

# SUPREME COURT OF THE UNITED STATES

No. 91-971

TWO PESOS, INC., PETITIONER v. TACO CABANA, INC.  
ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF  
APPEALS FOR THE FIFTH CIRCUIT  
[June 26, 1992]

JUSTICE STEVENS, concurring in the judgment.

As the Court notes in its opinion, the text of §43(a) of the Lanham Act, 15 U. S. C. §1125(a), “does not mention trademarks or trade dress.” *Ante*, at 11. Nevertheless, the Court interprets this section as having created a federal cause of action for infringement of an unregistered trademark or trade dress and concludes that such a mark or dress should receive essentially the same protection as those that are registered. Although I agree with the Court's conclusion, I think it is important to recognize that the meaning of the text has been transformed by the federal courts over the past few decades. I agree with this transformation, even though it marks a departure from the original text, because it is consistent with the purposes of the statute and has recently been endorsed by Congress.

It is appropriate to begin with the relevant text of §43(a).<sup>1</sup> See, e.g., *Moskal v. United States*, 498 U. S.

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<sup>1</sup>The text that we consider today is §43(a) of the Lanham Act prior to the 1988 amendments; it provides:

“Any person who shall affix, apply, or annex, or use in connection with any goods or services, or any container or containers for goods, a false designation of origin, or any false description or representation, including words or other symbols tending falsely to describe or represent the same, and shall cause such goods or services to enter into commerce, and any person who shall with knowledge of the falsity of such designation

--- (1990); *K Mart Corp. v. Cartier, Inc.*, 486 U. S. 281, 291 (1988); *United States v. Turkette*, 452 U. S. 576, 580 (1981). Section 43(a)<sup>2</sup> provides a federal remedy for using either “a false designation of origin” or a “false description or representation” in connection with any goods or services. The full text of the section makes it clear that the word “origin” refers to the geographic location in which the goods originated, and in fact, the phrase “false designation of origin” was understood to be limited to false advertising of geographic origin. For example, the “false designation of origin” language contained in the statute makes it unlawful to represent that California oranges came from Florida, or vice versa.<sup>3</sup>

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of origin or description or representation cause or procure the same to be transported or used in commerce or deliver the same to any carrier to be transported or used, shall be liable to a civil action by any person doing business in the locality falsely indicated as that of origin or in the region in which said locality is situated, or by any person who believes that he is or is likely to be damaged by the use of any such false description or representation.” 15 U. S. C. §1125(a) (1982 ed.).

<sup>2</sup>Section 43(a) replaced and extended the coverage of §3 of the Trademark Act of 1920, Ch. 104, 41 Stat. 534, as amended. Section 3 was destined for oblivion largely because it referred only to false designation of origin, was limited to articles of merchandise, thus excluding services, and required a showing that the use of the false designation of origin occurred “willfully and with intent to deceive.” *Ibid.* As a result, “[a]lmost no reported decision can be found in which relief was granted to either a United States or foreign party based on this newly created remedy.” Derenberg, *Federal Unfair Competition Law at the End of the First Decade of the Lanham Act: Prologue or Epilogue?*, 32 N. Y. U. L. Rev. 1029, 1034 (1957).

<sup>3</sup>This is clear from the fact that the cause of action created by this section is available only to a person

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For a number of years after the 1946 enactment of the Lanham Act, a “false description or representation,” like “a false designation of origin,” was construed narrowly. The phrase encompassed two kinds of wrongs: false advertising<sup>4</sup> and the common-law tort of “passing off.”<sup>5</sup> False advertising meant representing that goods or services possessed characteristics that they did not actually

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doing business in the locality falsely indicated as that of origin. See n. 1, *supra*.

<sup>4</sup>The deleterious effects of false advertising were described by one commentator as follows: “[A] campaign of false advertising may completely discredit the product of an industry, destroy the confidence of consumers and impair a communal or trade good will. Less tangible but nevertheless real is the injury suffered by the honest dealer who finds it necessary to meet the price competition of inferior goods, glamorously misdescribed by the unscrupulous merchant. The competition of a liar is always dangerous even though the exact injury may not be susceptible of precise proof.” Handler, *Unfair Competition*, 21 *Iowa L. Rev.* 175, 193 (1936).

<sup>5</sup>The common-law tort of passing off has been described as follows:

“Beginning in about 1803, English and American common law slowly developed an offshoot of the tort of fraud and deceit and called it ‘passing off’ or ‘palming off.’ Simply stated, passing off as a tort consists of one passing off his goods as the goods of another. In 1842 Lord Langdale wrote:

“‘I think that the principle on which both the courts of law and equity proceed is very well understood. A man is not to sell his own goods under the pretense that they are the goods of another man. . . .’

“In 19th century cases, trademark infringement embodied much of the elements of fraud and deceit from which trademark protection developed. That is,

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have and passing off meant representing one's goods as those of another. Neither “secondary meaning” nor “inherent distinctiveness” had anything to do with false advertising, but proof of secondary meaning was an element of the common-law passing-off cause of action. See, e.g., *G. & C. Merriam Co. v. Saalfield*, 198 F. 369, 372 (CA6 1912) (“The ultimate offense always is that defendant has passed off his goods as and for those of the complainant”).

Over time, the Circuits have expanded the categories of “false designation of origin” and “false description or representation.” One treatise<sup>6</sup> identified the Court of Appeals for the Sixth Circuit as the first to broaden the meaning of “origin” to include “origin of source or manufacture” in addition to geographic origin.<sup>7</sup> Another early case, described as unique among the Circuit cases because it was so “forward-looking,”<sup>8</sup> interpreted the “false description or representation” language to mean more than mere “palming off.” *L'Aiglon Apparel, Inc. v. Lana Lobell, Inc.*, 214 F. 2d 649 (CA3 1954). The court explained: “We find nothing in the legislative history of the Lanham Act to justify the view that [§43(a)] is merely declarative of existing law. . . . It seems to us that Congress has defined a statutory civil wrong of false representation of goods in commerce and has given a broad class of suitors injured or likely to be injured by such wrong the right to relief in the federal courts.” *Id.*, at 651. Judge Clark, writing a concurrence in

the element of fraudulent intent was emphasized over the objective facts of consumer confusion.” 1 J. McCarthy, *Trademarks and Unfair Competition* §5.2, p. 133 (2d ed. 1984) (McCarthy) (footnotes omitted).

<sup>6</sup>2 *id.*, §27:3, p. 345.

<sup>7</sup>*Federal-Mogul-Bower Bearings, Inc. v. Azoff*, 313 F. 2d 405, 408 (CA6 1963).

<sup>8</sup>Derenberg, 32 N. Y. U. L. Rev., at 1047, 1049.

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1956, presciently observed: “Indeed, there is indication here and elsewhere that the bar has not yet realized the potential impact of this statutory provision [§43(a)].” *Maternally Yours, Inc. v. Your Maternity Shop, Inc.*, 234 F. 2d 538, 546 (CA2). Although some have criticized the expansion as unwise,<sup>9</sup> it is now “a firmly embedded reality.”<sup>10</sup> The United States Trade Association Trademark Review Commission noted this transformation with approval: “Section 43(a) is an enigma, but a very popular one. Narrowly drawn and intended to reach false designations or representations as to the geographical origin of products, the section has been widely interpreted to create, in essence, a federal law of unfair competition. . . . It has definitely eliminated a gap in unfair competition law, and its vitality is showing no signs of age.”<sup>11</sup>

Today, it is less significant whether the infringement falls under “false designation of origin” or “false description or representation”<sup>12</sup> because in either case

<sup>9</sup>See, e.g., Germain, *Unfair Trade Practices Under §43(a) of the Lanham Act: You've Come a Long Way Baby—Too Far, Maybe?*, 64 *Trademark Rep.* 193, 194 (1974) (“It is submitted that the cases have applied Section 43(a) to situations it was not intended to cover and have used it in ways that it was not designed to function”).

<sup>10</sup>2 McCarthy §27:3, p. 345.

<sup>11</sup>The United States Trademark Association Trademark Review Commission Report and Recommendations to USTA President and Board of Directors, 77 *Trademark Rep.* 375, 426 (1987).

<sup>12</sup>Indeed, in count one of the complaint, respondent alleged that petitioner “is continuing to affix, apply, or use in connection with its restaurants, goods and services a false designation o[f] origin, or a false description and representation, tending to falsely describe or represent the same,” and that petitioner

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§43(a) may be invoked. The federal courts are in agreement that §43(a) creates a federal cause of action for trademark and trade dress infringement claims. 1 J. Gilson, *Trademark Protection and Practice* §2.13, p. 2-178 (1991). They are also in agreement that the test for liability is likelihood of confusion: “[U]nder the Lanham Act [§43(a)], the ultimate test is whether the public is likely to be deceived or confused by the similarity of the marks . . . . Whether we call the violation infringement, unfair competition or false designation of origin, the test is identical—is there a ‘likelihood of confusion?’” *New West Corp. v. NYM Co. of California, Inc.*, 595 F. 2d 1194, 1201 (CA9 1979) (footnote omitted). And the Circuits are in general agreement,<sup>13</sup> with perhaps the exception of the Second Circuit,<sup>14</sup> that secondary meaning need

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“has falsely designated the origin of its restaurants, goods and services and has falsely described and represented the same . . . .” App. 44-45; see Tr. of Oral Arg. 37.

<sup>13</sup>See, e.g., *AmBrit, Inc. v. Kraft, Inc.*, 805 F. 2d 974 (CA11 1986), cert. denied, 481 U. S. 1041 (1987); *Blau Plumbing, Inc. v. S.O.S. Fix-It, Inc.*, 781 F. 2d 604 (CA7 1986); *In re Morton-Norwich Products, Inc.*, 671 F. 2d 1332, 1343 (C. C. P. A. 1982); *Chevron Chemical Co. v. Voluntary Purchasing Groups, Inc.*, 659 F. 2d 695 (CA5 1981), cert. denied, 457 U. S. 1126 (1982); see also *Fuddruckers, Inc. v. Doc's B.R. Others, Inc.*, 826 F. 2d 837, 843-844 (CA9 1987); *M. Kramer Manufacturing Co. v. Andrews*, 783 F. 2d 421, 449, n. 26 (CA4 1986).

<sup>14</sup>Consistent with the common-law background of §43(a), the Second Circuit has said that proof of secondary meaning is required to establish a claim that the defendant has traded on the plaintiff's good will by falsely representing that his goods are those of the plaintiff. See, e.g., *Crescent Tool Co. v. Kilborn & Bishop Co.*, 247 F. 299 (1917). To my knowledge,

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not be established once there is a finding of inherent distinctiveness in order to establish a trade dress violation under §43(a).

Even though the lower courts' expansion of the categories contained in §43(a) is unsupported by the text of the Act, I am persuaded that it is consistent with the general purposes of the Act. For example, Congressman Lanham, the bill's sponsor, stated: "The purpose of [the Act] is to protect legitimate business and the consumers of the country."<sup>15</sup> 92 Cong. Rec.

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however, the Second Circuit has not explained why "inherent distinctiveness" is not an appropriate substitute for proof of secondary meaning in a trade dress case. Most of the cases in which the Second Circuit has said that secondary meaning is required did not involve findings of inherent distinctiveness. For example, in *Vibrant Sales, Inc. v. New Body Boutique, Inc.*, 652 F. 2d 299 (1981), cert. denied, 455 U. S. 909 (1982), the product at issue—a velcro belt—was functional and lacked "any distinctive, unique or non-functional mark or feature." 652 F. 2d, at 305. Similarly, in *Stormy Clime Ltd. v. Progroup, Inc.*, 809 F. 2d 971, 977 (1987), the court described functionality as a continuum, and placed the contested rainjacket closer to the functional end than to the distinctive end. Although the court described the lightweight bag in *LeSportsac, Inc. v. K Mart Corp.*, 754 F. 2d 71 (1985), as having a distinctive appearance and concluded that the District Court's finding of nonfunctionality was not clearly erroneous, *id.*, at 74, it did not explain why secondary meaning was also required in such a case.

<sup>15</sup>The Senate Report elaborated on these two goals:

"The purpose underlying any trade-mark statute is twofold. One is to protect the public so it may be confident that, in purchasing a product bearing a particular trade-mark which it favorably knows, it will

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7524 (1946). One way of accomplishing these dual goals was by creating uniform legal rights and remedies that were appropriate for a national economy. Although the protection of trademarks had once been “entirely a State matter,” the result of such a piecemeal approach was that there were almost “as many different varieties of common law as there are States” so that a person’s right to a trademark “in one State may differ widely from the rights which [that person] enjoys in another.” H. R. Rep. No. 944, 76th Cong., 1st Sess., 4 (1939). The House Committee on Trademarks and Patents, recognizing that “trade is no longer local, but . . . national,” saw the need for “national legislation along national lines [to] secur[e] to the owners of trademarks in interstate commerce definite rights.” *Ibid.*<sup>16</sup>

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get the product which it asks for and wants to get. Secondly, where the owner of a trade-mark has spent energy, time, and money in presenting to the public the product, he is protected in his investment from its misappropriation by pirates and cheats. This is the well-established rule of law protecting both the public and the trade-mark owner.” S. Rep. No. 1333, 79th Cong., 2d Sess., 3 (1946).

By protecting trademarks, Congress hoped “to protect the public from deceit, to foster fair competition, and to secure to the business community the advantages of reputation and goodwill by preventing their diversion from those who have created them to those who have not. This is the end to which this bill is directed.” *Id.*, at 4.

<sup>16</sup>Forty years later, the USTA Trademark Review Commission assessed the state of trademark law. The conclusion that it reached serves as a testimonial to the success of the Act in achieving its goal of uniformity: “The federal courts now decide, under federal law, all but a few trademark disputes. State



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Congress has revisited this statute from time to time, and has accepted the “judicial legislation” that has created this federal cause of action. Recently, for example, in the Trademark Law Revision Act of 1988, Pub. L. 100-667, 102 Stat. 3935, Congress codified the judicial interpretation of §43(a), giving its imprimatur to a growing body of case law from the Circuits that had expanded the section beyond its original language.

Although Congress has not specifically addressed the question whether secondary meaning is required under §43(a), the steps it has taken in this subsequent legislation suggest that secondary meaning is not required if inherent distinctiveness has been established.<sup>17</sup> First, Congress broadened the language of §43(a) to make explicit that the provision prohibits “any word, term, name, symbol, or device, or any combination thereof” that is “likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person.” 15 U. S. C.

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trademark law and state courts are less influential than ever. Today the Lanham Act is the paramount source of trademark law in the United States, as interpreted almost exclusively by the federal courts.” Trademark Review Commission, 77 Trademark Rep., at 377.

<sup>17</sup>“When several acts of Congress are passed touching the same subject-matter, subsequent legislation may be considered to assist in the interpretation of prior legislation upon the same subject.” *Tiger v. Western Investment Co.*, 221 U. S. 286, 309 (1911); see *NLRB v. Bell Aerospace Co.*, 416 U. S. 267, 275 (1974); *Red Lion Broadcasting Co. v. FCC*, 395 U. S. 367, 380-381 (1969); *United States v. Stafoff*, 260 U. S. 477, 480 (1923) (opinion of Holmes, J.).

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§1125(a). That language makes clear that a confusingly similar trade dress is actionable under §43(a), without necessary reference to “falsity.” Second, Congress approved and confirmed the extensive judicial development under the provision, including its application to trade dress that the federal courts had come to apply.<sup>18</sup> Third, the legislative history of the 1988 amendments reaffirms Congress' goals of protecting both businesses and consumers with the Lanham Act.<sup>19</sup> And fourth, Congress explicitly extended to any violation of §43(a) the basic Lanham

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<sup>18</sup>As the Senate Report explained, revision of Section 43(a) is designed “to codify the interpretation it has been given by the courts. Because Section 43(a) of the Act fills an important gap in federal unfair competition law, the committee expects the courts to continue to interpret the section.

“As written, Section 43(a) appears to deal only with false descriptions or representations and false designations of geographic origin. Since its enactment in 1946, however, it has been widely interpreted as creating, in essence, a federal law of unfair competition. For example, it has been applied to cases involving the infringement of unregistered marks, violations of trade dress and certain nonfunctional configurations of goods and actionable false advertising claims.” S. Rep. No. 100-515, p. 40 (1988).

<sup>19</sup>“Trademark protection is important to both consumers and producers. Trademark law protects the public by making consumers confident that they can identify brands they prefer and can purchase those brands without being confused or misled. Trademark laws also protec[t] trademark owners. When the owner of a trademark has spent considerable time and money bringing a product to the marketplace, trademark law protects the producer from pirates and counterfeiters.” *Id.*, at 4.

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Act remedial provisions whose text previously covered only registered trademarks.<sup>20</sup> The aim of the amendments was to apply the same protections to unregistered marks as were already afforded to registered marks. See S. Rep. No. 100-515, p. 40 (1988). These steps buttress the conclusion that §43(a) is properly understood to provide protection in accordance with the standards for registration in §2. These aspects of the 1988 legislation bolster the claim that an inherently distinctive trade dress may be protected under §43(a) without proof of secondary meaning.

In light of the general consensus among the Courts of Appeals that have actually addressed the question, and the steps on the part of Congress to codify that consensus, *stare decisis* concerns persuade me to join the Court's conclusion that secondary meaning is not required to establish a trade dress violation under §43(a) once inherent distinctiveness has been established. Accordingly, I concur in the judgment, but not in the opinion of the Court.

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<sup>20</sup>See 15 U. S. C. §§1114, 1116-1118.