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# The Interplay of Product Definition, Design and Trade Dress

Daniel J. Gifford\*

In the present Essay, I discuss some of the roles played by trademark law in stimulating competition among producers to develop new varieties of products and services. I argue that trademarks perform a particularly useful role in engendering innovation, and that this role was, for a time, threatened by the particular approach to genericity followed by the Ninth Circuit in its well-known *Anti-Monopoly*<sup>1</sup> decisions. I also argue that the developing law of trade dress performs a different, but nonetheless complementary, role in encouraging innovation.

A trademark is, and has always been understood as, an indicator of source.<sup>2</sup> The effects of this source indication role, however, have broadened as the economy has grown from the simple producer-driven stage of the late nineteenth century to the complex consumer-driven stage of the late twentieth century. Today, the market provides an abundance of product variations catering to increasingly differentiated tastes. It is widely recognized that the prospect of capturing a significant part of the economic value of an innovation or creative work provides an important stimulus for effort and expense incurred in its discovery or creation. Both the patent and copyright laws are designed to encourage innovative and creative activity by conferring upon inventors and authors the exclusive rights to exploit their works commercially for a term of years.<sup>3</sup> I argue

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1. *Anti-Monopoly, Inc. v. General Mills Fun Group, Inc.*, 684 F.2d 1316 (9th Cir. 1982), *cert. denied sub nom. CFG Prods. Corp. v. Anti-Monopoly, Inc.*, 459 U.S. 1227 (1983); *Anti-Monopoly, Inc. v. General Mills Fun Group, Inc.*, 611 F.2d 296 (9th Cir. 1979).

2. *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 97 (1918); *Pirone v. MacMillan, Inc.*, 894 F.2d 579, 581 (2d Cir. 1990). *See also* 15 U.S.C. § 1127 (1988) (trademark indicates source of product).

3. *See, e.g., Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 480 (1974) (patent law); *Harper & Row Publishers, Inc. v. Nation Enterprises*, 471 U.S. 539, 546 (1985) (copyright law).

below that trademark law performs an analogous role in encouraging business firms to develop new product varieties.

## I. PRODUCT INNOVATION AND THE ISSUE OF GENERICITY

### A. SOURCE INDICATION AND THE *ANTI-MONOPOLY* CASE

The classic understanding of a trademark is that which indicates source. In *Kellogg Co. v. National Biscuit Co.*,<sup>4</sup> this understanding was embodied in the statement that a trademark was a symbol whose "primary significance . . . in the minds of the consuming public is not the product but the producer."<sup>5</sup> In *Kellogg*, the National Biscuit Company (NBC), which had produced a breakfast cereal known as Shredded Wheat, attempted to stop Kellogg from applying that term to its own brand of breakfast cereal. NBC contended that the term "Shredded Wheat" had come to be associated with cereal produced by NBC, so that its use by Kellogg to describe the latter's cereal was deceptive.<sup>6</sup> NBC's case was complicated, however, by the fact that, because of a patent on the process for making it, NBC and its predecessors for many years had been the only producers of shredded wheat. In those circumstances, the term came to identify both the product and the producer. Influenced by the effects of NBC's long patent monopoly, the Court ruled that when a patent expires and the right to produce becomes public, so does the name of the product protected by the patent.<sup>7</sup> Kellogg thus prevailed on the ground that the term "Shredded Wheat" was a generic term that described both NBC's and Kellogg's cereal.

More recently, in its *Anti-Monopoly*<sup>8</sup> decisions, the Ninth Circuit construed the *Kellogg* formation — that the primary significance of a mark must be the source rather than the product — to threaten the operation of trademark law as a stimulus to product innovation. General Mills for many years had marketed the real estate board game known as Monopoly and had registered "Monopoly" as a trademark under the Lanham Act.<sup>9</sup>

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4. 305 U.S. 111 (1938).

5. *Id.* at 118.

6. *Id.* at 113-15.

7. *Id.* at 118.

8. *Anti-Monopoly, Inc. v. General Mills Fun Group, Inc.*, 684 F.2d 1316 (9th Cir. 1982) (*Anti-Monopoly II*), *cert. denied sub nom.* CFG Prods. Corp. v. Anti-Monopoly, Inc., 459 U.S. 1227 (1983); *Anti-Monopoly, Inc. v. General Mills Fun Group, Inc.*, 611 F.2d 296 (9th Cir. 1979) (*Anti-Monopoly I*).

9. *See Anti-Monopoly I*, 611 F.2d at 299.

When a board game (whose subject matter was the Sherman and Clayton Acts) was marketed as Anti-Monopoly, General Mills challenged the latter term as an infringement of its "Monopoly" trademark. Anti-Monopoly then sought a declaratory judgment that General Mills's mark was invalid and not infringed.<sup>10</sup> Although General Mills prevailed twice in district court, both judgments were reversed by the Ninth Circuit, which ruled that "Monopoly" was a generic term and as such unprotectable by the trademark law.<sup>11</sup>

The Ninth Circuit derived its ruling that "Monopoly" was generic from the *Kellogg* formulation that the primary significance of the mark must be the source rather than the product.<sup>12</sup> As the name of a well-known board game produced by General Mills's Parker Brothers division, the term "Monopoly" referred both to the game itself and to the producer. This double reference is a common aspect of trademarks. The term "Ford" can apply both to a particular automobile as well as to its manufacturer; the term "Marlboro" refers to a cigarette and also indicates its source. The double reference of the trademark in the *Anti-Monopoly* case was the root of the court's problematic ruling.

Although the Ninth Circuit acknowledged that a large proportion of the public associated "Monopoly" with Parker Brothers, that court apparently believed that if more people used the term to identify the game than to identify the producer, the term lost its status as a trademark and became a generic term.<sup>13</sup> The principal proof offered to show that more people used the term in the product identification sense was a "motivation" survey introduced by Anti-Monopoly. In the motivation survey, recent or prospective purchasers of Parker Brothers's Monopoly game were asked to select which of two statements best expressed their reasons: "Sixty-five percent chose: 'I want a "Monopoly" game primarily because I am interested in playing "Monopoly," I don't much care who makes it.' Thirty-two percent chose: 'I would like Parker Brothers' "Monopoly" game because I like Parker Brothers' product.'"<sup>14</sup> Largely on the basis of that survey, the court ruled that the primary significance

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10. *Id.* at 300.

11. *Anti-Monopoly II*, 684 F.2d at 1326; *Anti-Monopoly I*, 611 F.2d at 306.

12. *See Anti-Monopoly II*, 684 F.2d at 1319; *Anti-Monopoly I*, 611 F.2d at 302.

13. *Anti-Monopoly II*, 684 F.2d at 1322-23, 1325.

14. *Id.* at 1324.

of the mark was the product.<sup>15</sup> Indeed, the court emphasized its acceptance of the motivation survey approach in its reaction to a motivation survey involving the Proctor & Gamble detergent Tide, introduced by General Mills to illustrate the flaws of a motivation survey.<sup>16</sup>

In its Tide survey, General Mills introduced a similarly structured motivation survey measuring consumer attitudes towards Tide, a popular detergent manufactured by Proctor & Gamble. In the Tide survey, "when asked 'Would you buy Tide primarily because you like Proctor & Gamble products, or primarily because you like Tide detergent?' about 68% indicated the latter reason."<sup>17</sup> In introducing the Tide survey, General Mills had sought to demonstrate the absurd consequences to which the logic of the motivation survey would lead. The court, however, did not perceive the consequences as absurd. It instead hinted that the Tide survey indicated that Proctor & Gamble's trademark might itself be vulnerable to challenge.<sup>18</sup>

The business community was troubled deeply by the Ninth Circuit's *Anti-Monopoly* decisions, because the rationale of those decisions carried the potential for invalidating large numbers of trademarks. Although General Mills failed to persuade the Supreme Court to take the case for review, Congress ultimately repudiated the *Anti-Monopoly* decisions by enacting legislation.<sup>19</sup> That legislation expressly prohibited the use of a motivation criterion for determining the primary significance of a trademark.<sup>20</sup>

## B. TRADEMARKS AND DIFFERENTIATED PRODUCTS

### 1. Trademarks as Identifiers of Packages of Product Characteristics

The problematic aspect of the *Anti-Monopoly* decisions went to the core of trademark law as it operates in an advanced modern economy. In such an economy, trademarks, in performing their traditional role as indicators of source, also help to stimulate competition among producers in bringing new product varieties to market. The wide choices of product char-

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15. *Id.* at 1324-26.

16. *Id.* at 1326.

17. *Id.*

18. *Id.*

19. See Trademark Clarification Act of 1984, Pub. L. No. 98-620, 98 Stat. 3335 (codified as amended at 15 U.S.C. §§ 1064, 1127 (1988)).

20. See 15 U.S.C. §§ 1064(c), 1127 (1988).

acteristics available to the public are thus attributable in substantial part to the role played by trademarks in providing a means for identifying each product variation: Each producer tries to offer a package of product characteristics that appeals to a segment of the buying public, and identifies the particular package of product characteristics that it offers by its trademark.

General Mills and Proctor & Gamble each provided, in their respective markets of games and detergents, a product variation, and each identified its own product variation with an identifying name as a trademark. I initially shall use Proctor & Gamble's Tide for illustrative purposes. Proctor & Gamble selected a package of characteristics that it believed would appeal to detergent users and identified its package with the "Tide" trademark. Tide competes with other detergents possessing their own combinations of product characteristics that are each identified with their own respective marks. Purchasers use the marks to identify the particular packages of product characteristics that best meets their needs. The public rewards those packages of product characteristics that it finds most satisfying by increased purchases.

## 2. The Relation between Trademarks and Information Scarcity

This description of the operation of trademarks evoking new product variations, however, is not yet complete. The reason that buyers need the information about producer identity provided by trademarks is related to a pervasive condition in which buyers possess only general and incomplete information about the product itself. Moreover, even in those cases in which buyers might possess complete information about a product, many of them would be unable to articulate it precisely, and therefore would be unable to query sellers of rival products as to the relevant characteristics or composition of these rival products.

Purchasers, however carefully and thoroughly they investigate, are rarely familiar with every detail of a product. They often do rely, however, upon a trademark as an indicator of source because they have come to associate that source with a given level of quality. The typical patron of a McDonald's restaurant has not inspected the meat or other ingredients, but he takes the McDonald's trademark as an indicator of a composite of service, all of the details of which he may not be able to re-

cite, but with which he is, in varying degrees, familiar by reason of reputation or prior experience. The purchaser of Tide detergent may not be able to verbalize each of the product characteristics that she has found satisfactory in the aggregate, much less to identify its chemical components. She uses the trademark "Tide" as a means of identifying the package of product characteristics that is Proctor & Gamble's entry into the detergent market, and she purchases Tide because she believes (on the basis of reputation or experience) that this package of characteristics will be satisfactory.

The means by which trademarks assist buyers to select satisfactory product variations involves a two-step process: First, trademarks enable buyers to identify packages of product characteristics that they have purchased previously or know of by reputation. Second, by identifying source, trademarks enable buyers to rely upon that source as a guarantor of quality, thus overcoming their own lack of complete information about the product variation's composition and about its entire range of characteristics. In performing this assistance to buyers, trademarks stimulate producers to develop product variations that buyers find attractive.

### 3. The Ninth Circuit's Erroneous Approach

In *Anti-Monopoly II*, the Ninth Circuit correctly understood that Parker Brothers and Proctor & Gamble used their respective trademarks to identify their particular product variations;<sup>21</sup> its error occurred in equating a term that identifies a package of product characteristics with a generic term.<sup>22</sup> Its reasoning process, though ultimately in error, carried a certain plausibility: Any product that was identical to Parker Brother's game would be a Monopoly game; it would have to be a Monopoly game because the term "Monopoly" identified those product characteristics. Any detergent that possessed exactly the characteristics of Tide would be Tide detergent, because the term "Tide" identified those characteristics. Indeed, the assumptions that two products possessing identical charac-

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21. See *Anti-Monopoly, Inc. v. General Mills Fun Group, Inc.*, 684 F.2d 1316, 1323, 1326 (9th Cir. 1982), *cert. denied sub nom.* CFG Prods. Corp. v. Anti-Monopoly, Inc., 459 U.S. 1227 (1983).

22. *Id.* See also *Anti-Monopoly, Inc. v. General Mills Fun Group, Inc.*, 611 F.2d 296, 303 (9th Cir. 1979) ("When, in the consumers' minds, the characteristics which distinguish a particular product are no longer primarily source particular, that product becomes its own genus, and its name becomes a generic name.").

teristics should be called by the same name underlay the motivation surveys.<sup>23</sup> The question that asked whether the respondents would buy "Monopoly" or "Tide" regardless of who made them assumes that identical games and detergents are being offered for sale by several firms in the game and detergent markets.

There are two flaws in this reasoning process: It ignores the relation between trademarks and information; and it fails to account for the role of trademarks in stimulating competition among producers in providing new combinations of product characteristics.

To say that another detergent is Tide detergent because it possesses the same characteristics as Proctor & Gamble's Tide is to shortcut the role that trademarks play as an indicator of source, and through source, of quality. What is the criterion for saying another detergent possesses the "same" characteristics? Suppose it is composed of a different chemical structure but is designed to produce similar characteristics. Is it the same? Suppose the different chemicals deteriorate more rapidly than those used by Proctor & Gamble. Is the product still the same? Even if the product is produced with the same chemicals, does it make a difference that those used by the second producer are less pure? Is a real estate board game that is similar to Monopoly, but not exactly the same, properly called "Monopoly"? How much variation is acceptable?

Assume that a shopper has become familiar with Tide as a detergent and likes it. That shopper now wants to purchase another box of Tide. Will the shopper be aided or impeded if companies other than Proctor & Gamble may market a detergent under the name of "Tide"? That person will be impeded if the non-Proctor & Gamble detergents differ in any respect relevant to this purchaser. Moreover, differences irrelevant to this buyer may be relevant to other buyers. A rule permitting producers other than Proctor & Gamble to apply that term to detergents possessing "identical" product characteristics obscures the critical issues of how identity is to be established and what the criteria for identity are.

The other weakness in the Ninth Circuit's approach is its failure to consider the role of trademarks in encouraging producers to develop new product variations. As indicated, the ability of a producer to identify its own package of product

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23. See *supra* notes 13-14 and accompanying text.



characteristics to buyers enables the buyers to purchase those packages of characteristics they find pleasing, and enables producers to capture some of the economic value they have created. In so doing, producers are stimulated to bring new and innovative packages of product characteristics to market. That stimulus would vanish if the law were to convert any trademark that served to identify a package of product characteristics into an unprotectable generic term.

#### 4. Communicating About Product Characteristics

As argued above, to say that a producer of a detergent with characteristics like Tide should be entitled to call its product "Tide" obscures the important matters involved in determining similarity or identity. A producer, however, is fully entitled to refer to another's trademark, such as "Tide," to communicate information about its own product. A rival who believed that its own version of a detergent possessed characteristics similar or identical to Tide is free to so assert, provided the claim is truthful. By promoting its own variation as possessing characteristics similar or identical to those of Tide, the rival producer informs buyers of its claims and provides them with the opportunity to evaluate those claims.

For purpose of communicating essential information to buyers, therefore, there is no need for Proctor & Gamble's trademark to be converted into a generic term. Any informational content that the mark "Tide" conveys about product characteristics can be conveyed by making a reference to Tide; direct application of that term is unnecessary and carries potential for confusion.

There is, however, a view — perhaps underlying the Ninth Circuit's approach — that holds that consumers benefit when rival producers are able to apply Proctor & Gamble's trademark to their own copies of Tide detergent. The proponents of that view would argue that making the term "Tide" available to producers of copies facilitates communication to consumers. If the copies are sufficiently similar to Proctor & Gamble's Tide, then consumers are most effectively informed about the similarity or equivalence when the rival producers use the term that has come to connote to consumers the particular package of characteristics possessed by Proctor & Gamble's Tide.

This view, however, necessarily suffers from defects afflicting the Ninth Circuit's approach because it itself embodies that approach. It also suffers from a paternalism that underlies

the Ninth Circuit's approach, a flaw the court did not make explicit. In this variation, as I have described it, the paternalism is explicit. Rival producers are able fully to communicate to consumers their claims concerning the equivalence between their copies and Tide. By asserting that consumers can more effectively be informed by allowing the rival producers to apply the term "Tide" directly to their copies, the proponents imply that consumers are incapable of evaluating these claims of equivalence. Indeed, the contention is necessarily that an institution (such as the courts) can and should decide the equivalence question for consumers.

### C. PATENTS AND PRODUCT DEFINITION

The Ninth Circuit's decisions in the *Anti-Monopoly* case incorporated its own confusion over genus and species into its approach to determining when a term becomes generic. Rather than examining the functions of trademark law in enabling producers to identify their packages of product characteristics to buyers and in stimulating new product variations, the court took a sterile and nonfunctional approach to defining genericity: Any product possessing similar or identical characteristics belongs to the same genus and therefore is properly called by the same term.<sup>24</sup> As observed, this approach effectively would destroy the incentive of producers to develop innovative product variations.

A functional approach is useful in comparing the seminal case of *Kellogg Co. v. National Biscuit Co.*<sup>25</sup> with the *Anti-Monopoly* case. During the time that NBC was the sole producer of Shredded Wheat, it held a patent on the product and on the process of making it.<sup>26</sup> That patent — and others on machinery for making Shredded Wheat — gave NBC exclusive control over that product during the term of the patent. When the patents expired, everyone who desired to do so became entitled to produce Shredded Wheat. Because the product entered the public domain, so did the name by which the product was known. The Court ruled accordingly.<sup>27</sup>

When a patent is involved, a product is often defined by that patent. In these circumstances, the description of the

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24. See *Anti-Monopoly II*, 684 F.2d at 1323, 1326; *Anti-Monopoly I*, 611 F.2d at 303.

25. 305 U.S. 111 (1938).

26. 305 U.S. at 117.

27. *Id.* at 118.

product is likely to be unambiguous. The patented product and term used to describe the patented product during the life of the patent are coextensive. The scope of patent coverage will indicate the denotation of the term. The patent, in other words, creates the product genus. This was the case in *Kellogg*. Because Kellogg would have infringed NBC's patent had it produced its version of Shredded Wheat during the patent period, Kellogg's product is aptly described by that term. Moreover, it is the patent law that has stimulated the development of that product. The name by which the patented product is known is necessarily a generic term: That term applies to a "product" that, because it is patented, belongs to everyone as soon as the period of legal monopoly expires.

Ironically, such an argument was potentially available in the *Anti-Monopoly* case. Parker Brothers had held a patent on its Monopoly game, which had expired in 1952.<sup>28</sup> As in *Kellogg*, the argument in the *Anti-Monopoly* case would be that the patent defined the game and that, with the expiration of the patent, the term used to describe the patented product passed into the public domain. The Ninth Circuit, however, took a different tack towards genericity: It employed the now infamous "motivation survey" approach that threatened the underpinnings of trademark as a generator of product diversity.<sup>29</sup>

In the case of product variations, the development stimulus comes from trademark law, not patent law. A producer is encouraged to come forward with a new combination of product characteristics by the prospect that it can identify that combination to prospective buyers with its trademark. If the product meets with buyer approval, sales will grow and the producer will profit from its effort in developing the new product variation. Here, the term by which the product variation developed by a particular producer is known identifies its source. The details of the product variation's construction and characteristics are not described in a government document as in the case of a patent; rather, the bundle of characteristics that constitutes the product variation is identified primarily through its trademark (and, accordingly, its explicit or implicit reference to source).

Rivals are free to imitate or improve upon any product variation, and they are free to use the trademarks of other producers as references for asserting equivalence or improvement. Because there is no official genus, there is no official test of

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28. *Anti-Monopoly I*, 611 F.2d at 299.

29. See *supra* notes 12-20, 22-24 and accompanying text.

equivalence. Each offering of a product variation is therefore entitled to be known by its own name, a name that in these circumstances necessarily is an indicator of source. Information about source is in effect part of the description of the product variation.

## II. TRADE DRESS AND THE PROTECTION OF PRODUCT DESIGN

### A. THE SCOPE OF THE TRADE DRESS DOCTRINE

The role trademark law plays in stimulating the development of new product variations has been broadened and, as I will demonstrate, complemented by developments in that area of trademark law known as trade dress. The Seventh Circuit recently described the scope of trade dress as follows: "A product's trade dress is the overall image used to present it to purchasers; it could thus include, to give a partial list, the product's size, shape, color, graphics, packaging, and label."<sup>30</sup>

Trade dress protection has existed for decades;<sup>31</sup> recent years, however, have seen an exponential growth in trade dress case law. Recent court decisions afford protection to the design of a building where a service is sold, to the design of containers, and, as will be shown, increasingly to the design of the product itself. Mogen David wine,<sup>32</sup> Fotomat kiosks,<sup>33</sup> spray gun containers,<sup>34</sup> fishing reel design,<sup>35</sup> and the ambience of restaurants<sup>36</sup> have been held protectable either directly as trademarks or under the aegis of the trade dress doctrine.

The cases have discussed trade dress in the traditional

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30. *Vaughan Mfg. Co. v. Brikam Int'l, Inc.*, 814 F.2d 346, 348 n.2 (7th Cir. 1987).

31. *See, e.g., Feathercombs, Inc. v. Solo Products Corp.*, 306 F.2d 251, 257-58 (2d Cir. 1962) (recognizing trade dress protection of "first comer's" product against likelihood of consumer confusion created by "second comer's" product); *H.E. Winterton Gum Co. v. Autosales Gum & Chocolate Co.*, 211 F. 612, 616 (6th Cir. 1914) (holding that the distinctive "dress" of plaintiff's product, known to the public as characterizing the product, was "entitled to protection against unfair competition").

32. *Application of Mogen David Wine Corp.*, 328 F.2d 925, 933 (C.C.P.A. 1964).

33. *Fotomat Corp. v. Cochran*, 437 F. Supp. 1231, 1235 (D. Kan. 1977).

34. *In re Morton-Norwich Prod., Inc.*, 671 F.2d 1332, 1341-43 (C.C.P.A. 1982).

35. *Brunswick Corp. v. Spinit Reel Co.*, 832 F.2d 513, 517-20 (10th Cir. 1987).

36. *Fuddruckers, Inc. v. Doc's B.R. Others, Inc.*, 826 F.2d 837, 841 (9th Cir. 1987).

terms of trademark law. Trade dress is generally conceived as more amorphous than a trademark, because trade dress can include packaging and design, whereas most trademarks are logos or symbols. The trade dress cases, however, have provided protection on the traditional rationale that the packaging or design identifies the source of the product and therefore performs the role of a trademark.

As the trade dress doctrine has expanded its coverage, it now provides protection to "the overall image used to present [a product] to its purchasers."<sup>37</sup> In a world of almost unlimited choice, buyers' purchases increasingly reflect much more than the utilitarian aspects of the goods and services; products and services are purchased for their image and aesthetics as well as their performance; indeed, the image often blends into the product or service. The result is that protection is increasingly accorded to constituent parts of the product or service sold. In many cases, the protected element is the product's design.<sup>38</sup> Brunswick Corporation thus has been able to protect the design of a fishing reel,<sup>39</sup> and Schwinn has sought, with at least partial success, to protect the design of an exercise bicycle.<sup>40</sup> Fuddruckers, an "upscale" hamburger restaurant chain, has been similarly successful in its attempts to protect the overall design of its restaurant from imitators;<sup>41</sup> the ambience of the restaurant is protected and forms a part of the service that the customer purchases.

#### B. AESTHETIC FUNCTIONALITY AS A LIMITATION ON TRADE DRESS PROTECTION

Although a seller may obtain trademark or trade dress protection for the design of a container or even of the product it-

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37. *Vaughan Mfg. Co. v. Brikam Int'l, Inc.*, 814 F.2d 346, 348 n.2 (7th Cir. 1987).

38. *See, e.g., LeSportsac, Inc. v. K Mart Corp.*, 754 F.2d 71, 75 (2d Cir. 1985) ("Most trade dress infringement actions involve the packaging or labeling of goods. . . . Recently, however, we have recognized that the design of a product itself may function as its packaging, serving to distinguish it from other products, and hence be protectable under § 43(a)"). *See also San Francisco Mercantile Co. v. Beeba's Creations, Inc.*, 704 F. Supp. 1005, 1007 (C.D. Cal. 1988) (noting *LeSportsac* court's more expansive standard).

39. *Brunswick Corp. v. Spinit Reel Co.*, 832 F.2d 513, 517-20 (10th Cir. 1987).

40. *Schwinn Bicycle Co. v. Ross Bicycles, Inc.*, 870 F.2d 1176, 1178, 1188-91 (7th Cir. 1989).

41. *Fuddruckers, Inc. v. Doc's B.R. Others, Inc.*, 826 F.2d 837, 842-43 (9th Cir. 1987).

self, that protection is limited by the so-called "functionality" doctrine. A design is functional in the trademark/trade dress context — and hence unprotectable — if the design itself confers competitive advantages upon its user. Thus, if the design is significantly less costly to produce than alternatives, or if the design performs its function in a markedly superior way to alternative designs, then it is unprotectable. A design that is merely functional in the sense that it performs an intended utilitarian function, but not significantly better than alternative designs, is protectable. Such a design is sometimes referred to as functional in a *de facto*, but not *de jure* sense.

As the law has become more active in protecting product designs, the issue of *de jure* functionality — which limits protectability — naturally increases in importance. Although the law is clear enough on what constitutes functionality in a utilitarian sense, the law is somewhat less clear on what constitutes aesthetic functionality. It is in the area of aesthetic functionality that the law of trade dress appears to be in the process of evolving towards a role in stimulating new product variations.

As late as 1984, the Second Circuit ruled that any element — including an aesthetically appealing design — that is "an important ingredient in the salability of the goods" is functional in a trademark sense and thus nonprotectable.<sup>42</sup> The Second Circuit, however, repudiated this language the following year in *LeSportsac, Inc. v. K Mart Corp.*<sup>43</sup> LeSportsac had marketed a line of women's bags of its own design. The bags were made of parachute nylon and trimmed in carpet tape with matching cotton-webbing straps. When K Mart, a discount department store, copied the LeSportsac bags, LeSportsac sued successfully

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42. *Industria Arredamenti Fratelli Saporiti v. Charles Craig, Ltd.*, 725 F.2d 18, 20 (2d Cir. 1984). The "important ingredient" formulation of aesthetic comes from *Pagliero v. Wallace China Co.*, 198 F.2d 339 (9th Cir. 1952). In the latter case, the Ninth Circuit ruled that, because certain floral designs used by Wallace on its china dishes were "an important ingredient in the commercial success of the product," they were unprotectable, even though they had acquired secondary meaning. *Id.* at 343. The rationale for this ruling was the furtherance of competition; in so ruling the court weighted more heavily competition in manufacture than competition in creativity:

Of course, Tepco can also compete by developing designs even more aesthetically satisfying, but the possibility that an alternative product might be developed has never been considered a barrier to permitting imitation competition in other types of cases. The law encourages competition not only in creativeness but in economy of manufacture and distribution as well.

*Id.* at 344.

43. 754 F.2d 71, 77 (2d Cir. 1985).

on a trade dress theory.<sup>44</sup> K Mart failed in two functionality defenses. First, K Mart's assertion that certain design features such as the hollow rectangular zipper pull and the cotton tape were functional in a utilitarian sense was rejected on the ground that it was the design as a whole and not the individual components that was protected.<sup>45</sup> Second, K Mart asserted a defense of aesthetic functionality, contending that "the particular configuration of features on its and LeSportsac's bags is functional because it is 'an important ingredient in the commercial success of the product' or the 'salability of the goods.'"<sup>46</sup> In response, the court drastically restricted the scope of the "important ingredient" criterion of functionality.

In *LeSportsac*, the Second Circuit's approach to trade dress employed a version of the consumer motivation approach that had proved so troubling when used by the Ninth Circuit to determine genericity:

In deciding the question of functionality at trial, the factfinder will be faced with answering the following: Are consumers likely to purchase a LeSportsac bag rather than that of a competitor principally because they find LeSportsac's particular combination of design features aesthetically pleasing, or will they buy principally because the product features serve to identify or distinguish the goods as genuine LeSportsac products? . . . If the latter, the LeSportsac 'look' primarily serves a legitimate trademark purpose — identifying the source of the product — and should be eligible for protection even though it is also an 'important ingredient' in the product's commercial success.<sup>47</sup>

In the quoted passage, the court preserved the "important ingredient" formulation of functionality, but limited its application by interposing a motivation test when an issue of aesthetic functionality is raised. In the latter area, the "important ingredient" criterion has been transformed from contributory cause into primary cause: Under the new criterion, the aesthetic component is nonfunctional unless it is the primary determinant of consumer choice. Moreover, in other passages, the court suggests that the "[t]rade dress associated with a product that has accumulated goodwill, such as the LeSportsac line, will almost always be 'an important ingredient' in the 'salability' of the product."<sup>48</sup> In the court's view, the LeSportsac design could be both protectable and an important ingredient of the com-

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44. *Id.*

45. *Id.* at 76-77.

46. *Id.* at 77.

47. *Id.* at 78.

48. *Id.* at 77.

mercial success of the product, so long as the design identified LeSportsac and consumers wanted the LeSportsac product.<sup>49</sup>

There is, of course, a circularity in the court's approach. A popular design probably sold the LeSportsac bags initially. As the design became fashionable, more buyers wished to purchase the bag, some because they desired the assurance of quality that the brand name helped to ensure, and some because they liked the design. But after affording protection to LeSportsac against copiers, there will be no alternatives available that incorporate the LeSportsac design. Shoppers will always use the design as an indication of source, because there is only one source that can provide the design.<sup>50</sup> Although its words suggest otherwise, the Second Circuit effectively has created a law protecting designs as designs.

Other circuits have also given protection to product design under the rapidly expanding trade dress doctrine. The Seventh,<sup>51</sup> Ninth,<sup>52</sup> and Tenth<sup>53</sup> Circuits have afforded protection to product designs at least as broad as that accorded in the Second Circuit. Indeed, the Ninth Circuit expressly has rejected aesthetic functionality as a defense in trademark and trade dress cases.<sup>54</sup> In affording protection to a fishing reel design, the Tenth Circuit, in *Brunswick Corp. v. Spinit Reel Co.*,<sup>55</sup> adopted the following formulation of when a design should be deemed functional and hence unprotectable: "The decision should . . . rest on whether alternative appealing designs or

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49. *Id.* at 78.

50. Consider the following variation of the Anti-Monopoly survey question: "Do you want to purchase a bag of the LeSportsac design because that design shows that it is made by LeSportsac, or do you want to purchase a bag of the LeSportsac design and you don't much care who makes it?" The latter alternative carries a sense of unreality once LeSportsac eliminates copies like K Mart. When LeSportsac becomes the only source of the design, a buyer who wants the design will always want to purchase the LeSportsac brand product.

51. *Vaughn Mfg. Co. v. Brikam Int'l, Inc.*, 814 F.2d 346, 350-51 (7th Cir. 1987).

52. *Clamp Mfg. Co. v. Enco Mfg. Co.*, 870 F.2d 512, 516-17 (9th Cir.) (design of a clamp), *cert. denied*, 110 S. Ct. 202 (1989).

53. *Brunswick Corp. v. Spinit Reel Co.*, 832 F.2d 513, 519 (10th Cir. 1987).

54. *First Brands Corp. v. Fred Meyer, Inc.*, 809 F.2d 1378, 1382 n.3 (9th Cir. 1987); *Fabrica Inc. v. El Dorado Corp.*, 697 F.2d 890, 896 (9th Cir. 1983). If indeed the Ninth Circuit has abandoned aesthetic functionality as these decisions assert, its movement towards that position began in *Vuitton Et Fils S.A. v. J. Young Enterprises, Inc.*, 644 F.2d 769, 773 (9th Cir. 1981), where it rejected the "important ingredient" test that it had formulated in *Pagliero v. Wallace China Co.*, 198 F.2d 339, 343 (9th Cir. 1952).

55. 832 F.2d 513 (10th Cir. 1987).



presentations of the product can be developed."<sup>56</sup> Writing for the Seventh Circuit a few years prior to *Brunswick*, Judge Posner, in *W.T. Rogers Co. v. Keene*,<sup>57</sup> took essentially the same approach. Judge Posner analyzed aesthetic functionality in terms of the supply of attractive designs. For most products, there are ordinarily many attractive design alternatives; only if the possibilities are so limited as to impede effective competition by rivals does a design become aesthetically functional.<sup>58</sup> These tests are facially more protective than that adopted by the Second Circuit. Under the tests of the Tenth and Seventh Circuits, the protectability of the luggage design in the *LeSportsac* case would not turn on an inquiry into consumer motivation (as the Second Circuit would do), but into the question of whether other designs could be crafted that are also attractive ones. Because it will almost always be the case that attractive alternative designs can be crafted for designs whose appeal is aesthetic, the formulations of the Seventh and Tenth Circuits nearly eliminate the aesthetic functionality defense.

The protection accorded product design under the trade dress doctrine has expanded to the service industries, where no identifiable "product" is being marketed. Here, protection is accorded to matters less tangible. In *Fuddruckers, Inc. v. Doc's B.R. Others, Inc.*,<sup>59</sup> the Ninth Circuit held that a restaurant chain's "design concept"<sup>60</sup> and its "total visual image" of service, including its "decor, menu, layout and style of service"<sup>61</sup> could be protected under trade dress doctrine. Although the court ruled that the issue of functionality would have to be tried, the court's opinion is probably best read as having rejected the "important ingredient" test of aesthetic functionality. It seems apparent that Fuddruckers's "total visual image" was an "important ingredient" in its success. Therefore, the very fact that the court devoted substantial discussion to the protectability of Fuddruckers's "total visual image" suggests that its approach to aesthetic functionality was similar to that employed by the Tenth Circuit in *Brunswick*: The issue turns on whether rivals are capable of creating alternative visual images. The court's statement that a feature is functional "if it is essential to the product's use or if it affects the cost or quality of the

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56. *Id.*

57. 778 F.2d 334 (7th Cir. 1985).

58. *Id.* at 343.

59. 826 F.2d 837 (9th Cir. 1987).

60. *Id.* at 839.

61. *Id.* at 841.

article"<sup>62</sup> confirms this reading.

### C. THE TRADE DRESS DOCTRINE AS ELICITING NEW PRODUCT DESIGNS

The cases that accord protection to product design under a trade dress rationale have enabled a growing number of business firms to capture the economic benefits of their product designs by excluding copiers; the *Fuddruckers* case suggests that in service industries, firms also may be assisted in capturing the full economic benefits of more amorphous service design concepts. Because these expansive trade dress decisions are precedents that assure others that they also will be accorded rights against copiers, the decisions also are creating a legal structure that encourages the development of creative product designs.

The courts that are expanding trade dress to include protection over product design are not focusing solely upon trade dress as an indicator of source. Rather, they are consciously crafting the law to encourage the development of creative and pleasing designs. The Third Circuit, in *Keene Corp. v. Paraflex Indus.*,<sup>63</sup> declined to apply the "important ingredient" test expressly on the ground that it provides a disincentive to the development of attractive designs:

The difficulty with accepting such a broad view of aesthetic functionality, which relates the doctrine to the commercial desirability of the feature at issue without consideration of its utilitarian function, is that it provides a disincentive for development of imaginative and attractive design. The more appealing the design, the less protection it would receive. As our ambience becomes more mechanized and banal, it would be unfortunate were we to discourage use of a spark of originality which could transform an ordinary product into one of grace.<sup>64</sup>

The Seventh Circuit cited this language with approval in *W.T. Rogers Co. v. Keene*,<sup>65</sup> and portions of it were quoted approvingly by the Second Circuit in *LeSportsac*<sup>66</sup> and by the Tenth Circuit in *Brunswick*.<sup>67</sup>

It is at this point that trademark law is making a major jump. The trade dress cases protect packaging designs on the basis that the package design identifies the source. But when product design is protected, more is being protected than mere

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62. *Id.* at 842.

63. 653 F.2d 822 (3d Cir. 1981).

64. *Id.* at 825.

65. 778 F.2d 334, 340 (7th Cir. 1985).

66. *LeSportsac, Inc. v. K Mart Corp.* 754 F.2d 71, 77 (2d Cir. 1985).

67. *Brunswick Corp. v. Spinit Reel Co.*, 832 F.2d 513, 519 (10th Cir. 1987).

source identification: The protection of product design prevents rivals from copying the product design itself. When the design is an important factor in marketing the product, the protection of product design under the rubric of trademark law creates a new substantive area of protection in which it performs functions essentially similar to copyright, patent, and other substantive areas of intellectual property protection. As noted above, protection of product design creates incentives for sellers to design creatively and to capture the economic value of their designs.<sup>68</sup>

D. THE COMPLEMENTARY ROLES OF TRADEMARK AND TRADE DRESS IN STIMULATING COMPETITION IN THE CREATION OF NEW PRODUCT VARIATIONS

Part I explained how trademark law helps to stimulate producers to develop new product variations. For many products, their full range of characteristics and their physical composition is not widely known by purchasers. Trademarks enable purchasers (with limited information) to identify the product variation which they believe most satisfies their needs and to rely upon the source as an indicator of quality; in these circumstances, trademarks stimulate innovations among producers in new combinations of product characteristics.

There is a class of product characteristics that is fully apparent upon inspection. A detergent such as Proctor & Gamble's Tide or a rival brand must be used in order to assess its cleaning ability and other characteristics; a game board's identity with Parker Brothers's Monopoly, however, can be determined by inspection.

When a producer develops a product characteristic (such as a new design) that is fully revealed by inspection, others are likely to copy the design if it proves popular. Because purchasers can determine by inspection whether a copy embodies the original design, a trademark that merely identifies the product's source will not assure the producer that it will capture any substantial part of the design's economic value. The stimulus engendered by trademark law to bring to market innovative product variations thus would fail in the case of product designs absent the protection afforded by trade dress doctrine.

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68. See Note, *Promotional Goods and the Functionality Doctrine: An Economic Model of Trademarks*, 63 TEX. L. REV. 639, 662 (1984) (arguing that the aesthetic functionality doctrine impedes the widely recognized role of trademarks in lowering consumer search costs).

## E. THE DIRECTION OF TRADE DRESS DEVELOPMENT

## 1. An Increasing Scope for Design Protection

The logic of the case law suggests an increasing scope for design protection as new classes of products are covered. So long as in any industry there is — in Judge Posner's analytical terms — no shortage of supply in alternative designs, design protection engenders competition in bringing new product designs to market. Competition in product design furthers the social interest in maximizing consumer choice. This furtherance of consumer choice is compatible with the consumer interest in price competition so long as no producer corners the market on attractive designs. So long as there is no limit on potentially attractive designs, no one producer will be able to exploit its own design for more than the premium commanded by the relative value of that design vis-à-vis all other designs in competition with it: It is the premium commanded by a differentiated product in competition with other products. Moreover, all producers are subject to the price competition from rivals offering alternative designs and to those producers who choose to market undifferentiated ("generic") products.

The direction of the cases is to accord broad design protection to a wide variety of articles that are not currently protected under the copyright and patent laws. Women's clothing is a case in point. Under American law, designers have previously been unable to protect their particular designs from copiers. Copyright law affords no protection because it does not protect designs that are an inseparable part of a utilitarian product, such as an item of clothing.<sup>69</sup> Neither does the design patent law provide protection for clothing.<sup>70</sup> Under the case law, however, if the design of an item of clothing identifies its source, then the design is at least potentially protectable.<sup>71</sup> As the design becomes known to a growing public, it acquires secondary meaning. At that point, the design serves the function of identifying source and, under the evolved trade dress doctrine, is protectable unless it is aesthetically functional.

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69. 17 U.S.C. §§ 101, 113 (1988).

70. See, e.g., Comment, *Designer Law: Fashioning a Remedy for Design Piracy*, 30 U.C.L.A. L. REV. 861, 868 (1983). Clothing designs rarely attain the degree of novelty required for protection. Moreover, the lengthy application process makes the design patent law unsuited for clothing designs that typically have a short commercial life expectancy.

71. See, e.g., *Stormy Clime, Ltd. v. Progroup, Inc.*, 809 F.2d 971, 977 (2d Cir. 1987) (recognizing appropriateness of trade dress protection of clothing designs so long as nonfunctional in the *de jure* trademark sense).

Protection for women's clothing designs in the past was probably deemed unavailable because the design was an "important ingredient" in the product's salability.<sup>72</sup> An increasing number of circuits, however, have rejected or limited the "important ingredient" approach.<sup>73</sup> Increasingly, aesthetic functionality means that alternative designs are either not available or are significantly inferior. Because there are unlimited numbers of potential clothing designs and many competing designers (including numerous designers with international reputations), it may be difficult to establish aesthetic functionality. The result is a growing potential for clothing designs to be protected against copiers.

Moreover, some cases have indicated that the likelihood of confusion against which the Lanham Act guards is not limited to confusion by purchasers, but that the Act extends its protection against confusion by *observers* who may be confused as to the source of the goods in the possession of a purchaser.<sup>74</sup> Thus a purchaser knowing that it is buying a copy of a Dior dress may be observed by a third person who, observing the style, concludes that the dress is a genuine Dior rather than a copy. Extending protection against potential confusion by non-purchasers, as in the example, combined with a broad protection for product designs further strengthens the power of a designer to employ trademark law as a new species of design protection.

Automobile designs should also receive increasing protection under the trade dress doctrine. Like clothing, automobile designs are not protectable under the copyright laws because an automobile design is inseparable from the vehicle itself, which is a useful object. Designs resulting from air resistance analysis are functional in a utilitarian sense and will not be protectable. Matters of pure style, however, unconnected with function — where the number of alternative designs is not inherently limited — will be potentially protectable. The courts have already protected some features of automobile design.<sup>75</sup>

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72. See *Pagliero v. Wallace China Co.*, 198 F.2d 339, 343 (9th Cir. 1952) (formulating the "important ingredient" test).

73. See *supra* notes 63-67 and accompanying text.

74. *Polo Fashions, Inc. v. Craftex, Inc.*, 816 F.2d 145, 148 (4th Cir. 1987); *Lois Sportswear, U.S.A., Inc. v. Levi Strauss & Co.*, 799 F.2d 867, 872-73 (2d Cir. 1986); *Levi Strauss & Co. v. Blue Bell, Inc.*, 632 F.2d 817, 822 (9th Cir. 1980).

75. *Ferrari S.P.A. Esercizio Fabriche Automobili e Corse v. Roberts*, 739

## 2. Protection for Imprecisely Defined Images or Concepts

The logic of the case law suggests a growing coverage for an aggregate of service element, such as that asserted by Fuddruckers as it sought protection for "the total visual image of its restaurant service."<sup>76</sup> Here, the aggregation of separate elements in a particular configuration constitutes the trade dress. As in the product design cases previously discussed, the trade dress here is not packaging, but rather a constituent part of that which is being purchased. Restaurant customers buy more than the food; they buy ambience and atmosphere. It is the latter over which Fuddruckers sought protection. A similar configuration of individual elements formed the basis of a claim for protection over a product variation in *Hartford House, Ltd. v. Hallmark Cards, Inc.*<sup>77</sup> In that case, the Tenth Circuit protected against imitation "the overall appearance or look" of a line of emotional non-occasion greeting cards.<sup>78</sup> As the *Fuddruckers* approach would apparently extend protection broadly to the configuration of service elements, so the *Hartford House* approach would expand protection to the configuration of constituent elements in a product's appearance and so would potentially extend protection beyond that which is conventionally considered as design.

## 3. Limits on Design Protection

### a. Normal Case Law Development

Because *Fuddruckers* and *Hartford House* carry out the logic of the trade dress cases to their ultimate conclusion, they raise the question of when the scope of protection extended ceases to be justified under existing rationales. The matters sought to be protected in these cases are visible almost in their entirety to purchasers. Design, therefore, plays little or no role here in quality assurance by identifying source for a product or service whose entire characteristics are not apparent by inspection. Moreover, the service and product are consumed in one use: There is no latent product-durability issue for which a source indication provides assurance. Nor in these cases is there a great need to employ protection as a device to evoke

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F. Supp. 1138, 1143-44 (E.D. Tenn. 1990) (protecting exterior shapes and features).

76. *Fuddruckers, Inc. v. Doc's B.R. Others, Inc.*, 826 F.2d 837, 841 (9th Cir. 1987).

77. 846 F.2d 1268 (10th Cir.), *cert. denied*, 488 U.S. 908 (1988).

78. *Id.* at 1275.

creative forms of service or product designs, because the service and product variations are kinds which the market itself would be likely to evoke. On the basis of considerations like these, the courts are likely to draw limits to the trade dress protection. Where precisely these limits will ultimately fall cannot, of course, be predicted with accuracy. Their general outlines are clear: The limits of protection will lie where the source identification role is weak, the kinds of innovation stimulated are perceived as trivial, or the innovation role itself appears to be generated by normal market rivalry without need of stimulus through protection.

b. *Constitutional Limitations*

The potential expansiveness of the trade dress doctrine is likely to be partially contained by the *Sears/Compco* doctrine<sup>79</sup> as most recently articulated in *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*<sup>80</sup> Under these decisions, states may not extend protection to designs that would conflict with the policies contained in the federal patent and copyright laws. Justice O'Connor's opinion in *Bonito Boats* reaches the protection of design through the trade dress doctrine. Observing that the trade dress doctrine extends protection to designs that are also potentially protectable under federal design patents,<sup>81</sup> she nonetheless indicated that state trade dress doctrine was not preempted insofar as it was based upon a source-indication rationale.<sup>82</sup> Other language in her opinion suggests that state trade dress protection based upon a rationale of protecting producers as an incentive to product or service innovation is insupportable.<sup>83</sup> Justice O'Connor, however, did not directly address the validity of state laws protecting designs where those laws are based upon both a source-indication rationale as well as an

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79. See *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 231 (1964); *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234, 237 (1964).

80. 489 U.S. 141 (1989). In *Bonito Boats*, the Court invalidated a Florida "plug molding" statute that sought to protect designs against copying by means of direct molding. The defendant had made a mold of a boat hull designed by the plaintiff. *Id.* at 145. The Court viewed the protection extended by the Florida statute as approaching too closely the kind of protection afforded by federal patent law. *Id.* at 157. Products, processes and designs not protected by federal patent law can be freely duplicated, said Justice O'Connor for the Court, and Florida's attempt to prohibit duplication, even limited to prohibition of the plug molding technique, was preempted. *Id.* at 168.

81. *Id.* at 154.

82. *Id.* at 156.

83. *Id.* at 157.

incentive-to-innovation rationale. Moreover, because the issue before the Court was the scope of federal preemption of state law, she did not address the extent to which section 43 of the Lanham Act provides a federal basis for design protection under a trade dress rubric.<sup>84</sup>

### CONCLUSION

Examined in the light of information scarcity, the trade mark and trade dress doctrines perform different and complementary roles. Trade (and service) marks perform an essential role in an information-scarce world by identifying the source of products and services. Source identification is important to a purchaser who lacks complete knowledge about the product and is relying upon the source as a guarantee of quality. In this roundabout way, a trademark conveys information about the product itself. This role is especially important in stimulating new product variations: By identifying simultaneously a product variation and its source, purchasers are able to maximize their informational input about a combination of product characteristics and suppliers are encouraged to provide product variety. The approach to genericity pursued by the Ninth Circuit in the *Anti-Monopoly* case threatened to impede this latter aspect of trademark law.

The abundant variety of product characteristics available to consumers in an advanced society is a result of competition in product variations. This competition is stimulated when each seller can identify its own particular package of characteristics with a logo or other symbol. Although buyers will not generally possess complete knowledge about any of the products, they are able to acquire increasing amounts of knowledge over time as a result of their experience with the packages of particular sellers or their reputations. Trademarks enable them to identify the product packages about which they know the most and to rely upon the reputation of the source as insurance against their ignorance. In this world of competition in product variations, trademarks engender incentives among producers to devise ever more pleasing packages of product characteristics and to guard against quality erosion.

In its protection of product design and image, trade dress

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84. See, e.g., *W.T. Rogers Co. v. Keene*, 778 F.2d 334, 338 (7th Cir. 1985) (discussing alternative views of section 43: Whether it merely provides a federal remedy for unfair competition under state law or whether it creates a federal substantive law of unfair competition).



protects that which is fully known and which constitutes part of the product itself. The protected design, to be sure, identifies the source, but it is this protection of product characteristics that makes trade dress protection controversial. The product characteristics protected by trade dress are, like design, open and unconcealed. Information scarcity has a limited role here, because it is not the unknown part of the product or service to which trade dress relates. For products whose full characteristics are not apparent upon inspection, design protection identifies the source and thereby provides purchasers an assurance of quality for the unknown part of the product. For products whose entire range of characteristics are apparent upon inspection, however, trade dress protection of design does not provide any assurance of quality. In both cases, however, trade dress law, like trademark law, stimulates product variation. Trade dress law performs this role by allowing producers to stake out particular variations as their own (as Brunswick staked out the diamond shaped fishing reel design), thereby providing them with incentives to expend resources necessary to bring creative and attractive product designs to market.