

# Nuanced Approaches of Trade Dress Protection: A Comparative Study of US and China

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**Abstract.** Trade dress could be regarded as trademark when it functions as a distinguishing element. Meanwhile, it has competitive nature as it is designed to appeal to customers. The two relevant characteristics of trade dress make its protection more challenging. This study explores the protection of trade dress in the United States and China, focusing on the nuanced approaches each country takes. Through comparison between the two countries' legal frameworks, respectively Lanham Act in the US and Anti-Unfair Competition Law in China, this article finds two key distinctions, including the product packaging and design dichotomy in the US and the additional certain influence requirement to qualify for protection in China. Having examined relevant cases, this article figures out that both dichotomy and additional requirement are reflection of the lack of a uniform standard of distinctiveness standard and failure to apply functionality principle, therefore facing criticism for their vague standards. Consequently, this article proposes to adopt trade distinctiveness standard and insist on functionality principle to address the issue of trade dress protection.

**Keywords:** Trade dress, trademark law, distinctiveness, functionality.

## 1. Introduction

### 1.1. Definition of Trade Dress

Trade dress is not defined in the laws in both the US and China. In the US, while Lanham Act or Trademark Law does not officially use the concept of trade dress, it is commonly agreed that by using the words "symbol" and "device," Congress has indicated that it intends to make the list as broad as possible, giving protection for nearly anything that could be indicative of source. Therefore, the content of trade dress has been determined in a series of cases, continuously enriched with the advancement of judicial practice [1-3]. It generally refers to a product's overall image, which may include characteristics such as size, form, color or color combinations, texture, graphics, or even specific sales strategies [4]. The scope of trade dress has also broadened with the development of economy, with the focus shifting from packaging and labeling to the overall image of the product or a commercial enterprise [5].

China has absorbed this concept in the Anti-unfair Competition Law, in which it refers to a commodity's package or decoration [6]. The Court also indicates that an overall business image of a unique style consisting of the decor of the business, premises of a business, the style of business equipment, and the clothing of sales assistants, among others, may be determined as the "decoration" [7].

### 1.2. Significance of Trade Dress

Nowadays, trade dress plays an increasingly important role in indicating commodities to consumers, especially for food and daily supplies. For instance, in a supermarket, it's common for a consumer to buy a product whose design is familiar to her, without noticing the trademark. A prominent example is the red jar decoration designed by JDB company in China. The red jar is so striking and distinctive that customers frequently choose it without paying attention to the product name shifting from "Wanglaoji" to "Jiaduobao", or they assume that the product remains unchanged because the packaging remains consistent.

Nevertheless, trade dress serves not only to signify the origin of a product but also to confer a competitive edge. Legally, the protection of trade dress is based on its identifying function rather than

its aesthetic value. However, determining whether an aesthetic function exists is tough in judicial practice and difficult to implement effectively. Some companies may patent their product design through a design patent, which requires an aesthetic function, making it easier to distinguish between the two characteristics [8]. However, due to the requirements for application, fees, and the limited term of patents--such as the 15-year term for design patents in China, after which they enter the public domain and can no longer be monopolized--some businesses opt not to apply for design patents for trade dress. Instead, they seek to leverage the unlimited renewability of trademarks and the ambiguity surrounding which elements serve as indicators, in hopes of monopolizing the trade dress as a whole.

Therefore, the protection of trade dress is actually more challenging and has more restrictions compared to trademarks to avoid undue harm to patent and other intellectual property systems, necessitating striking a careful balance between fostering competition and preserving business reputation [5,9].

## **2. Comparison of Trade Dress Protection in the US and China**

### **2.1. Overview to Current Protection Mechanisms**

In the US, trade dress is regarded as an unregistered trademark, protected by 43(a) of Lanham Act. Trade dress protection, like trademark protection, fulfills the Act's goal of preserving the owner's business goodwill and safeguarding consumers' ability to differentiate between competing producers [2]. Thus, for an unregistered trademark to be protected, it must comply with the general principles that qualify a mark for registration, with the core principle being distinctiveness which is divided into two types: inherent distinctiveness and acquired distinctiveness [3,10]. Inherent distinctiveness grants distinctive marks protection from the moment they are first used in commerce. In contrast, marks without inherent distinctiveness must prove that consumers associate the mark with the source of the goods or services, a concept known as acquired distinctiveness or secondary meaning. In addition, a functional mark can not be protected, known as functionality principle.

In China, trade dress is protected under Anti-Unfair Competition Law, which prohibits a business from using a label identical or similar to the name, packaging or decoration of others' commodity with certain influence [6]. In relevant cases, "right to a product's package" instead of interests is used, indicating that trade dress is actually protected as an unregistered trademark which is entitled to right [11]. Also, the Court applies the principles and methods for judgments about the identicalness or similarity of trademarks, *mutatis mutandis*, to the determination of the identicalness or similarity to a label "with certain influence" [7]. Moreover, the unauthorized use of the distinctive name, packaging, or decoration of a well-known product in an unfair competition dispute was determined to fall under the category of infringement disputes. Jurisdiction should be determined in accordance with the rules for general infringement cases [12]. Moreover, trade dress rights can outweigh patent rights. In Anshan, despite the appellant obtaining design patents and copyright registration for the disputed product's packaging and decoration, the court ruled that the respondent's prior use of the packaging under the principle of protecting prior rights prevailed. The appellant's unauthorized use of similar packaging infringed on RunTian Company's prior usage rights, causing consumer confusion and constituting unfair competition, regardless of the obtained patent [13].

Additionally, trademark distinctiveness requirements in China are consistent with those in the US [14]. The parallels lay in the fact that both countries regard trade dress as unregistered trademark and require it to be distinctive. However, there are two main differences in the trade dress protection between them.

### **2.2. Product Packaging/Product Design Distinction in the US**

In comparison with China, the US distinguish product design and product package, holding that the former one can be inherently distinctive, while the latter one has to acquire distinctiveness by obtaining secondary meaning through the use. Product packaging refers to the box, container, or other materials used to package the product being sold, but that are separate from the product itself. Product

design trade dress pertains to the design elements of the product that serve to identify its source. Such distinction is clearly stated in two influential cases [2,3].

In *Two Pesos*, the Supreme Court held that trade dress could be inherently distinctive. Trade dress, in the Court's view, does not belong to descriptive marks, and therefore there is no basis for requiring secondary meaning for inherently distinctive trade dress protection. As for the worries of anti-competitive effects, the Court asserts that only nonfunctional and descriptive trade dress is protected, and additionally, imposing a secondary meaning requirement could lead to anti-competitive consequences, placing specific challenges on small businesses trying to establish goodwill. This would pose challenges for businesses, like the respondent, starting in a limited market and looking to expand. Without immediate protection for inherently distinctive and nonfunctional trade dress, competitors could copy the original design in new markets, hindering the originator's expansion and competition efforts.

However, in *Wal-Mart*, the Supreme Court pointed out the dangers of adopting an inherent distinctiveness principle in trade dress. Product design usually serves purposes beyond identifying the source, which, similar to color, is not typically associated by consumers with the source of the product. To ensure that new market entrants are not unfairly targeted for lawsuits based on alleged inherent distinctiveness and to prevent the principle of inherent distinctiveness from undermining consumer interests by hindering competition in utilitarian and aesthetic aspects, it's necessary to distinguish between product design and product packaging, which is tough but still preferable than having to decide when a product design is inherently distinctive. In addition, the Court suggested that in cases difficult to decide, the ambiguous trade dress should be classified as product design, requiring secondary meaning to qualify for protection.

The Product Packaging/Product Design Distinction has received constant critics for its uncertainty [15]. For example, one critique is that the Court's finding was unsupported by the text of the Lanham Act [16]. It has also been argued that applying different measures for distinction to product design and packaging trade dress is artificial, simplistic, and impractical [17]. An evident example is that Mexican decor involved in *Two Pesos* is concluded as product packaging while in *Ashley Furniture* is determined as product design [18].

### 2.3. Additional Requirement of Certain Influence in China

Compared to the US, China requests the commodity to have certain influence to to qualify for protection. The Anti-Unfair Competition Law was revised in 2017, replacing the term "well-known commodity" from the 1993 version of the law with "commodity with certain influence". However, the requirement of "certain influence" is no different from the previous term in terms of interpretation [19]. The Court has interpreted the criterion and taken several factors into consideration, including The extent to which the relevant public in China recognizes the mark, the length, geographical scope, scale, and the intended audience for the sale of goods, the time, intensity, and regional reach of promotion, the legal protections granted to the mark, along with other relevant considerations [7]. This additional requirement has also faced criticism for an extended period [20].

The US and China provide different protection for unregistered trademark, which may explain this additional requirement. In the US, as long as the trademark characteristics are embodied in the use, it can be protected. Trademark rights belong to the person who first actually uses the trademark in commerce, rather than the person who first applies for registration, known as the "First to use principle". However, in China, only registered trademarks are considered worthy of protection, known as the "First to file principle". China offers limited protection to the first user, the unregistered trademark, who is only allowed to continue using the trademark within the original scope of use, and it must be a "trademark with certain influence" [14]. No wonder that trade dress protection insists the certain influence requirement.

The requirement has been criticized for several reasons [20]. First of all, The requirement for products overlooks the consumer's perspective and court decisions often rely on judges' rational analysis rather than the viewpoint of ordinary consumers. Secondly, the Court's interpretation

expands trade dress rights, but there is no certain influence requirement for "overall image" of business, raising concerns. Furthermore, determining certain influence adds complexity and cost to dispute resolution, with high subjectivity potentially leading to arbitrary rulings and legal risks, which may hinder small businesses and stifle innovation.

Nevertheless, the additional requirement has little influence on the trade dress protection. When searching the Judgments Online website for cases involving "disputes over unauthorized use of the unique name, packaging, and decoration of well-known goods.", it is found that from 2011 to 2022, the great amount of cases recognized the disputed products as well-known commodities or commodities with certain influence. In Jixifu Wine(Beijing) , the disputed product is only sold for four years, mainly in Shanghai, and has gained little publicity, but it is still recognized as commodity with certain influence [21]. In fact, the requirement of "certain influence" is consistent with "acquired distinctiveness", as the latter absorbs the former [20]. In other words, the certain influence requirement is not only vague but also meaningless.

### **3. A Proposal to Promote the Balance of Competition and Trade Dress Protection**

Though protected by different laws in the US and China, trade dress is generally treated as unregistered trademark. However, due to the competitive nature of trade dress, granting it protection is more cautious. In the United States, this is reflected in the distinction between product packaging and product design, while in China, it manifests as an additional requirement of having certain influence. Nevertheless, both of them have been criticized as being vague and difficult to ascertain, thus necessitating the establishment of clearer standards to promote the trade dress protection and insist on the exception of technical function principle and aesthetic function principle.

#### **3.1. Trade Distinctiveness**

In Wal-Mart, the Court suggested that in contentious cases, disputed trade dress could be treated as product design, requiring acquired distinctiveness for protection. This focuses on whether consumers perceive a stable connection between the trade dress and the product. Similarly, in China, the "certain influence" requirement, which emphasizes publicity and the perceived connection, mirrors the concept of acquired distinctiveness. At the same time, it is often difficult to distinguish between the utilitarian function and the source-identifying function of trade dress, making it challenging to determine which function takes precedence. Therefore, it is frequently necessary to rely on the consumer's perspective, using the establishment of secondary meaning as the basis for judgment.

Therefore, It's suggested to replace the dichotomy of distinctiveness with trade distinctiveness [15]. Trade distinctiveness focuses on how merchants use trade dress to distinguish the source of their goods and services in the marketplace. It enables merchants to anticipate the legal implications of their design choices and offers courts a clearer framework for determining the protectability of trade dress. To apply trade distinctiveness test, the holder of trade dress rights should demonstrate that their trade dress has source-identifying characteristics according to commercial customs; at the same time, they must also show that their trade dress is unusual for that product or service.

It can also address the issue of separating trademark rights and trade dress rights in trademark licensing agreements. Even if the licensee has created the product's decoration or design, the licensor retains the decoration rights if they can prove that the product's decoration is closely associated with the product itself. However, if the licensor fails to prove this, the licensee may continue to use the related decoration. In other words, trade dress rights and trademark rights are closely linked because both point to the same product or establish a stable connection with it.

### 3.2. Functionality Principle

As the Court noted, the principle of functionality serves to protect competition. To be protected, a product must be non-functional. The functionality doctrine prohibits using a product feature as a trademark when it would place competitors at a significant disadvantage, particularly if the feature is “essential to the use or purpose of the article” or “affects its cost or quality” [22].

Functionality covers both utilitarian or traditional and aesthetic functionality [23]. The test for utilitarian functionality is competitive necessity test as mentioned before. In contrast, aesthetic functionality refers to product design elements that serve a functional aesthetic purpose, a concept that did not appear in case law until 1952 [24]. If a design's aesthetic value provides a significant benefit that cannot practically be duplicated by alternative designs, the design will be considered functional [22]. The test for aesthetic functionality involves three steps. First, the two prongs mentioned above are considered. If needed, in other words, if it is not traditionally functional, the next step is the competition inquiry outlined in *Qualitex*, demonstrating it does not significantly impact competition, to qualify for trademark protection [23]. Clearly, distinguishing a product's appeal from its brand identity is usually more challenging and complicated than separating its functional features from those that indicate its origin. Additionally, it's common that companies tend to choose marks both attractive and distinctive. As a consequence, the test for aesthetic functionality is generally less stringent than that for utilitarian functionality [25]. It only blocks protection if preventing a competitor from using the design would place them at a considerable disadvantage unrelated to reputation [26].

Since product design is integral to the product itself and more closely related to utilitarian functionality, while product packaging is not and is more associated with aesthetic functionality (and thus more frequently protected), it may be more effective to focus on the functionality principle rather than categorizing trade dress. For example, some courts are reluctant to exclude aesthetically pleasing designs from trade dress protection solely because of their appearance. Doing so might hinder companies from creating attractive logos that help build reputation by attracting customers increasingly. As a result, although a strict interpretation of aesthetic functionality would exclude such marks, some courts refuse to take that approach [25]. For the same token, the test for product packaging or store design trade dress, which are meant to attract customers by good look, is more lenient, focusing primarily on their aesthetic functionality. Nevertheless, like utilitarian functionality, aesthetic functionality also serves as a filtering mechanism and should not be overly lax. Protecting an entire artistic style without regard to aesthetic functionality would be inappropriate. Contrary to product packaging, protection for product design trade dress is more stringent as it is frequently relevant to cost and quality, focusing mainly on its utilitarian functionality. For instance, a kettle shaped like a penguin might not qualify for protection if its shape significantly increases its capacity. Of course, there are also product designs that primarily serve an aesthetic function or product packaging that primarily serves a practical function, such as cosmetic packaging that may have radiation protection and other effects. In conclusion, instead of distinguishing product packaging and product design, it's more precise to apply functionality principle.

## 4. Conclusion

Protection for trade dress in the US and China involves complex legal approaches, with distinct differences between the two systems. In the US, trade dress protection separates product packaging from design, requiring acquired distinctiveness for the latter. In China, the "certain influence" requirement is necessary for protection. Both approaches face criticism for their vague standards and practical difficulties.

Key challenges include the lack of uniform standards, the need to balance competition, and difficulties in applying the functionality principle. Adopting a "trade distinctiveness" standard would help clarify and streamline the protection framework. Additionally, emphasizing the functionality principle, particularly aesthetic functionality, could create a more balanced system that fosters fair

competition and encourages innovation. Clearer and more consistent guidelines are needed to address these limitations and improve trade dress protection in both legal systems.

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