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Recent Developments: Two Pesos, Inc. v. Taco Cabana, Inc.: Protection of Inherently Distinctive Trade Dress under Lanham Act Does Not Require Proof of Secondary Meaning

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A jury in the Circuit Court for Baltimore City convicted Raymond Frances Reddick ("Reddick") and Harvey Lee Southall of second degree murder and the unlawful use of a handgun. Although the sentencing guidelines suggested a twenty-five year sentence, Judge Hammerman imposed a thirty year sentence for the second degree murder conviction and ten years for the handgun violation, to be served concurrently. The Judge believed that the sentence was justified in light of the degree of violence of the crime and the devastating impact the defendants' actions had on the victim's family. In addition, Judge Hammerman was concerned about the financial burden the defendants' actions had placed upon the victim's family. Medical and funeral expenses amounted to \$6,000. In light of this burden, the Judge offered each defendant the opportunity to reduce his sentence to twenty-five years upon payment of \$3,000 individually to the victim's mother by February 2, 1991.

On appeal to the Court of Special Appeals of Maryland, both defendants' convictions were affirmed in an unreported opinion. The Court of Appeals of Maryland granted Reddick's petition for certiorari. Reddick contended that because he is indigent, the offer to reduce his sentence upon making a contribution toward the expenses placed upon the family of the victim was unconstitutional. He asserted that this offer constituted an unlawful distinction among sentences based on a defendant's wealth or poverty, and therefore violated the Equal Protection Clause of the Fourteenth Amendment to the United States Constitution and Article 24 of the Maryland Declaration of Rights. To further illustrate his position, Reddick argued that it was "unconstitutional to incarcerate an indigent defendant for a term longer than that imposed on a similarly situated nonindigent defendant who would be able to make the requisite monetary payment." *Reddick*, 327 Md., at 272, 608 A.2d at 1248. Accordingly,

Reddick requested that the court vacate his entire sentence because of the unconstitutional conditional offer to suspend five years of his sentence if he paid the victim's family \$3,000.

The Court of Appeals of Maryland rejected the State's characterization of the sentence as an unconditional thirty year term containing a provision of certain conduct, compliance with which the defendant would encourage the trial judge to modify the sentence. *Id.* at 273, 608 A.2d at 1248. The court also refused to accept the State's alternative argument that the trial judge should simply strike the illegal language containing the offer and allow the thirty year sentence to stand because permitting suspension of five years of the sentence conditioned upon payment of the victim's medical and funeral expenses was illegal and, thus, null and void. *Id.*

Although the court of appeals agreed with Reddick's assertion that the offer constituted a violation of his rights, the court refused to vacate his entire sentence. *Id.* at 274, 608 A.2d at 1248. Instead, the court simply struck the illegal portion of the sentence and remanded the case to the Circuit Court for Baltimore City with instructions to resentence Reddick to a term of twenty-five years. *Id.* In holding that Judge Hammerman's offer to suspend part of the sentence in return for contribution to the victim's family's expenses was unconstitutional, the court stated that where a court has "determined that a fine or restitution is an appropriate sentence, a court cannot then imprison a defendant solely because of his inability to pay it." *Reddick*, 327 Md. at 273-74, 608 A.2d at 1248 (citing *Bearden v. Georgia*, 461 U.S. 660, 665 (1983)). Applying this principle of equal protection to the present case, the Court of Appeals of Maryland characterized Judge Hammerman's offer as a chance to "buy" a suspended sentence. *Reddick v. State*, 327 Md. at 273, 608 A.2d at 1248. The court concluded that equal protection required that the unconstitutional portion be stricken

from the sentence; otherwise, it would imprison Reddick for a longer term than a similarly situated defendant with the financial capability to make the payment. *Id.* at 274, 608 A.2d at 1248.

The court's holding effectively restricts the ability of the sentencing judge to allow an indigent defendant the opportunity to pay restitution for his victim's expenses in order to reduce the term of incarceration. Where the defendant's actions place heavy financial burdens on a victim or his family, the court has an interest in seeing that the defendant take as much responsibility as possible for those expenses. However, an offer of a reduced sentence in exchange for contribution towards a victim's family's financial burden will run afoul of the Equal Protection Clause of the Fourteenth Amendment where the judge is faced with an indigent defendant. Thus, despite a court's concern over expenses imposed upon a victim's family, the court cannot offer a defendant the opportunity to pay restitution to his victims at the expense of the defendant's constitutional rights.

- Paula L. Davis

***Two Pesos, Inc. v. Taco Cabana, Inc.:* PROTECTION OF INHERENTLY DISTINCTIVE TRADE DRESS UNDER LANHAM ACT DOES NOT REQUIRE PROOF OF SECONDARY MEANING.**

In *Two Pesos, Inc. v. Taco Cabana, Inc.*, 112 S. Ct. 2753 (1992), the United States Supreme Court allowed protection of a restaurant's inherently distinctive trade dress under section 43(a) of the Trademark Act of 1946, 15 U.S.C. § 1125(a) (1982) ("Lanham Act"), which provides protection to businesses that are harmed by other businesses using false representation or description in connection with any goods or services. Affirming the decision of the Court of Appeals for the Fifth Circuit, the Supreme Court rejected the assertion that secondary meaning of the trade dress was a requisite element of its protection under the

Lanham Act.

In 1978, Taco Cabana, Inc., a fast-food restaurant which served Mexican food, opened in San Antonio, Texas. The restaurant consisted of an interior dining area and patio decorated in vivid colors and Mexican artifacts. Paintings, murals, bright awnings and umbrellas created a festive, Mexican atmosphere. The lively theme was enhanced by border paint, neon stripes and a stepped exterior. Two Pesos, Inc., a Mexican restaurant with a motif very similar to that of Taco Cabana, opened in Houston in 1985. Two Pesos rapidly expanded through Texas, but did not enter San Antonio. The next year, Taco Cabana entered Houston and other cities where Two Pesos was operating.

In 1987, Taco Cabana sued Two Pesos in the United States District Court for the Southern District of Texas for trade dress infringement under section 43(a) of the Lanham Act. The court instructed the jury that trade dress was protected if it was either inherently distinctive or had acquired a secondary meaning. *Id.* at 2756. A trademark or trade dress acquires a secondary meaning when it has become uniquely associated with a specific source through its use in the marketplace. *Id.* at 2756 n.4 (citing Restatement (Third) of Unfair Competition § 13, comment e (Tent. Draft No. 2, Mar. 23, 1990)). The jury concluded Taco Cabana had a trade dress which was inherently distinctive, but which had not acquired a secondary meaning. *Id.* at 2756. The jury also held that customers were likely to be confused as to the source of the goods or services by the alleged infringement. *Id.* at 2756. Despite the jury's finding that there was no secondary meaning, the trial court entered judgment for Taco Cabana. Relying on a Fifth Circuit decision, the court of appeals affirmed the decision of the district court and rejected Two Pesos' assertion that a finding of no secondary meaning precluded a finding of inherent distinctiveness. *Id.* Due to the conflict among the courts of appeals in

several circuits as to the requirement of secondary meaning, the United States Supreme Court granted certiorari.

The Court began its analysis by noting that the Lanham Act was intended to create a cause of action against deceptive and misleading use of trademarks and to protect businesses against unfair competition. *Id.* at 2757 (citing § 45, 15 U.S.C. § 1127 (1982)). A trademark consists of "any word, name, symbol, or device or any combination thereof" used by any person "to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods even if that source is unknown." *Id.* at 2757 (citing 15 U.S.C. § 1127 (1982)). The Court explained that a trademark must distinguish the particular product from others in order to be registered, which is significant because the principles qualifying a mark for registration are applicable to the analysis of whether an unregistered trademark is afforded protection under section 43(a) of the Lanham Act. *Id.* at 2757 (citing 15 U.S.C. §§ 1052, 1127 (1982)).

The Court identified the categories set forth by the Second Circuit to determine the distinctiveness of the trademark as the following: (1) generic, (2) descriptive, (3) suggestive, (4) arbitrary, and (5) fanciful. *Id.* at 2757 (citing *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 9 (2d Cir. 1976)). The Court noted that the latter three categories are inherently distinctive, and, therefore, afforded protection under the Lanham Act because their intrinsic nature identifies the particular source of the product. *Id.* at 2757.

The Court further explained that descriptive marks are not inherently distinctive, because they do not necessarily describe the particular source of the product, and consequently, cannot be protected. *Id.* However, recognizing the ability of descriptive marks to become distinctive under some circumstances, the Court cited section 2 of the Lanham Act which provides that

a descriptive mark may be registered if it has acquired secondary meaning by becoming distinctive of the applicant's goods in commerce. *Id.* (citing §§ 2(e), (f), 15 U.S.C. §§ 1052(e), (f) (1982)). The rule regarding distinctiveness is one in which "an identifying mark is distinctive and capable of being protected if it either (1) is inherently distinctive or (2) has acquired distinctiveness through secondary meaning." *Id.* at 2758 (citing Restatement (Third) of Unfair Competition § 13, pp. 37-38, and comment a (Tent. Draft No. 2, Mar. 23, 1990)).

Having assumed the jury was correct in finding that Taco Cabana's trade dress was inherently distinctive, the Court directed its attention to whether proving the existence of a secondary meaning would be required to allow protection of an inherently distinctive trade dress under the Lanham Act. *Id.* Trade dress is the total image of the business, including the exterior appearance of the restaurant, identifying sign, decor, menu, and equipment used to serve food. *Id.* at 2755 n.1. The Court concluded that proof of a secondary meaning was not required. *Id.* at 2758. Particularly persuasive to the Court was the reasoning of the court of appeals that protection of an inherently distinctive trademark or trade dress recognized a business owner's interest in its unique mark, even though consumers had not yet recognized a unique association between the product and the source. *Id.* (quoting *Two Pesos, Inc. v. Taco Cabana, Inc.*, 932 F.2d 1113, 1120 n.7 (5th Cir. 1991)).

Two Pesos conceded that arbitrary or fanciful trade dresses which had not acquired secondary meaning, but were classified as inherently distinctive, should have been temporarily protected to allow time to develop a secondary meaning in the market. *Id.* at 2759. Two Pesos argued, however, that if secondary meaning did not develop, the protection should have then been withdrawn. *Id.* The Court interpreted such a proposal by Two Pesos to be a recognition of the unfairness inherent

in a requirement of proving secondary meaning. Emphasizing that protection would be given initially only if the trade dress were inherently distinctive and capable of identifying the source of the product, the Court noted that the termination of protection would occur merely because the business was not successful enough in the market. *Id.* Denying protection to a unique trade dress for this reason was unacceptable to the Court, which opined that a business in this situation should be afforded protection of its unique trade dress while it enhances its recognition in the market. *Id.*

Rejecting the attempted distinction between trade dress and trademarks, the Court stated that there is no persuasive reason to apply different analyses to the two. The Second Circuit allowed protection for suggestive, inherently distinctive trademarks, without proof of secondary meaning, but denied protection to trade dress without such proof. *Id.* (citing *Thompson Medical Co. v. Pfizer Inc.*, 753 F.2d 208 (2d Cir. 1985)). Recognizing that proof of secondary meaning would not be required if trademarks were inherently distinctive, the Fifth Circuit held, contrary to the Second Circuit, that such a rule should also apply to trade dress. *Id.* at 2760 (citing *Chevron Chemical Co. v. Voluntary Purchasing Groups, Inc.*, 659 F.2d 695, 702 (5th Cir. 1981)). Agreeing with the Fifth Circuit, the Court further emphasized that protection of trademarks and trade dress serves the same end, which is to prevent deception and unfair competition. *Id.* at 2760. Moreover, the Court noted that section 43(a) of the Lanham Act does not mention either trademark or trade dress, and it also does not mention secondary meaning. Although section 1052 of the Lanham Act mentions secondary meaning, the Court pointed out that the section only applies to descriptive marks, not to inherently distinct trade dress. *Id.* at 2760.

In further support of its holding that secondary meaning was not required,

the Court expressed concern that a secondary meaning requirement for inherently distinct trade dress would undermine the purpose of the Lanham Act. *Id.* The Court noted that the primary purpose of the Lanham Act is to protect the goodwill established by the owner of a unique trademark and the ability of customers to distinguish among competing businesses. *Id.* Trademarks also enhance competition and quality by securing to businesses the benefits of a good reputation. *Id.* (citing *Park 'N Fly, Inc. v. Dollar Park and Fly, Inc.*, 469 U.S. 189, 198 (1985)). Requiring proof of secondary meaning would deny businesses the security of knowing their trade dress was protected while they improved their market standing. *Id.*

The Court also rejected the contention that a business which used a certain design first would preclude competition by products of similar design. Clarifying the status of the law, the Court stated that only nonfunctional, distinctive trade dress would be protected by section 43(a) of the Lanham Act. *Id.* A functional design that is only one of a few options for competitors would not be protected, because it would hinder free competition. *Id.* However, the Court emphasized that if secondary meaning was required, competition could be unduly burdened, particularly for small businesses. Such a requirement would have allowed a competitor the opportunity to use the trade dress of the original business in new markets, thereby hindering the originator's ability to expand. *Id.* at 2761.

In holding that secondary meaning is not a required element of protection for inherently distinctive trade dress, the *Two Pesos* decision will protect small business owners who have created a unique image to distinguish their business from all others and will guard against replication before the business is able to establish an association between the trade dress and its business in the market. Consequently, competitors will not be permitted to

create a business with an atmosphere and appearance similar to an existing business on the basis that the trade dress of the original business has not yet established a secondary meaning.

- Susan L. Oliveri

***Banks v. State*: STATEMENTS MADE BY VICTIM EXPRESSING FEAR OF KILLER NOT ADMISSIBLE TO REBUT EVIDENCE OF BATTERED SPOUSE SYNDROME.**

In *Banks v. State*, 92 Md. App. 422, 608 A.2d 1249 (1992), the Court of Special Appeals of Maryland held that statements made by a victim prior to his death expressing fear of his killer were inadmissible to rebut evidence of the battered spouse syndrome. The court found that the statements at issue were hearsay and did not fit into any of the hearsay exceptions.

In the early evening hours of August 14, 1990, Thelma Jean Banks ("Banks") called the Baltimore City Police and reported that her boyfriend, James McDonald ("McDonald"), had been stabbed. When the police arrived, McDonald was dead. Banks initially told police that she had been upstairs when intruders broke into the house and stabbed McDonald, but she eventually admitted that she stabbed the victim.

Banks was convicted of second degree murder by a jury in the Circuit Court for Baltimore City and was sentenced to a term of twenty years in prison. At trial, Banks maintained that she suffered from battered spouse syndrome when she stabbed McDonald. In support of this defense, Banks testified that the victim drank heavily and often physically abused her. Five other witnesses also testified that the victim had abused Banks.

In an attempt to rebut the evidence supporting the battered spouse syndrome defense, the state offered the victim's mother and sister who testified that McDonald told them he was afraid of Banks because she physically abused him. Lucille McDonald, the