared many characteristics in common with Best Cellars. However, the court was unable to conclude that there was a strong probability of success on the likelihood of confusion claim. Notably lacking in the case was any smoking gun indicating bad-faith copying by the defendant, who alleged that the design was developed independently (Best Cellars v. Wine Made Simple 2003).

Other cases involving interior store design have also featured mixed results, with case outcomes depending on the degree of similarity between the senior and the junior designs and the courts’ perceptions of the probable jury conclusion regarding the likelihood of consumer confusions between the plaintiffs and the defendants. The most significant of the cases is Two Pesos v. Taco Cabana (1992), involving competing Mexican restaurants employing remarkably similar interior designs. Although notable for establishing the principle that inherently distinctive designs need not be accompanied by proof of secondary meaning to be protectable, the case did not break new ground regarding the types of elements to which trade dress protection could be applied. The Supreme Court merely upheld a ruling in favor of the plaintiff restaurant against a competitor that had copied in detail substantial portions of its unique interior elements. Other cases supporting trade dress protection for unique interior retail elements include Fuddruckers v. Ridgeline Inc. (1984) and Warehouse Restaurant v. Customs House Restaurant (1982).
Restaurant Menus
Menu designs may be protected as trade dress if sufficiently distinctive or imbued with enough association to the original source. Cases supporting trade dress protection for menus include Vasquez v. Ybarra (2001), in which the former owners of a restaurant opened a competing restaurant using similar menu formats, and Jerry’s Famous Deli v. Papanicolaou (2004), in which a competitor closely copied a Broadway-themed restaurant’s trade dress, including the menu. Other cases have also considered the menu a component of a business’s trade dress (e.g., Cold Stone Creamery v. Gorman 2010; Fuddruckers v. Docs B.R. Others 1987). In a recent case, a hamburger restaurant chain was able to successfully obtain an injunction against a junior user for serving menu items when requested by customers using senior user names that were not on the junior user menu (In-N-Out Burgers v. Chadders Restaurant 2007).

Sensory Retail Components
Retailers may use various appeals to the senses as elements of an atmospherics strategy. In addition to colors (Qualitex v. Jacobson Products Company 1995), aromas (In re Clarke 1990) and sounds (In re General Electric Broadcasting Co. Inc. 1978) may be protected. The key for establishing a sensory element as protectable trade dress is the establishment of secondary meaning. Given the functional aspect of colors, aromas, and sounds, these elements are more likely to receive protection when they are part of a unique combination of features that together serve a source identification purpose.

Websites
An emerging area of trade dress law concerns the ability of existing Internet businesses to prevent appropriation of trade dress elements by junior users. Because the barriers to entry for some web-based operations can be extraordinarily low compared with brick-and-mortar stores, trade dress protection may become even more important in the online environment than in traditional retail settings. Two cases have examined the issue with differing outcomes. In Blue Nile v. Ice.com (2007), the federal district court denied a motion to dismiss a trade dress claim in which the plaintiff alleged that the defendant had copied the “look and feel” of the plaintiff’s diamond and jewelry site. In another case, the court dismissed a trade dress claim because the plaintiff could not demonstrate the existence of secondary meaning or provide evidence of confusion (SG Services v. God’s Girls 2007). Although the cases had disparate outcomes, they both seem to give a stamp of legitimacy to website trade dress protection.

Trade Dress Versus Business Theme or Style
A retail establishment cannot protect a “style of doing business” by using trade dress as a weapon against competitors in their arena. This means that if a dance club adopts a 1980s theme and decorates its establishment with items emblematic of the 1980s, such as Rubik’s Cubes, Pac-Man logos, and De Lorean cars, it would not be able to prevent other 1980s theme bars from adopting many of the same iconic 1980s elements and featuring music from the 1980s (Do the Hustle v. Rogovich 2003). As long as the junior user is distinctly its own business, exacting imitation or even duplication is theoretically permissible, even if the aim of copying is apparent from the beginning. In other words, it is permissible to be a second comer as long as the second comer does not try to pass itself off as the original. However, the courts have occasionally struggled with the subtleties of trade dress, and on occasion, obvious knockoffs that apparently infringe have successfully avoided injunctive relief when protective orders might well have been appropriate (e.g., HI Limited Partnership v. Winghouse of Florida 2006).

One case illustrates particularly well the extent to which the copying of business style or theme is permissible. Ale House Management (AHM) is a company that operates several restaurant/tavern combinations throughout Florida, each named for the city in which it is located (e.g., Sarasota Ale House, Tampa Ale House). An unrelated firm developed plans to open a similar business in Raleigh, North Carolina with the name Raleigh Ale House, which included many of the same features as the senior Florida chain. The North Carolina chain even used an architect from a Florida county with six Ale Houses to design its building. Ale House Management sought injunctive relief attempting to bar the North Carolina business from opening, claiming trademark infringement for use of the name “Ale House” and trade dress infringement for the similarity of the proposed exteriors and floor plans (Ale House v. Raleigh Ale House 2005).

The court rejected AHM’s claims, holding that “ale house” is a generic term incapable of protection. Moreover, because AHM’s exteriors had substantial differences across its stores, there was no consistent trade dress that served a singular source-identifying function. Furthermore, the interior designs were so ordinary as to also be generic and incapable of trade dress protection. Not only did AHM lose its suit, but the North Carolina business was also awarded attorneys’ fees because AHM’s claims were deemed so unreasonable.

In a similar case, the Sixth Circuit held that Abercrombie & Fitch, a clothing retailer, could not successfully enjoin its competitor, American Eagle Outfitters, from imitating many elements of its marketing campaigns and the style of business. Abercrombie & Fitch even introduced evidence that the parent corporation directed American Eagle store managers to keep tabs on Abercrombie & Fitch’s marketing techniques and window displays. Notwithstanding evidence of direct copying, the court held that the elements Abercrombie & Fitch sought to protect were either functional (and thus not protectable) or too general. The court specifically took issue with Abercrombie & Fitch’s delineation of its trade dress elements, claiming that they were too broad and internally conflicting: “[The] plaintiff’s inability to explain to a court exactly which aspects of its product design(s) merit protection may indicate that its claim is pitched at an improper level of generality, i.e., the claimant seeks protection for an unprotectable style, theme or idea” (Abercrombie & Fitch Stores v. American Eagle Outfitters 2002, p. 623).
It is important to note that in most cases in which trade dress infringement is a primary claim, there is blatant copying by some entity. Many disputes involve former associates striking out on their own to create businesses that ape the operations with which they were once involved (Best Cellars v. Grape Finds at Dupont 2000; Do the Hustle v. Rogovich 2003; Rib Holdings v. Fat Buddies 2002). Other cases involve former franchisees who have either copied their previous franchisor after the termination of the franchise agreement or simply made insufficient changes in their appearance and business operations to satisfy the senior parent company (Conglomerated Hosts v. JEPCO Inc. 1992; Noodles Development v. Ninth Street Partners 2007; Shakey’s v. Covalt 1983). Still others involve businesses that slavishly copied every element of a successful business, including the style and design of its retail stores (Ale House v. Raleigh Ale House 2000; Fuddruckers v. Docs B.R. Others 1987; In-N-Out Burgers v. Chadders Restaurant 2007; White Tower System v. White Castle System of Eating Houses 1937). These cases commonly feature evidence of direct imitation, including hiring former senior-user employees, discussions with third parties directing them to imitate an existing design, or visits to the senior establishment for the purpose of taking photographs or measurements.

Notwithstanding substantial evidence that the junior user often endeavors to reproduce the business success of another, there seems to be no consistent, discernable outcome from the type of copying that is involved, because the junior user’s intent is only one factor that courts consider when evaluating likelihood of confusion (McCarthy 2009). In each category of cases, there are examples of successful injunctions issued against junior users and successful motions for dismissal from copying defendants. The cases tend to turn on the details. Is the trade dress for which protection is sought primarily functional? Is the dress sufficiently distinctive? Is there evidence that the dress has acquired secondary meaning? And the ultimate question: Is the junior user sufficiently similar to the senior user so as to create a likelihood of confusion in the minds of the consuming public? Furthermore, some jurists have problems with blatant copying and seem to focus on that element above all others. Bad cases often make bad law because blatant copying raises some judges’ ire more than other trade dress infringement elements. The bottom line is that there is a substantial unpredictability of outcomes in trade dress cases and few clear guidelines for innovating or imitating businesses.

**Implications for Businesses, Consumers, and Public Policy**

Appropriate trade dress policy must strike a balance between the interests of businesses and those of consumers. Balanced policy ultimately serves the public interest because the protection of business interests creates economic activity and drives wealth and employment. Consumers are harmed if insufficient protection for intellectual property results in less creative production and, thus, less consumer choice. At the same time, too much trade dress protection can stifle innovation, lead to excessive litigation, and hamper entrepreneurial activity. Even innovative businesses that genuinely aim to create new ideas can be harmed if trade dress protection is so broad that it promotes spurious litigation and allegations of imitation, even in the absence of any misappropriation of creative capital. Moreover, there is a legitimate place for imitation, as long as imitators do not masquerade as originals. Imitations are often cheaper for consumers, provide competition for the imitated products, and create wealth and employment that drives the economy every bit as much as the innovators they emulate.

Trade dress law affects three groups: businesses that create unique trade dress, businesses that copy trade dress, and customers of those businesses. In the following subsections, we discuss the interests of each group and assess whether current law serves those interests.

**Managerial Implications**

Consumer research has provided evidence that distinctive “atmospherics” and other sensory components have considerable value in terms of attracting and retaining customer loyalty. In addition, retail elements can be legally protected if consumers uniquely associate them with the source. Best practices from both a consumer behavior standpoint and a legal perspective suggest that retailers should endeavor to create a unique, identifiable, and memorable set of components that attract and satisfy consumers, make the experience memorable, and enable competitors to protect their innovations from imitation. A business that develops a distinctive style or dresses its retail environment in unique “clothing” is able to charge higher prices and generate higher profits if competitors are legally prevented from copying. The exclusive right to use a particular trade dress is beneficial for the innovating business.

However, if protection is too broad, spurious claims of imitation can make innovation more difficult. Certainly, there are many examples of businesses that have improperly used or attempted to use trademark and trade dress protection to fend off legitimate competition (see, e.g., Abercrombie & Fitch Stores v. American Eagle Outfitters 2002; Ale House v. Raleigh Ale House 2005; Do the Hustle v. Rogovich 2003; Vraiment Hospitality v. Todd Binkowski 2012). In addition, the complexity and uneven application of trademark and trade dress protection across or even within circuits may stifle innovation by favoring larger incumbents at the expense of smaller innovators. Trademark and trade dress protection is expensive, and its complexity and unpredictability adds to that expense. The result is that the threat or fear of litigation, even spurious litigation, is so great that it can only be reasonably borne by people or organizations with substantial means, favoring the large at the expense of the small.

Consider the example of a small retail startup, operated by an individual or partnership on a shoestring budget. If it has a genuinely innovative business idea, the owner could apply for trademark or trade dress protection for its original look, feel, and decor. The process is not particularly expensive, but if an imitator emerges, the senior user must deal with the infringing business by hiring expensive attorneys who will generate cease and desist letters and ultimately litigation if threats do not provoke the desired response. A cease and desist letter can itself prove costly because such
letters may lead to a declaratory judgment action filed by the alleged infringer, which the rights holder must litigate (perhaps in a faraway jurisdiction), even if the infringement is clear. Ultimately, the expense of intellectual property protection largely favors existing businesses with established funds and resources at the expense of smaller operations, regardless of which business was the source of the creative idea or innovation.

The complexity and uncertainty of trademark and trade dress law contributes to the costs of protection, enforcement, and defense; this is true both for genuine innovators and for businesses that want to imitate an existing operation legally. Because there are no bright-line rules between acceptable imitation and unacceptable infringement, would-be imitators face a perilous legal landscape, especially if the senior user is large and well funded. If, instead, the copier is large and the business that is being imitated is small, trademark and trade dress litigation may ultimately become a war of attrition in which only the large survive, regardless of the merits.

Implications for Consumers

From the consumers’ position, trade dress protection for retail establishments is potentially both positive and negative. Ideal trade dress protection should mean that deceptive copying is illegal, but competitive imitation can flourish. Consumers are best served if they understand the source of the products they purchase but still have access to imitators that do not masquerade as originals. Consumers can then choose whether to pay the presumably higher price for innovation or whether imitation (perhaps even a poor one) is an acceptable substitute.

The aforementioned case involving In-N-Out Burger is illustrative. Because it was so successful, In-N-Out inspired an imitating competitor, Chadders, which offers food modeled after In-N-Out. In addition, the store layout and other elements of Chadders are almost identical to In-N-Out locations. On the one hand, if customers believe that Chadders is somehow affiliated with In-N-Out, they are harmed because they think they are buying a genuine product and are instead getting an imitation. Trade dress law should prohibit that type of deception. On the other hand, if customers patronize Chadders knowing that it is a knockoff, such nondeceptive imitation furthers competition, improves access, and enhances consumer choice. Although original concept developers such as In-N-Out might want to ban look-alikes, barring nondeceptive imitation is not in the public interest.

Ensuring that deception is punished while giving the nondeceptive imitation an opportunity to be rewarded is a delicate legal balance. A trademark and trade dress system that does not protect innovators may lead to less innovation, which is ultimately bad for the consuming public. Whether current U.S. trademark and trade dress law offers enough protection to spur innovation is beyond the scope of this article. It is possible that a stricter protection scheme for trade dress would result in even more new and innovative establishments for consumers. But critics of strong intellectual property legislation and enforcement often point to the fashion industry as an enormous source of innovation and experimentation that has flourished with no protection other than trademark (see, e.g., Blakley 2010). Restaurants similarly have no intellectual property protection for the recipes they develop or the food they serve, and yet innovation in the food industry thrives. Regardless of whether trade dress protection serves as an effective engine of innovation, it seems clear that the complexity and uncertainty of trade dress law negatively affects all but the largest businesses. We discuss examples of uncertainty and complexity in the following subsections.

Uncertainty

Most of the growth in importance of trade dress has occurred through litigation involving disputes between individual business entities rather than through legislation. The outcomes of federal court cases have had substantive consequences for the larger business community. A consequence of the private litigation method of legal development is that absent federal statute or a Supreme Court ruling, differences in legal interpretation and application between and within federal circuits are common. Between-circuit variation occurs partly because federal appellate cases are binding only within the circuit where the case was decided. Courts in the various circuits often apply rules differently or even apply different tests for infringement. Given the increasingly regional and national operations of many businesses, geographical variations add to the uncertainty for the many businesses that operate in multiple jurisdictions.

There are numerous examples of inconsistency in trade dress application. In the Best Cellars v. Grape Finds at Dupont (2000) cases discussed previously, for example, the court enjoined the junior user Grape Finds from using senior Best Cellars’ trade dress, even though the junior user’s store was in Washington, DC and the closest senior user store was in New York. Citing the parties’ intent to expand nationally and the fact that the senior user was “very close to opening a store in Washington, DC” (Best Cellars v. Grape Finds at Dupont 2000, p. 456), the court found sufficient product proximity to justify an injunction against the junior user. In contrast, when Best Cellars filed a similar action against a different junior user operating a store just two miles away from the nearest senior establishment, the court questioned “whether stores carrying a limited stock of inexpensive wines, located in geographically and socially distinct neighborhoods of the City, are in direct competition at all” and declined to issue an injunction (Best Cellars v. Wine Made Simple 2003, p. 76). The court inconsistently interpreted the application of longstanding principles of geographic proximity in these two cases, even though they were both tried in the same circuit.

There are also important differences between circuits in applying tests for the likelihood of confusion. For example, Racetrac operated approximately 500 gas stations/convenience stores in several states, using the same trademark on all of them. The company’s trade dress—the “RaceTrac” mark in slanted white letters in black on a red background—appeared on its convenience stores and associated signage. JJ’s Fast Trac, a small chain of discount gasoline stations/convenience stores, sells virtually identical products as RaceTrac. When RaceTrac threatened to sue JJ’s Fast Trac for both trademark and trade dress infringements,
ment, JJ's abandoned the "Trac" in its name and instead became JJ's Fast Stop. RaceTrac sued anyway. The District Court held that although there was the possibility of trademark confusion, RaceTrac was unable to convince the Court that its trade dress either was distinctive or had earned secondary meaning (RaceTrac Petroleum v. JJ's Fast Stop 2003). In contrast, a service station lessee in Puerto Rico was sued for trade dress infringement for conduct similar to JJ's (Total Petroleum v. Torres-Caraballo 2009). Total Petroleum had purchased all of the Esso stations on the island and thus had the exclusive rights to use the Esso trade dress in Puerto Rico. One individual station lessee controlled a station previously operated by Esso and had retained the Esso sign and colors but had removed the Esso name, selling unbranded gasoline at the station. The court held that not only was Esso's trade dress distinctive but that in addition, the trade dress and color patterns at the station were famous, and the likelihood of consumer confusion caused by their use was "very high."

Decisions about functionality also seem to be inconsistent across circuits. In Clicks Billiards Inc. v. SIXshooterS Inc. (2001), for example, the court held that even though many of the elements of Click's trade dress were functional, "functional elements that are separately unprotectable can be protected together as part of a trade dress" (Clicks Billiards Inc. v. SIXshooterS Inc. 2001, p. 1259). In contrast, the court in HI Limited Partnership v. Winghouse of Florida (2004) held that the elements comprising Hooter's trade dress were functional—including the Hooter's Girl uniforms, wood-weave plates, vertical paper towel spools, wooden tables, table tents, wood interior, and sports memorabilia—and denied trade dress protection. Although Winghouse had copied many of these elements exactly, the functionality of the elements precluded a finding of infringement.

Resolving issues of varying trade dress and trademark interpretation between circuits would improve outcomes for businesses and make case outcomes more predictable. Predictability lowers costs for businesses (and ultimately consumers) because potential litigants are more likely to resolve cases out of court rather than contest predictable outcomes.

Complexity
Trademark and trade dress laws are to some extent inherently complex. One factor in that complexity, however, is that trade dress law is largely judge-made. Sifting through lengthy court opinions and distilling the essence of various legal holdings into their bottom-line rules is a difficult and complex process. In addition, it is sometimes difficult to determine which cases the courts might treat as analogous and which might be distinguished as irrelevant. This complexity raises costs for everyone.

Recommendations and Conclusions
As we described previously, a basic framework has provided some direction for studies that have empirically examined the role of retail environment on consumer experiences and responses. Companies may manage ambient, design, and social factors within a retail environment to influence customer behavior. Within this framework, and given the extensive case examples we discussed previously, elements of "trade dress" are easily recognizable. However, at this point, research cannot conclude whether certain individual, protectable trade dress elements are those that may affect managerially useful outcomes. For example, studies have suggested that background music influences behavior favorably (Garlin and Owen 2006), but background music, by itself, is not protectable. Similarly, the use of vegetation (plants in prominent display) in a store with a complex layout may evoke positive emotions within customers (Brengman, Willems, and Joye 2012); yet although this layout might be distinctive and result in increased sales, it would not be protectable unless used in combination with other elements.

Furthermore, registration and protection of trade dress requires identification of the individual elements that it comprises but at the same time safeguards only the combination of those elements. Retail researchers have tended to isolate and manipulate one or two of these variables in each study (Rayburn and Voss 2013); only a relative few have considered holistic/gestalt/molar interactions of tangible and intangible environmental components on consumer attitudes and behaviors (Mari and Poggesi 2013; Morin, Dubé, and Chebat 2007). Thus, there is a disconnect between what could be used as generalizable and court-accepted evidence and whether a particular combination of atmospheric elements might (1) influence consumer behavior and (2) be considered distinctive and, thus, protectable.

Given all of this, it is still clear that businesses—from small, family-owned operations with a single location to global franchises with thousands of stores—may use the intellectual property called "trade dress" as an integral component of retail strategy. In line with the previous analysis, we provide several recommendations for both business and policy decision makers.

Recommendations for Businesses Seeking Protection for Their Trade Dress

Trade Dress Must Be Distinctive
It is critical that businesses are deliberate, distinctive, and definitive in trade dress development. Indistinct or poorly defined trade dress will doom claims of improper imitation (see, e.g., Abercrombie & Fitch Stores v. American Eagle Outfitters 2002; Ale House v. Raleigh Ale House 2000; Best of Everything v. Simply the Best 2011; HI Limited Partnership v. Winghouse of Florida 2004, 2006). The more unique and memorable the trade dress, the more likely it is that consumers will associate it with a particular company, the simpler it will be to define, and the easier it will be to prevent copying.

Trade Dress Should Include Nonfunctional Elements
If trade dress includes only functional items, protection is possible (if the combination of items is distinctive), but the odds of successful protection are uncertain (Ale House v. Raleigh Ale House 2000; HI Limited Partnership v. Winghouse of Florida 2004, 2006; Vraiment Hospitality v. Todd Binkowski 2012). Instead, protectable trade dress should
include elements that have no functional purpose except to add distinctiveness and become associated with the brand in consumers’ minds. Although we believe that the rejection of a combination of functional elements for trade dress protection is bad policy, some courts refuse to recognize functional elements as trade dress components, so including nonfunctional elements continues to be important for innovators.

**Make the Trade Dress Suggestive, Fanciful, or Arbitrary**

Suggestive, fanciful, and arbitrary designs are entitled to greater protection. If a design is generic, it cannot be protected at all, and to the extent that designs are descriptive, they may be held functional and thus not protectable. Moreover, proof of secondary meaning will be required (Two Pesos v. Taco Cabana 1992). A seafood house with a fish on the sign or a barbecue joint with a steer or pig on the roof will have a difficult time stopping competitors from imitating them, even if the imitators use a nearly identical fish, steer, or pig. In contrast, a barbecue restaurant that features a dinosaur can probably prevent competitors from using dinosaurs on their signage or decor (see, e.g., www.dinosaurbarbque.com).

**Document Everything**

Documentation of the creative process is advantageous. Even if a company believes that its ideas are genuinely innovative and were not derived from any existing design, claims of infringement are still possible. In addition, because one factor in infringement actions is the intent of the junior user (McCarthy 2009), documentation that a mark or design was independently created can bolster a defense to a spurious “passing off” claim. We recommend that businesses save preliminary designs, sketches, inspirational material, and anything else that can be used to demonstrate independent creation.

**Make Trade Dress Consistent**

It is vital for the trade dress to be as consistent as possible across stores. If trade dress varies from location to location, imitators can argue that the business has no particular identifying features because its trade dress varies. Not every element of every retail location needs to be identical, but core elements of a distinctive trade dress must be repeated in every retail establishment (Ale House v. Raleigh Ale House 2005). If locations within a chain differ significantly, it would be difficult to argue that there even is a particular trade dress. Moreover, establishing secondary meaning for particular elements may be impossible because consumers would not have common elements to mentally link with the brand.

**Call Attention to the Distinctive Trade Dress Elements in Advertising, Signage, and Other Marketing Communication**

If proof of secondary meaning is required for a business’s trade dress, advertising that features the distinctive elements will both demonstrate that the trade dress is distinctive and help potential survey respondents connect featured trade dress elements to a specific firm. For example, Sonic restaurants’ promotion of its “Red Button Roast” emphasizes its brand of coffee as well as the red button that consumers have to push to order it.

**Recommendations for Businesses That Want to Imitate Existing Operations While Avoiding Liability**

We recommend that firms choose a unique name and color scheme. This makes it easier to fend off senior-user claims of “passing off” and reduces the actual likelihood of confusion. A business can copy another’s method of operation, but it cannot masquerade as the senior user (Fotomat v. Ace 1980; Fotomat v. Cochran 1977; Fotomat v. Houck 1970; Fotomat v. Photo Drive-Thru 1977). Similarly, a distinct store layout may help avoid liability. To the extent that an imitating business scrupulously copies every element of another’s interior layout, the possibility of infringement liability rises. Even if all the copied elements are functional, the *combination* of imitated elements may infringe the senior user’s trade dress (Fuddruckers v. Doc’s B.R. Others 1987).

**Do Not Hire a Senior User’s Ex-Employees to Help with the Imitation**

Although the use of a senior user’s former employees is not fatal to a trade dress infringement defense (e.g., Ale House v. Raleigh Ale House 2005), it is advisable to avoid hiring ex-employees or contractors from the senior user in development or operations. Evidence of such hiring can support an allegation of intent and may even bolster an additional claim of trade secret theft (Little Caesar Enterprises v. Sioux Falls Pizza Company 2012). Evidence of intent to deceive may be used as key evidence to prove likelihood of confusion (Daddy’s Junky Music Stores v. Big Daddy’s Family Music Center 1997). Moreover, courts often highlight the defendant’s intent as justification for injunctions and other remedies (Planned Parenthood v. Problem Pregnancy of Worcester 1986).

Companies should correct customers who use another company’s brand names while patronizing their business. A claim that a junior user is passing itself off as a senior user is bolstered if the senior user can show that the junior user sells its products by senior user brand names (In-N-Out Burgers v. Chadders Restaurant 2007).

**Former Franchisees Must Do More**

Several of the aforementioned cases involve former franchisees. If the imitating business is a former franchisee, it must do more than simply change the name on the sign. Signage and color scheme overhauls, elimination of all vestiges of the franchisor, and scrupulous cleansing of former senior elements that might cause consumer confusion are essential (Country Inn & Suites v. Two H.O. Partnership 2001).

**Recommendations for Policy Makers**

**Consolidate Trademark Jurisdiction in the Federal Circuit**

Granting national appellate jurisdiction to the Federal Circuit in trademark and trade dress cases would go a long way
toward creating a national, rather than regional, intellectual property policy. Given the wide geographic scope of many businesses, national consistency on such intellectual property cases would make business decisions more predictable and spur investment in innovation. State laws in most areas of commerce were harmonized long ago through the creation of the Uniform Commercial Code (1957). Similar standardization would provide many of the same benefits for trademark and trade dress.

Although a change in appellate jurisdiction would be a major step in reforming the federal court system, there is precedent for such a change. In the early 1980s, federal jurisdictional reform took shape in the form of the Federal Courts Improvement Act (1982). The statute combined two existing specialized courts (the Court of Customs and Patent Appeals and the Court of Claims) into a single court (the Federal Circuit) and expanded the role of the new court to include exclusive subject matter jurisdiction in appeals from patent decisions in other circuits (28 U.S.C. §1295). The result was a single court with national appellate jurisdiction in patent cases. Adding exclusive trademark jurisdiction to the federal circuit’s purview would provide considerable standardization in an area of law for which uniform national standards are critical.

Jurisdictional consolidation would also create an environment in which appellate judges could develop subject matter expertise. Instead of appellate decisions rendered by judges who only occasionally hear Lanham Act cases, Federal Circuit judges with consolidated Lanham Act jurisdiction would regularly encounter the same legal questions, facilitating the development of an expert judiciary rendering nationally binding opinions based on reasoning developed through repetition and practice.

**Overhaul Trade Dress Law by Codifying Court Decisions**

The last major trademark law overhaul occurred more than a quarter century ago, a revision that clarified many circuit discrepancies and turned significant case law in statute (Trademark Law Revision Act 1988). Although there have been several Lanham Act revisions since then, those statutes have been narrowly focused on particular areas of trademark law.1 Statute revision would make explicit the favored policy across federal circuits and resolve conflicting trade dress decisions. This would considerably reduce uncertainty for multicircuit businesses as well as among the district courts.

**Resolve Questions Regarding Trade Dress Protection for Functional Elements**

A formal resolution to the question of whether functional elements can be part of protectable trade dress is necessary.

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This issue is particularly acute in the retail context, in which almost every aspect of a store can be manipulated to have an influence on consumers’ behavior. If environmental details render a store design “functional” because they increase sales, but such functionality is disallowed as trade dress, store designs will be shut out of the trade dress penumbra even when combinations of elements serve as a source identifier for consumers.

For example, Apple recently applied for trade dress protection for the appearance of its retail stores, providing more than 700 pages of design elements that constitute its distinctive trade dress, including “a clear glass storefront surrounded by a paneled façade consisting of large, rectangular horizontal panels over the top of the glass front, and two narrower panels stacked on either side of the storefront... rectangular recessed lighting units ... cantilevered shelves below recessed display spaces,” and “rectangular tables arranged in a line in the middle of the store parallel to the walls” (Apple Inc. 2013). Empirical research has suggested that lighting color affects perceptions of product quality, (Summers and Hebert 2001), environmental neatness affects product evaluations (Bittner 1990), and store fixtures and layout affect purchase intentions (Edwards and Gustafsson 2008; Kerfoot, Davies, and Ward 2003). Each of these design features provides a marketing benefit to the retailer, so a blanket rule excluding functional elements from retail trade dress would mean no protection at all, even if the junior user intended to copy every aspect of store design.

Thus, individual elements that provide a functional marketing advantage should not be protectable retail trade dress, but combinations of elements should be protectable when they have acquired secondary meaning. Together, they may clearly serve as source identification, and retail innovation would not be seriously stifled if the combination of elements were protectable trade dress even though individual elements were not.

An additional wrinkle that policy makers should address is exactly what sort of functionality merits exclusion from trade dress protection. Courts have historically wrestled with questions of aesthetic functionality—that is, whether designs that make a product more attractive should be protectable (Pagliero v. Wallace China 1952). Ultimately, most courts have recognized that if a beautiful design renders a product feature functional (and therefore excluded from protection), the functionality exception would swallow the rule and result in protection for ugly designs but no protection for beautiful ones. Thus, federal courts generally allow product design elements that merely serve an aesthetic purpose to be part of protectable trade dress (Devan Designs v. Palliser Furniture 1992; In re DC Comics 1982; John Harland Company v. Clarke Checks 1983; Pebble Beach v. Tour 18 I 1998; Villeroy & Bosch Keramische Werke KG v. THC Systems 1993).

In the retail context, the situation is analogous. A retail environment’s purpose is to improve sales or customer experiences. Environmental features that serve that purpose are therefore functional in a marketing sense (see, e.g., Petty 2008). But such marketing functionality is exactly the same kind of red herring as aesthetic functionality. A rule excluding retail elements from trade dress protection if they enhance the customer experience or improve sales would mean that virtu-
ally every aspect of a retail environment is functional for marketing purposes. A similarly absurd result would be that good designs are excludable from protection while bad designs are protectable. Such a rule would make no policy sense. If the U.S. Supreme Court or Congress is unwilling to specifically allow trade dress protection for combinations of functional elements that have acquired secondary meaning, we would alternatively recommend an explicit rejection of both aesthetic functionality and marketing functionality from the functional exclusions for trade dress protection.

The Supreme Court Should Resolve More Trade Dress and Trademark Cases

Trade dress cases often have had impact beyond their ambit. Most notably, of course, is the Supreme Court precedent in Two Pesos v. Taco Cabana (1992). Not only has that case generally defined “trade dress” beyond its retail context, it has also established precedents applicable in dozens of more general trademark cases as the benchmark for inherent distinctiveness for more than 20 years (e.g., Aloha Pacific v. California Insurance Guarantee Association (2000); Welding Services v. Forman (2007)).

Clarity helps both businesses and consumers by spurring investment, incentivizing innovation, and giving consumers greater (nonconfusing) choice. Although the Supreme Court ultimately determines which cases to accept for review, and the litigants themselves frame the potential issues, encouragement from the executive branch to accept trademark cases could foster more clarifying decisions, with national standardization the result. Empirical work has suggested that the availability of amicus briefs increases the likelihood of a grant of certiorari (Black and Boyd 2012; Collins 2004).

Although the aforementioned recommendations are not guarantees, businesses would improve their chances of avoiding litigation by following them and improve their odds of success if they find themselves so embroiled. Policy makers could help everyone by reducing uncertainty and aiding in national standardization—two improvements that go hand in hand. In the end, trade dress protection can be an important tool for businesses and a benefit for consumers, but the current structure under U.S. law falls short of ideal.

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