

OFFICIAL TRANSCRIPT
PROCEEDINGS BEFORE
THE SUPREME COURT
OF THE
UNITED STATES

CAPTION: TWO PESOS, INC., Petitioner V.

TACO CABANA, INC.

CASE NO: 91-971

PLACE: Washington, D.C.

DATE: April 21, 1992

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1 IN THE SUPREME COURT OF THE UNITED STATES

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3 TWO PESOS, INC., :

4 Petitioner :

5 v. : No. 91-971

6 TACO CABANA, INC. :

7 - - - - -X

8 Washington, D.C.

9 Tuesday, April 21, 1992

10 The above-entitled matter came on for oral
11 argument before the Supreme Court of the United States at
12 11:12 a.m.

13 APPEARANCES:

14 KIMBALL J. CORSON, ESQ., Phoenix, Arizona; on behalf of
15 the Petitioner.

16 RICHARD G. TARANTO, ESQ., Washington, D.C.; on behalf of
17 the Respondent.

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1 P R O C E E D I N G S

2 (11:12 a.m.)

3 CHIEF JUSTICE REHNQUIST: We'll hear argument
4 next in No. 91-971, Two Pesos, Inc. v. Taco Cabana.

5 Mr. Corson.

6 ORAL ARGUMENT OF KIMBALL J. CORSON

7 ON BEHALF OF THE PETITIONER

8 MR. CORSON: Mr. Chief Justice, and Justices of
9 the Court, good morning.

10 This is an intellectual property case. It is a
11 restaurant trade dress case under section 43(a) of the
12 Lanham Act.

13 In broad terms, the issue before you this
14 morning is not whether the Two Pesos restaurant chain
15 copied the appearance of the Taco Cabana restaurant chain.
16 It is, instead, a different issue. It is whether Taco
17 Cabana has a publicly recognized and understood appearance
18 that may not be copied. It is a question of
19 protectability under 43(a) of the Lanham Act.

20 If Taco Cabana does not have a protectable trade
21 dress, the issue of copying is not involved, and there can
22 be no actionable confusion under section 43(a) of the
23 Lanham Act. And the reason for this is that it protects
24 an original, recognized source of origin. That's what
25 43(a) does. If it is not recognized by the public, then

1 there is no issue of confusion. You do not reach the
2 likelihood of confusion issue under section 43(a) of the
3 Lanham Act.

4 QUESTION: Mr. Corson, I think this case arose
5 under a previous version of section 43(a) of the Lanham
6 Act.

7 MR. CORSON: That is correct.

8 QUESTION: Now, it's been revised.

9 MR. CORSON: Yes.

10 QUESTION: Do you think that under the revision
11 of this statute that secondary meaning always must be
12 shown?

13 MR. CORSON: Yes. And the reason for that is
14 that the revisions of the act were largely in regard to
15 the disparagement issue, and do not affect the language
16 that is key and relevant to this case.

17 We still have, in the revised act, the language
18 that says, any person who, or in connection with any goods
19 or services -- skipping some material -- uses in commerce
20 any false designation of origin -- and that gets back to
21 the issue. If we're talking about a false designation of
22 origin, which is what was pled in this case, the
23 infringement of which was the basis of the judgment, then
24 we are still dealing with the issue of secondary meaning.

25 QUESTION: If we think that secondary meaning is

1 not required in a trade dress case, do you lose?

2 MR. CORSON: Yes.

3 QUESTION: So that the brief for the Private
4 Label Association states the question accurately -- it
5 states it differently than you do -- but it states
6 accurately the question that's before the Court?

7 MR. CORSON: I believe it does, but with
8 contextual variation. It's more general than we posit it.

9 QUESTION: So we have to assume that this would
10 be a protected trade dress if secondary meaning is not
11 required?

12 MR. CORSON: That is correct, sir. The issue of
13 secondary meaning has historically been required for trade
14 dresses. That has been the rule for many, many years. It
15 was in the Chevron, Fifth Circuit case that that rule was
16 changed. And it was changed, interestingly enough, for a
17 little, tiny label that really was quite unique. It may
18 well have been considered a trademark.

19 QUESTION: Why was it changed? What was the
20 basis for changing it?

21 MR. CORSON: The basis for changing it was not
22 well articulated, sir; it was simply the judgment that on
23 viewing it, it was arbitrary or fanciful.

24 QUESTION: Was there some agency involved?

25 MR. CORSON: No, sir.

1 QUESTION: Well, who changed it?

2 MR. CORSON: The Fifth Circuit -- the
3 judgment --

4 QUESTION: Well, so it was changed within the
5 Fifth Circuit then, is what you're saying.

6 MR. CORSON: Yes, de novo, on de
7 novo -- basically under a de novo standard it was viewed.
8 It was determined to be inherently distinctive, and that
9 was largely the end of the discussion.

10 The difficulty that crops up in making those
11 judgments is that it is very difficult to look at a trade
12 dress and be able to tell whether it is inherently
13 distinctive. This is a problem the United States
14 Trademark --

15 QUESTION: Did it overturn any prior decision of
16 the Fifth Circuit?

17 MR. CORSON: Not that I recall, sir. I don't
18 think it had been --

19 QUESTION: It wasn't based on any change in the
20 statute?

21 MR. CORSON: No, sir. It was based on a
22 sentiment that it would be nice to bring trade dress law
23 into conformity with trade law -- trademark law.

24 QUESTION: And it recognized that it was
25 in -- contrary to other circuits, or not?

1 MR. CORSON: It did not discuss that, sir.

2 QUESTION: Was it?

3 MR. CORSON: Yes.

4 QUESTION: But we didn't take the case on the
5 question of whether the restaurant is inherently
6 distinctive in its trade dress, did we?

7 MR. CORSON: No, I believe it's on the question
8 really of whether secondary meaning is required.

9 QUESTION: Exactly, yes.

10 MR. CORSON: And I think the notion --

11 QUESTION: So we should just assume the
12 inherently distinctive trade dress, for purposes of
13 answering the secondary meaning issue?

14 MR. CORSON: That is a difficult proposition
15 that has caused confusion in the case, Justice O'Connor.

16 QUESTION: Yeah, but I thought you said that you
17 lose if we decide secondary meaning is not necessary.

18 MR. CORSON: That is correct. But there's a
19 problem of semantics.

20 QUESTION: Well, if it wasn't inherently
21 distinctive, you never even get to secondary meaning, do
22 you?

23 MR. CORSON: If it is not inherently
24 distinctive, of necessity you have to address the question
25 of inherent distinctiveness.

1 The argument would also be -- and mine is a
2 little different here -- it is that even if it is
3 inherently distinctive, all we are really saying when we
4 use those words -- and it's a bad bit of
5 nomenclature -- is that we will, from its appearance only,
6 presume that it is distinctive. And the difficulty we
7 have in this case is that that presumption was
8 resoundingly defeated by the actual evidence. Because the
9 evidence came in and said, in the Texas market there is no
10 recognition of this trade dress.

11 So we wind up, then, with a very nominal
12 situation of a mark being by -- as judged from its
13 appearance, be inherently distinctive. It has no
14 distinctiveness at all.

15 QUESTION: Well, I would think -- I would think
16 here -- I think any -- based on trade dress would be
17 almost impossible to prove if you require secondary
18 meaning in the case of a new business.

19 MR. CORSON: The difficulty, sir, is that --

20 QUESTION: Is that right? It would be awfully
21 hard.

22 MR. CORSON: Depending on --

23 QUESTION: Wouldn't you hate to be
24 recognized -- trying to prove a secondary meaning on
25 behalf of a restaurant chain that had just started out, or

1 just one restaurant?

2 MR. CORSON: Yes.

3 QUESTION: It would be kind of tough.

4 MR. CORSON: Yes. And that's why I address that
5 issue as the incipency problem. And in that context, for
6 a limited period of time -- only for the time that's
7 reasonably necessary for that trade dress to become
8 recognized if it will, there should be a recognition of
9 the applicability of the Fifth Circuit rule.

10 Beyond that period of time, then the --

11 QUESTION: Do you see that -- do you think
12 that's a --

13 MR. CORSON: The Second Circuit rule.

14 QUESTION: -- the Fifth Circuit would be right
15 for 6 months or so?

16 MR. CORSON: Yes, sir. But not for 11 years, as
17 we have here.

18 QUESTION: Do you have authority in trademark
19 law where such temporal protection is granted in other
20 instances?

21 MR. CORSON: No, sir, no sir.

22 There is a practice in the Second Circuit
23 district courts of attempting to develop a doctrine called
24 secondary meaning in the making. And it recognizes the
25 sentiment that at the outset you have precisely this

1 problem. And that there should be some limited protection
2 afforded. So what they want to do is afford secondary
3 meaning on a presumption basis for a limited period of
4 time, after which secondary meaning must be proven.

5 QUESTION: Well, it seems to me that your
6 concession makes your case much more difficult. Because
7 as I think you will agree -- maybe you won't agree -- that
8 what we're concerned here with is confusion, not copying.

9 MR. CORSON: Yes, sir.

10 QUESTION: And it seems to me -- maybe I'm
11 wrong -- but the rationale of your temporal protection is
12 to punish or prohibit copying.

13 MR. CORSON: Sir, I believe the argument is a
14 narrow one. We do not reach the issue of confusion. If
15 there is not a determination that Taco Cabana's restaurant
16 chain trade dress, after 11 years of use in the
17 marketplace, is not protectable. You must make a
18 determination of the protectability of that mark before
19 you can ever reach the confusion issue. That has to be
20 done -- unless there is some rule adopted, like is
21 proposed here, that there be a limited incipency trade
22 protection.

23 QUESTION: I understand that. But I'm trying to
24 explore the rationale for your concession that there is a
25 limited period of protectability.

1 MR. CORSON: The rationale for it is exactly the
2 fact that if somebody comes into a market, they are fresh
3 and new to the market, they develop a trade dress which is
4 highly unusual, that for a limited period of time they
5 should be afforded some protection.

6 QUESTION: Why?

7 MR. CORSON: Because they have spent time, and
8 money, and energy in developing that -- and because one
9 of --

10 QUESTION: But that's a copying rationale, not a
11 confusion rational. It seems to me that I'm arguing your
12 case in that respect.

13 MR. CORSON: And because, sir --

14 QUESTION: And if I'm wrong, please advise me.

15 MR. CORSON: Okay, and because -- I'm going to
16 bring something else to it at this point -- and because as
17 looking at it from the appearance, a judgment can be
18 reasonably made that it is arbitrary, fanciful, or
19 suggestive. And therefore, should be cloaked with the
20 protection of a presumptive, inherent
21 distinctiveness -- or presumptive distinctiveness, for
22 that limited period of time, to let itself get on its
23 feet. That's the thrust of all the district court cases
24 in New York that are trying to provide secondary meaning
25 in the making.

1 QUESTION: Well, then --

2 MR. CORSON: This case is distinguished.

3 QUESTION: -- it's wrong to immediately copy a
4 new trade dress that is highly unusual? You can't copy it
5 for 6 months or 1 year, but right after that you can copy
6 it?

7 MR. CORSON: No, right after that there would be
8 a requirement that secondary meaning be proved.

9 QUESTION: Well, I know, but you can copy it
10 unless you can prove secondary meaning.

11 MR. CORSON: That's right. If the other side
12 cannot prove secondary meaning, and you can disprove it,
13 it's had its chance in the marketplace and the time and
14 effort and the --

15 QUESTION: What do you think secondary meaning
16 means?

17 MR. CORSON: It means the public recognizes that
18 the trade dress is a symbol of an exclusive origin for the
19 goods and services sold in connection with it. The public
20 understands that. Even a purely, inherently distinctive
21 mark has to have that recognition at some point. It has
22 to be recognized by the public. If it's used and used and
23 used, and the public doesn't recognize it, it's a real
24 problem. Here we have the difficulty that this trade
25 dress is inherently descriptive. You place any mortal in

1 front of a Taco Cabana restaurant, and ask him what it is,
2 he won't tell you it's a trademark. He'll tell you it's a
3 restaurant. Its primary meaning is that it's a
4 restaurant.

5 QUESTION: It -- and there's a finding in this
6 case that there is no secondary meaning?

7 MR. CORSON: There is a finding in this case
8 that there is no secondary meaning, sir, yes.

9 QUESTION: Was that in the district court?

10 MR. CORSON: That was in the district court.

11 QUESTION: Is the term inherently distinctive
12 one that is found in the statute?

13 MR. CORSON: No, sir, it's judicial gloss.

14 QUESTION: From the Fifth Circuit?

15 MR. CORSON: Um -- from trademark law and the
16 common law that antedates the statute.

17 QUESTION: Uh -- and what does it mean?

18 MR. CORSON: It means that we, from the
19 appearance of this particular mark, trade dress, what you
20 will, infer that it is arbitrary or fanciful, as those
21 terms are used in trademark law, so that we will say it is
22 inherently distinctive, or we will give it a presumption
23 of distinctiveness.

24 QUESTION: Oh, when you said a while ago, you
25 described it as highly unusual.

1 MR. CORSON: That would be a way, too.

2 QUESTION: And highly unusual.

3 MR. CORSON: There's a problem with the
4 language.

5 QUESTION: You also say arbitrary or
6 fanciful -- all those could be included within the meaning
7 of inherently distinctive?

8 MR. CORSON: Technically it's arbitrary,
9 fanciful, or suggestive -- those three are historically
10 the ones that --

11 QUESTION: And that's what, by the common law?

12 MR. CORSON: That is common law heritage that's
13 been codified.

14 QUESTION: Mr. Corson, does any of these cases
15 that involve trade dress involve restaurants as well? I
16 have -- most trade dress serves no function except
17 to -- except to identify the product. I'm not sure that's
18 the case. In the case of a restaurant, the trade dress is
19 the product, it's not just an identification.

20 MR. CORSON: That's precisely the problem.

21 QUESTION: And you're paying some money for the
22 food, and you're paying some money for the ambiance.
23 It's -- does that mean that it's functional? Is that the
24 same thing as saying that it's functional?

25 MR. CORSON: It has functional characteristics.

1 The problem we have here is we're dealing with a
2 whole restaurant appearance. We're not dealing with a
3 little logo, or a little mark, or a name, or what the
4 public traditionally recognizes as an identifier. We are
5 dealing with a whole restaurant appearance. And when you
6 deal with a whole business appearance or with a whole
7 product appearance, different rules apply. Because then
8 you have the problem of inherent descriptives.

9 QUESTION: Well, a whole business -- I mean
10 Macy's might have a distinctive Macy's look about the
11 store. But I'm not buying the store. I don't pay money
12 to go and look at Macy's. I do pay money to go and sit in
13 that restaurant, in that particular environment, right?
14 It's called --

15 MR. CORSON: The analogy is packaging, sir.

16 QUESTION: Is -- the analogy is --

17 MR. CORSON: Packaging.

18 QUESTION: Packaging.

19 MR. CORSON: Packaging for the product. Yes, I
20 think this -- the ambiance of the restaurant, the whole
21 package there is analogous, as it were, to a wrapper on a,
22 or a label on a fertilizer jar.

23 QUESTION: Well, then I don't understand, again,
24 your concession about a temporary protection -- if it's
25 just descriptive or functional. I would suppose you could

1 copy it from the outset.

2 MR. CORSON: That's correct, because it would be
3 denied the presumption on the basis of its appearance.
4 And in that instance it should not have an incipency. It
5 has to pass first muster of being on the basis of its
6 appearance, inherently capable of being presumed
7 distinctive. If it doesn't pass muster, then --

8 QUESTION: I don't think it is packaging. I
9 think you're disagreeing. You're saying it is packaging?
10 I don't think it is packaging. I think you're talking
11 about the substance of what's being sold. You're selling
12 atmosphere and food; the two of them. You can have
13 wonderful food in a lousy atmosphere. I'm not going to
14 pay as much money.

15 MR. CORSON: If that's the case --

16 QUESTION: This is not the package. This is
17 what I'm paying for.

18 MR. CORSON: If that's the case, Justice Scalia,
19 then what you are doing is protecting the delivery of a
20 product, and making the provision of that particular
21 product exclusive to one source so that the competitors
22 may not sell that product. And that is a fundamental,
23 massive limitation on competition. Consider an example:
24 Let's say you had McDonald's, 15 or 20 years ago. It had
25 pretty much --

1 QUESTION: You can sell the same kind of a
2 product, you just can't copy the other fellow's ambiance.

3 MR. CORSON: If you --

4 QUESTION: You can have your own.

5 MR. CORSON: If you take his position, you can't
6 sell that product. If the product is the ambiance and all
7 that's included, the total commercial concept that a
8 competitor is precluded from that market and a monopoly is
9 afforded judicially, and circumstances that are contrary
10 to congressional policy of allowing trademarks to aid
11 competition and minimize monopoly.

12 So fundamental congressional purpose is
13 destroyed there, if that's the case. And that's the
14 problem with protecting commercial concepts.

15 QUESTION: Well, I suppose to have a Lanham Act
16 recovery, you have to be sure that the item is
17 nonfunctional.

18 MR. CORSON: Yes.

19 QUESTION: To which the trade dress is applied.

20 So really, your focus of how this concept should
21 be limited turns on how you limit functionality.

22 MR. CORSON: Yes.

23 QUESTION: But we don't have that issue here, do
24 we?

25 MR. CORSON: That is correct.

1 QUESTION: We just took this to decide whether
2 secondary meaning must be required.

3 MR. CORSON: That is correct.

4 QUESTION: So maybe we ought to talk about that
5 a little bit.

6 MR. CORSON: That is right. Secondary meaning
7 is necessary for trade dresses that have been in use.
8 Because otherwise, the Court, if it renders a decision to
9 the contrary, would be in the business of protecting whole
10 business images, whole product images which are not
11 recognized by the public, and serve no identifying
12 function at all. And that has very serious competitive
13 implications.

14 QUESTION: Is the line that you draw between
15 trade dress and other kind of trademarks what is
16 registerable?

17 MR. CORSON: No, sir.

18 QUESTION: Are we going to have problems in
19 drawing lines between what is a trade dress and what is
20 some other type of protected mark?

21 MR. CORSON: No, you can avoid that problem.

22 QUESTION: How?

23 MR. CORSON: In regard to trade dress, it is
24 conceivable that there are some types of trade dress which
25 can be registered. So the line doesn't need to get drawn

1 there. But the line ought to be drawn, very hard I
2 believe -- if the Court wants the narrowest possible
3 decision -- in regard to whole business image trade
4 dresses and whole product image trade dresses. Because
5 they have the most serious consequences for competition.

6 QUESTION: So then we have a subset of trade
7 dresses. And so this becomes just a restaurant case?

8 MR. CORSON: This would become a whole business
9 image trade dress case.

10 QUESTION: May I ask you -- in your judgment,
11 could your opponent have obtained a registration, have
12 registered this trade dress?

13 MR. CORSON: Not in a million years, sir.

14 QUESTION: It would not be subject to
15 registration?

16 MR. CORSON: It would not be subject to
17 registration. An examiner would look at it. He would say
18 it's inherently distinctive, it's loaded with functional
19 features, it's loaded with a Mexican decor which describes
20 the food type and origin of the recipes. And it has
21 anticompetitive consequences, and you can't prove to me it
22 has secondary meaning.

23 QUESTION: Now, are you saying that about this
24 particular trade dress, or are you saying no trade dress
25 can be registered?

1 MR. CORSON: No, this particular trade dress,
2 sir.

3 QUESTION: Even if it were -- even if it's
4 inherently distinctive, it cannot be -- it could not be
5 registered, and even if it's nonfunctional and
6 nondescriptive.

7 MR. CORSON: If it were registered -- assume it
8 was inherently distinctive, and it was registered, there
9 could be a litigation, immediately thereafter, which would
10 rebut the presumption if it could be proved it had no
11 secondary meaning.

12 QUESTION: Let me ask you one other sort of
13 basic question. This action is entirely under section
14 43(a) of the Lanham Act, correct?

15 MR. CORSON: Correct, sir.

16 QUESTION: There is no -- they did not allege a
17 common law cause of action under a Texas common law?

18 MR. CORSON: I believe they did, but it folded
19 in under the 43(a) section. And the focus has been on
20 43(a) because the common law brings nothing additional to
21 it.

22 QUESTION: it's at least theoretically possible
23 in some States that even though there's no remedy under
24 43(a) they might nevertheless recover if the State chose
25 to give protection.

1 MR. CORSON: That is correct, and New York would
2 be an example.

3 QUESTION: Yeah, does any State -- any circuit
4 other than the Second Circuit follow this rule of
5 incipient, secondary meaning or whatever -- what, you
6 know, developing secondary meaning, or whatever you call
7 it?

8 MR. CORSON: No, sir, the New York district
9 courts are grappling with it; the Second Circuit does not
10 know what it thinks of it very clearly just yet. The
11 Eight Circuit has said no to it, the others haven't come
12 to grips with it.

13 QUESTION: And you think it's good law or bad
14 law?

15 MR. CORSON: I think for a trade dress that on
16 the face of it qualifies as being arbitrary and fanciful
17 for a limited period, some protection -- not in the form
18 of lost profits from diverted customers, but simply some
19 portion of development costs might be reasonable. But in
20 this case where we have a trade dress used for 11 years,
21 no way.

22 QUESTION: You say if it's just a matter of
23 business image there can be no protection. What is having
24 a business image? How does that -- is there any -- does
25 that mean anything other than what the public looks at?

1 MR. CORSON: Yes, sir -- no, technically, trade
2 dress ought to be limited to appearance.

3 QUESTION: If you said what is your image, I
4 would think it's what people think of you, or what -- how
5 people look at you.

6 MR. CORSON: Justice White, that is precisely a
7 problem with the jury instructions in this case. They
8 dealt with image when trade dress has historically dealt
9 with appearance. And what we should be talking about is
10 not somebody's reputation, and not some business's
11 reputation, but the appearance.

12 QUESTION: You say if this chain of restaurants
13 has an image in the public mind, what is it? It's --

14 MR. CORSON: That's a problem. In fact, it
15 has very many different --

16 QUESTION: I know, but why isn't it secondary
17 meaning?

18 MR. CORSON: It doesn't have secondary meaning
19 because there's too many images. You can look at it from
20 the front; you can look at it from the side; you can look
21 at it from the interior. And in the McMillan Second
22 Circuit case, the Second Circuit there said there was no
23 protectability.

24 QUESTION: The Circuit looks at it in totality.

25 MR. CORSON: Say again, sir?

1 QUESTION: The Fifth Circuit doesn't just look
2 at one thing or the other. I think it's the totality.

3 MR. CORSON: That's right. But the problem here
4 is it was in regard to a little, tiny label -- all of
5 which could be taken in at a glance. Here you have an
6 entire restaurant, that to be viewed by a human being has
7 to be viewed from many different perspectives. And the
8 Second Circuit says if you've got too many images, you
9 don't know which one is going to serve as an identifier,
10 and the public's not likely to pick up on any one. And
11 that's the Parone v. McMillan case, where they tried to
12 deal with Babe Ruth's photograph. It was a registered
13 mark. And there were other photographs that they wanted
14 to preclude use of without their consent. And the court
15 said no. There's too many images here for any one to be
16 recognized by the public as an identifier. And we're not
17 going to afford it protection. And they've got the same
18 problem with respect to restaurants.

19 An example I'd like to turn to now is the one
20 involving McDonald's that I mentioned earlier. Consider
21 it 15 or 20 years ago that McDonald's had decided that it
22 wanted to protect its total business image as a trade
23 dress. And assume further that the Second Circuit law did
24 not apply, and that the law of the land was that in
25 Chevron. At that time, McDonald's had pretty much covered

1 the United States. It was in the process of filling in in
2 geographical locations, but it hadn't done it all.

3 Its competitors, on the other hand, Burger King,
4 Jack-in-the-Box, and others, were coming after. And they
5 were coming into new territories at that juncture. Now,
6 if McDonald's had a protectable business image trade dress
7 in regard to its restaurant appearance -- and let's say it
8 had gotten some for some of its products as well, whole
9 product image trade dresses, and it had protection for
10 those -- can you imagine what it could have done for its
11 competition?

12 QUESTION: Well, you say they have that
13 protection for 6 months, or 9 months, or a year.

14 MR. CORSON: Oh, but this --

15 QUESTION: I just don't understand that.

16 MR. CORSON: They're well past that, sir.
17 They're well beyond it. I mean if we're talking 15 or 20
18 years, we're past that period of time. That would be only
19 for the start-up. They're there. They would be able, in
20 that instance, because others would be coming new to the
21 marketplace, let's say moving into Kansas, to be totally
22 precluded.

23 QUESTION: It doesn't seem -- I think what
24 Justice Kennedy's saying is it doesn't seem any more
25 reasonable to protect it for 6 months than it does for a

1 longer period.

2 MR. CORSON: That's a fair judgment.

3 QUESTION: I mean -- yeah, but the problem
4 you're addressing, as Justice O'Connor pointed out is, it
5 seems to me, a problem of functionality. The reason it
6 seemed bad is that you're talking a functional
7 characteristic.

8 MR. CORSON: Also a descriptive --

9 QUESTION: But that's out of this case.

10 MR. CORSON: No, and also descriptive
11 characteristics. Those are the essences of what's
12 required to not be in the appearance in order for it to be
13 inherently distinct. It can't be descriptive. It can't
14 be identifiable as something else. And here it's
15 identifiable as a restaurant. It can't be
16 identifiable --

17 QUESTION: Yes, but in your McDonald's case,
18 suppose they have the golden arch. And the other people
19 didn't put up the golden arch. And your opponent here has
20 this stripe, and the bunch of plants out in front and some
21 other things that are the substitute for the golden arch
22 that make it distinctive. So I don't think you can -- he
23 isn't just relying on the fact that they sell tacos, or
24 whatever it is, instead of hamburgers.

25 MR. CORSON: Sir, McDonald's did it differently.

1 QUESTION: I mean, the golden arch is a big part
2 of their unique picture.

3 MR. CORSON: Very much. They did not try to
4 protect their image as a business. They said we're going
5 to go get some separate and distinct identifying feature.
6 And they used the golden arches -- which were originally
7 part of the sides of the restaurant. And they pulled them
8 out front, turned them into a big M, made them as large as
9 zoning ordinances will allow.

10 And that is their identifying symbol. They
11 wanted some protection in regard to their identity. They
12 wanted recognition in regard to their identity. And
13 that's what they did. They didn't rely on their
14 business/restaurant image, which is what Taco --

15 QUESTION: No, but here, under the findings of
16 the jury, as I understand it, they, in effect, said that
17 the stripes and the plants, and the way they have the
18 carports and so on are the equivalent of a golden arch.

19 MR. CORSON: But they're not.

20 QUESTION: Is that --

21 MR. CORSON: The public --

22 QUESTION: But then you're arguing it's not
23 inherently distinctive.

24 MR. CORSON: The public doesn't recognize the
25 appearance of their restaurant. The public recognizes the

1 golden arches. And it is public recognition which is
2 essential to the protectability. For a trade dress, there
3 has to be public recognition before there's anything to
4 protect. If the public doesn't recognize it, it's not
5 protectable.

6 QUESTION: Different from a trademark.

7 MR. CORSON: Because it doesn't serve.

8 QUESTION: Why is it different from a trademark
9 in that regard? And why do you propose that we adopt some
10 initial 6-month protectability for new trade
11 dress, although we don't do that for trademarks. I mean,
12 we protect them indefinitely, not just for 6 months.

13 MR. CORSON: You have two questions.

14 QUESTION: Right.

15 MR. CORSON: I'll answer the last one first.

16 The last one, basically is that you can
17 challenge a trademark as not having secondary meaning and
18 knock it out of the water. And in regard to the -- the
19 first one, could you repeat it, sir?

20 QUESTION: Well, I -- you're proposing a system
21 for protecting trade dress to handle the incipient trade
22 dress. You say it should get some imperfect kind of
23 protection for 6 months or some short period? We don't do
24 that for trademarks. Why should we read that difference
25 into the Lanham Act? It doesn't treat trade dress any

1 differently from the other two.

2 MR. CORSON: That's a fair criticism.

3 QUESTION: It is a fair criticism.

4 MR. CORSON: Yes, sir.

5 QUESTION: Of course, we don't have to decide
6 whether there would be a 6 months when -- all you want us
7 to say it can't be 11 years.

8 MR. CORSON: That's correct, sir. That's
9 exactly right.

10 Thank you.

11 QUESTION: Thank you, Mr. Corson.

12 Mr. Taranto, we'll hear from you.

13 ORAL ARGUMENT OF RICHARD G. TARANTO

14 ON BEHALF OF THE RESPONDENT

15 MR. TARANTO: Mr. Chief Justice, and may it
16 please the Court:

17 In 1983, Taco Cabana created and adopted an
18 inherently distinctive trade dress so that consumers would
19 come to recognize it and associate it with Taco Cabana.

20 In 1985, before Taco Cabana had opened anywhere
21 outside San Antonio, Two Pesos came along and deliberately
22 took the trade dress and used it to identify its competing
23 restaurants to its consumers.

24 The central, legal issue here is whether the
25 Lanham Act allowed Two Pesos --

1 QUESTION: -- your client?

2 MR. TARANTO: Absolutely.

3 QUESTION: Where?

4 MR. TARANTO: In Houston, Dallas, El Paso, and
5 cities all over the State -- as Taco Cabana moved into
6 exactly the same markets that Two Pesos opened in. Two
7 Pesos opened in Houston knowing even before they opened
8 the restaurant that Taco Cabana was prepared to move into
9 that market.

10 QUESTION: May I just ask one factual -- you
11 said 1983?

12 MR. TARANTO: That's right. The first Taco
13 Cabana restaurant was 1978. But that was before it became
14 a chain at all. It was a converted --

15 QUESTION: They used the same inherently
16 distinctive design?

17 MR. TARANTO: No, it was a converted Dairy Queen
18 restaurant that was not pink, that didn't have the garage
19 doors, didn't have the two-box structure. It was only
20 with the opening of the second restaurant in 1983 -- also
21 in San Antonio -- that this trade dress, which has now
22 been consistently used on its couple of dozen restaurants,
23 was adopted.

24 QUESTION: Is it critical to your case that
25 there was competition? Supposing they had opened up in

1 California, Alaska, or someplace? Could you have enjoined
2 them from opening in remote, noncompetitive areas?

3 MR. TARANTO: The traditional rule, which has
4 also been applied under 43(a) is that if a competitor
5 innocently adopts a similar trademark or trade dress, in a
6 remote area --

7 QUESTION: Suppose they travel through San
8 Antonio and say boy, that's a good-looking plan. And they
9 go to San Francisco and they open a carbon copy?

10 MR. TARANTO: I think we could have enjoined
11 them.

12 QUESTION: You think you could.

13 MR. TARANTO: Yes.

14 QUESTION: Is that essential to your case that
15 you could?

16 MR. TARANTO: Not at all, because as the Fifth
17 Circuit specifically said in this case, what we are
18 talking about here is the zone of the natural expansion of
19 Taco Cabana's business. So that we are not talking about
20 geographically remote areas where an entirely separate,
21 completely nonoverlapping consumer class would be shopping
22 at that particular restaurant. And therefore, there was
23 no conceivable possibility of --

24 QUESTION: So the heart of your case does not
25 turn on copying. It turns on consumer understanding of

1 the source.

2 MR. TARANTO: That's right, the intent of Two
3 Pesos is not essential to a violation of 43(a). The
4 intent may well be, and traditionally has been an
5 important element in deciding on the available relief.
6 And it is in that respect that the question whether we
7 could get an injunction would, I think, turn on whether
8 Two Pesos just happened upon a look-alike trade dress, or
9 deliberately took the plans and made it as close as
10 possible, with the exception of changing the color.

11 QUESTION: One other question, and then I'll
12 let -- could you have registered your trade dress?'

13 MR. TARANTO: I think we could. It wasn't done
14 so. There have been restaurant designs, complete
15 architectural plans that have been registered as
16 trademarks. That has not been a traditional thing to do.
17 And I suspect one reason is that when you register
18 something, you are registering something very precise.
19 And there are always dangers after that that you are
20 frozen into exactly what has been registered, and can't
21 change anything -- even at the margins beyond something
22 unnoticeable and trivial.

23 I do think that this could have been registered,
24 traditional -- and as far as I know all of the courts that
25 have talked about the issue have said that trade dress,

1 which is not a statutory term, is in general -- does, in
2 general, qualify as a trademark. And there is, therefore,
3 no reason why it shouldn't be subject to registration.

4 QUESTION: Well, some courts have found that
5 restaurants just can't be covered. Isn't that right?

6 MR. TARANTO: I don't think that's -- no, I
7 don't think that's right, Justice O'Connor.

8 The Eighth Circuit Proofrock case specifically
9 applied the functionality requirement and said that what
10 was just the so-called down-home country style was part of
11 what was being sold. There was no suggestion there that a
12 more distinctive restaurant design that did serve the
13 purpose of a trademark -- namely to identify the
14 brand -- that that couldn't be a trademark. The Ninth
15 Circuit case in Fuddruckers simply found that that
16 particular trade dress was not inherently distinctive. I
17 think, in fact, inappropriately so, since it did not have
18 a jury finding on that question.

19 But even the Ninth Circuit didn't say that
20 restaurants, somehow, were incapable of having a
21 distinctive trade dress. And that would, I think, be
22 really counter to common experience, from Howard Johnsons
23 to the International House of Pancakes -- there are a lot
24 of restaurant trade dresses where the appearance, the
25 image, in that sense, of appearance is, in fact, a very

1 powerful identifier of the particular brand to consumers.

2 QUESTION: I know if I go into a Howard Johnsons
3 it's likely to look a certain way. But I wouldn't -- if I
4 walk into another restaurant that looks somewhat like it,
5 I wouldn't say boy, they have stolen this from Howard
6 Johnsons. I mean, that's the difference. Suppose I'm a
7 restaurateur and I find that people eat a lot, and really
8 like to eat in a room that's entirely orange, all right?

9 (Laughter.)

10 QUESTION: So I do that, and I set up a
11 restaurant, and it turns out I'm right. People
12 really -- it just makes food taste better. Other
13 restaurants begin to open. It attracts people. They buy
14 the orange restaurant.

15 MR. TARANTO: Right, then --

16 QUESTION: That is a, somehow, a Lanham Act
17 violation?

18 MR. TARANTO: I think probably not. Because
19 what you would have there is a very powerful argument that
20 that color scheme was functional, it served a function as
21 part of the product being sold to the consumers. That was
22 an issue in this case, carefully instructed to the jury,
23 and the jury specifically found that this look of Taco
24 Cabana was not functional. That issue was carefully
25 reviewed by the Fifth Circuit, and it's not before this

1 Court. .

2 What was protected in this case was not any
3 right to monopolize a product, anything that
4 competitors -- competing Mexican restaurants need in order
5 to compete with Taco Cabana, nor was anything protected
6 that restricted other Mexican restaurants' ability to
7 communicate with their customers, to say we have a Mexican
8 restaurant, this is what you can expect in this
9 restaurant.

10 The functionality standard and the standard that
11 the trade dress not be merely descriptive -- the latter
12 not even argued to the jury by Two Pesos in this
13 case -- were presented to the jury. And there are jury
14 findings on those precise questions.

15 QUESTION: Did they mean by functionality
16 exactly what I mean, that is that people go to the
17 restaurant just because they like that decor?

18 MR. TARANTO: The jury instruction on
19 functionality is, in fact, a fairly length one, and
20 allowed Two Pesos to argue that what was -- what Taco
21 Cabana was claiming protection for served any significant
22 function as part of what it was selling to the public,
23 that competitors and other Mexican restaurants needed, or
24 reasonably needed this feature -- whatever it was -- or
25 this combination in order to offer a substitute product.

1 And I think that that's exactly what you're
2 talking about when you talk about ambiance. If another
3 restaurant needs a particular design in order to offer the
4 same ambiance, and will lose customers because customers
5 think there's -- I want a certain atmosphere tonight,
6 there's only one place I can get it, it's in the orange
7 room, nobody has an orange room -- then there's a strong
8 argument for functionality.

9 That's nothing like what we're talking about
10 here. There --

11 QUESTION: Well, why would your client spend all
12 this money on a so-called trade'dress if people didn't
13 really -- if it really didn't think people -- it was going
14 to attract people and it would mean that they would come
15 there rather than someplace else?

16 MR. TARANTO: Well, because the reason a trade
17 dress, like a trademark, is adopted is not to attract
18 people, but to identify the business to the customer, to
19 consumers. So that when people drive by and see this
20 image they say I know what I get there. I've heard about
21 it. I've been there before. That's where I can go to get
22 this kind of Mexican --

23 QUESTION: Well, isn't that secondary meaning,
24 though, in a sense if you say I've been there before,
25 and --

1 MR. TARANTO: Secondary meaning -- we have to, I
2 think, be careful about this -- secondary meaning is a
3 concept of widespread recognition throughout a market,
4 here throughout Texas. Any -- with respect to any
5 particular customer who has been to the restaurant, that
6 image, if it is distinctive, inherently distinctive, will
7 register.

8 But as we have talked about earlier, a new
9 product, one by one, as customers come to notice it, will
10 have -- will make an impression. But for a new product
11 you can't possibly achieve market-wide recognition.
12 That's what secondary meaning is. That the entire market
13 in significant numbers, when it sees this image, has some
14 association of that image with the particular restaurant.

15 QUESTION: It's a very esoteric distinction.

16 MR. TARANTO: Well, the statute, in section 2 of
17 the Lanham Act makes a very -- makes exactly this
18 distinction, even though it doesn't use these terms. The
19 statute says that you can register, you can protect any
20 mark, device, symbol, combination of devices, by which
21 your product may be distinguished from other products.
22 That is what inherent distinctiveness is. Anything
23 that --

24 QUESTION: Well, that goes to whether you can
25 register or not.

1 MR. TARANTO: That's right.

2 QUESTION: Those words aren't in section 43(a).

3 MR. TARANTO: No, that's right. Section
4 43(a) --

5 QUESTION: If your whole -- the whole statutory
6 issue, as I understand it, is whether your opponent has
7 provided the public with a false designation of origin.

8 MR. TARANTO: Or a false description or a false
9 representation.

10 QUESTION: Which do you rely on mostly in 43?
11 What particular words do you think support your case?

12 MR. TARANTO: Well, in fact, I think all of them
13 do. I'm not -- I wouldn't insist on calling it a false
14 designation of origin because in its original meaning,
15 that phrase may well --

16 QUESTION: And you wouldn't insist on saying it
17 tends falsely to describe or represent the same?

18 MR. TARANTO: Well, I think it does that. It
19 falsely represents that Two Pesos is in some way
20 affiliated with Taco Cabana; it falsely represents when
21 Two -- when Taco Cabana came into Houston, a few months
22 after Two Pesos opened, that Taco Cabana was the copycat
23 rather than the other way around.

24 QUESTION: It falsely represents -- representing
25 it to somebody. And I take it you would be talking about

1 some section of the public. It may not be market-wide.
2 But to some people, it would be a false representation.

3 MR. TARANTO: That's exactly right. There will
4 be some consumers in the markets where Taco Cabana and Two
5 Pesos are both selling their services who will be confused
6 about whether the two restaurants are affiliated with one
7 another.

8 QUESTION: I'm not sure, then, why you're so
9 terribly harmed by our adopting the requirement that a
10 secondary meaning is required.

11 MR. TARANTO: This case, I think, exactly
12 illustrates why that doesn't make any sense. In 1985 when
13 Two Pesos opened its restaurant, Taco Cabana couldn't have
14 achieved State-wide recognition. It had five restaurants
15 in San Antonio. People in Houston, and Dallas, and El
16 Paso and other places, by and large, never would have
17 heard of Taco Cabana.

18 What -- and then when Taco Cabana did come into
19 Houston, and El Paso and other cities, it's hard to
20 see -- and this is exactly what Two Pesos said to the
21 jury -- it's hard to see how people would have recognized
22 this trade dress as Taco Cabana's -- Two Pesos already had
23 it. So it was the lack of exposure, of State-wide
24 exposure, and Two Pesos' preemptive copying of the trade
25 dress that prevented its lack -- that prevented it from

1 acquiring State-wide, widespread recognition.

2 QUESTION: But isn't that -- isn't that some
3 evidence, or grounds for an inference that the reason the
4 competitor adopted the trade dress was because it
5 sold -- not because it was attempting to confuse?

6 MR. TARANTO: No, some evidence -- yes, I think
7 it is probably some evidence. And that went to the issue
8 of functionality that was presented to the jury. Is it
9 sufficient basis for an inference that Taco Cabana's trade
10 dress couldn't be recognized as the symbol of its origin?
11 I think inconceivably -- this is not a case where you have
12 market-wide, long, unimpaired exposure of a borderline
13 distinctive trade dress/trademark and people still don't
14 recognize it. We had less than 3 years of very narrow
15 exposure in one city in Texas before --

16 QUESTION: Yes, but couldn't you have registered
17 during those 3 years?

18 MR. TARANTO: As I say, I --

19 QUESTION: And then have gotten your protection?

20 MR. TARANTO: As I say, I think we could have.

21 QUESTION: Isn't that perhaps the mistake that
22 was made, that you should have registered?

23 MR. TARANTO: I -- well, I don't think it was a
24 mistake. As far as I'm aware, as Congress specifically
25 provided when it amended the 1988 -- amended the statute

1 in 1988 -- all of the courts, for 25 years now, uniformly
2 recognized that there is Federal protection under the
3 Lanham Act for unregistered marks.

4 Even the Second Circuit doesn't apply its
5 secondary meaning rule to verbal marks. And there's no
6 reason for a distinction between verbal marks and
7 nonverbal marks if what we are talking about is the basic
8 requirement of section 43(a), that there's been a
9 deceptive and misleading representation to consumers,
10 likely to confuse consumers, and likely to lead to
11 harm -- harm of the --

12 QUESTION: Is there some requirement in
13 trademark law that the mark acquire a secondary meaning?

14 MR. TARANTO: Let me try to be careful about
15 this.

16 QUESTION: If I -- say -- may I attack a
17 registered mark on the ground that it does not have a
18 secondary meaning?

19 MR. TARANTO: Not if it's inherently
20 distinctive. The Lanham Act at section 2 makes absolutely
21 clear that inherent distinctiveness or secondary
22 meaning -- one or the other is required -- but not both.
23 You can attack a trademark, even a registered trademark,
24 as lacking secondary meaning only if it is descriptive,
25 and therefore not inherently distinctive.

1 And the category of descriptiveness, as this
2 Court said long ago in the Beckwith case is a very narrow
3 category.

4 QUESTION: What is the -- what does inherently
5 distinctive mean? Do you agree then in this case
6 that -- that, or in a case like this the trade dress must
7 be inherently distinctive?

8 MR. TARANTO: Yes, absolutely. And all that
9 means is, I think, something very common sensical. It
10 must be noticeable by consumers, and able -- by virtue of
11 being different from the way other businesses sell
12 themselves to be --

13 QUESTION: But to win under this --

14 MR. TARANTO: -- recognized.

15 QUESTION: -- statute, this section, you've got
16 to prove that it's a false representation to people.

17 MR. TARANTO: That's right. And I think when a
18 competitor comes along and takes a confusing -- uses a
19 confusingly similar brand identifier, whether it's a trade
20 dress or a trademark, what that does is convey a deceptive
21 and misleading -- there's a false message of affiliation.

22 QUESTION: And it also makes it impossible for
23 you to acquire a secondary meaning.

24 MR. TARANTO: That's right. In a way, we --

25 QUESTION: So I take it you don't

1 challenge -- wasn't there a finding that you had -- your
2 client had never acquired a secondary meaning in this --

3 MR. TARANTO: Throughout the State of Texas,
4 that's exactly right. But that finding, as I said, really
5 has no bearing on whether it was capable of acquiring that
6 secondary meaning had it been around for a long time and
7 not been preempted by Two Pesos's confusingly similar
8 trade dress. So those two --

9 QUESTION: Well, that finding, then, was that it
10 simply hadn't acquired the meaning throughout the State,
11 not that it hadn't acquired the meaning anywhere in the
12 State.

13 MR. TARANTO: That's exactly right.

14 QUESTION: Yeah.

15 MR. TARANTO: I think if the question had been
16 put to the jury, has Taco Cabana's trade dress acquired
17 secondary meaning in San Antonio, I suspect we would have
18 gotten a quite different answer. But the question was put
19 on the State-wide market basis. And Two Pesos said to the
20 jury, you can't possibly find Taco Cabana is recognized
21 State-wide. They haven't been anywhere except San
22 Antonio. And we got to the other cities first.

23 QUESTION: Yes, but the way we granted
24 certiorari, maybe you're entirely right. But we sort of
25 assumed that the way the question arises, there's no

1 secondary meaning, but there is inherent distinctiveness.
2 He doesn't like the inherent distinctiveness part; you
3 don't like the secondary meaning. But the legal question
4 we sort of plan to address here is an assumption there is
5 no secondary meaning at all, that seems to me. Because
6 you haven't proved secondary -- I mean, you may be right.
7 But the record doesn't establish that there wasn't
8 secondary meaning even for a small neighborhood in San
9 Antonio.

10 MR. TARANTO: That's right.

11 QUESTION: Well, as it comes to us, I assume
12 that we take the case on the assumption that there is an
13 inherently distinctive trade dress, that it is
14 nonfunctional, and there is no secondary meaning. Now, do
15 we assume all those things to be a given?

16 MR. TARANTO: Yes, I think that is the legal
17 question that this Court took to decide. And what
18 inherent distinctiveness -- what the inherent
19 distinctiveness finding establishes is that the trade
20 dress can, and does, serve the function of designating the
21 origin of the goods as a branded identifier.

22 It plainly can do that. That's why Two Pesos,
23 when it took it, wrote into its franchise agreement that
24 this trade dress, its look-alike trade dress was a
25 distinctive and identifying trade dress. Now the reason

1 that's enough, and you don't need widespread recognition
2 throughout whatever market you're talking about -- be it
3 State-wide or elsewhere -- simply follows from the reasons
4 that protection is offered in the first place.

5 Protection of a trade dress or a trademark of
6 any brand identifier serves two important functions: it
7 protects consumers' ability to distinguish goods so that
8 they can select the ones they like and the ones they don't
9 like; and because it protects consumers' ability to
10 distinguish goods, it protects businesses' ability to
11 identify themselves to the public and to maintain,
12 control, and build their own reputations based on their
13 own quality without consumers being confused.

14 By protecting brand identifiers, you therefore
15 serve the goal of competition on the merits among
16 clearly distinguished brands. What happens when somebody
17 like -- a competitor like Two Pesos comes along and
18 copies, or uses a confusingly similar dress is that you
19 replace competition in the merits by competition by
20 deception. You send a false message of affiliation to
21 consumers. And the harms that the Lanham Act -- that any
22 kind of protection of brand identifiers are designed to
23 prevent -- start from the beginning.

24 Consumers, one by one, as they come to know Taco
25 Cabana, will be confused, and inhibited in their ability

1 to know that there are two genuine competitors -- two
2 unrelated restaurants.

3 QUESTION: May I ask you kind of a basic
4 question of approach to the case?

5 This statute was enacted when, 194 --

6 MR. TARANTO: 6.

7 QUESTION: 1946 -- and it's kind of a common law
8 statute. I mean, it kind of picked up the common law, and
9 the common law has developed since. And it sort of
10 affects how we address statutes. There's some
11 disagreement within the Court on questions of this kind.
12 Do you think that the law in 1946 had developed to the
13 point where you would have prevailed, or do you rely
14 largely on common law -- what I might call common law
15 developments of this statute subsequently?

16 MR. TARANTO: I think -- let me try to answer
17 that this way. The common law categories in 1946 were
18 sufficiently vague and amorphous that we would have had an
19 argument that on these facts, the common law should say
20 that inherent distinctiveness was enough. That is simply
21 because the common law recognized two somewhat distinct
22 causes of action -- a so-called technical trademark cause
23 of action, and the broader, kind of residual, unfair
24 competition cause of action.

25 As it happens, the technical trademark cause of

1 action was more or less defined by the presence of
2 inherent distinctiveness. It hadn't come to be applied to
3 something that we're calling a trade dress here. But we
4 would have had an argument that it could have been.

5 And what the Fifth Circuit said in the Chevron
6 case was there's no reason why we shouldn't. Anything
7 including what we call a trade dress that serves to
8 identify the brand, rather than to describe the product,
9 serves the same functions and should be protected on the
10 same standard. Now secondary meaning, in the end, has
11 nothing to do with what we're talking about here. The
12 harm to consumers' ability to choose between competing
13 brands is present one by one as consumers come to be aware
14 of Taco Cabana.

15 The harm to Taco Cabana's ability to identify
16 itself to consumers, and to control its reputation,
17 unimpaired by confusion, as a result of Two Pesos was
18 there from the beginning. And if, from a systemic point
19 of view, you had a rule that said secondary meaning,
20 market-wide, widespread recognition was required, what you
21 would have is a perilous situation for any new product.

22 By definition, a new product cannot have
23 market-wide recognition immediately. If, in the interim,
24 a competitor could -- like Two Pesos -- could come along
25 and simply take the trade dress, the goodwill that the new

1 company was trying to build up, customer by customer,
2 would be immediately threatened. And what you would have
3 is a serious inhibition on the creation of new brand
4 identifiers, possibly an inhibition on the creation of new
5 business, and certainly a depravation of the informational
6 benefits to consumers that having more clearly
7 distinguished brand identifiers provide to consumers.

8 QUESTION: Suppose all you had -- suppose there
9 wasn't any distinctive trade dress, but you had
10 distinctive food in the sense that it was awfully good
11 Mexican food. And people got to know that the taco chain
12 had good food. And the -- your competitor came along and
13 copied every recipe.

14 MR. TARANTO: Well, aside from trade secret
15 claims, the Lanham Act would say nothing whatsoever about
16 that.

17 QUESTION: So I --

18 MR. TARANTO: The product is unprotected.

19 QUESTION: So they could steal -- they could
20 steal all your recipes and copy your recipes?

21 MR. TARANTO: Well, as I --

22 QUESTION: And you would have no protection for
23 it?

24 MR. TARANTO: No protection under the Lanham
25 Act. Yes, I think we would, as we did in this case, have

1 a common law trade secret claim, and possibly some other
2 claims.

3 QUESTION: Oh, I know, but -- you're not talking
4 about a trade secret. They -- they just happened to have
5 hired your chef.

6 MR. TARANTO: That's right.

7 QUESTION: With whom you didn't have a contract
8 not to compete.

9 MR. TARANTO: As I say, the Lanham Act does not
10 restrict competitor's right to sell, essentially, the same
11 product -- assuming it gets that product.

12 QUESTION: But that is if you sell it -- if you
13 sell it in the context of a -- of a trade dress that is
14 uniquely --

15 MR. TARANTO: Well, what it protects is the
16 trade dress. Two Pesos can change the trade dress so that
17 it doesn't look like ours, and consumers are not confused,
18 and try to sell as close a product as possible in order to
19 compete for the same consumers.

20 What they can't do is say to consumers through
21 their image, through their trade dress, we are probably
22 affiliated with those other guys. And there was plenty of
23 evidence here of actual confusion among consumers.

24 QUESTION: What if Taco Cabana has a mariachi
25 band? Can Two Pesos put in an identical mariachi band

1 without infringing?

2 MR. TARANTO: I think the answer to that is yes.
3 But the place in the analysis that that would come in
4 would be in the -- would be with respect to
5 functionality -- presumably Two Pesos would say, and have
6 a pretty good claim, that when you put a band in a
7 restaurant you are now selling food and entertainment.
8 And that's the product. And we have no right to
9 monopolize the product.

10 All we have a right to do is to insist that the
11 way we identify ourselves to the consuming public, others
12 cannot confusingly copy.

13 QUESTION: But if they had the band in front of
14 the door, and they all wore orange uniforms and orange
15 hats, your answer would be different?

16 MR. TARANTO: It might well be different. It
17 all depends whether, again, the look was, in any way,
18 needed by competitors in order to sell the same
19 product -- whether it was functional, in that sense.

20 QUESTION: It also assumes that these bands
21 don't always wear orange. And I assume that's true.

22 MR. TARANTO: I assume that's true, too.

23 QUESTION: Earlier I asked you about
24 registration. You pointed out you'd be frozen to a
25 particular concept. Over a period of years, can the

1 concept vary from time to time in minor degrees -- like
2 you change the uniform on the band and you change the
3 plants in front and move them around? And are all of the
4 different patterns that you've used throughout the period
5 inherently distinctive and entitled to protection?

6 MR. TARANTO: Well, what --

7 QUESTION: Or do they have to be just copying
8 the one you're using at the particular time?

9 MR. TARANTO: What we have to show, in order to
10 become entitled to protection, is that they came
11 confusingly close to an image that the consuming public
12 can and does, in small or large numbers, identify
13 itself -- our restaurants with. We have had minor
14 variations, depending on certain zoning restrictions since
15 the second restaurant. A restaurant in San Diego used
16 white instead of pink.

17 QUESTION: But you then -- you do take the
18 position you must put on some consumer testimony to win
19 your case? You couldn't just let the jury look at the two
20 designs and say they're exactly alike?

21 MR. TARANTO: You could, but it would be risky.
22 It seems to me what you do in order to avoid that risk is
23 to put on the testimony of restaurant experts, as we did;
24 Taco Cabana employees who have received repeated
25 complaints from people who had gone to Two Pesos and

1 called up to say something at your restaurant up in
2 Houston, or in Dallas, I liked or didn't like -- whatever
3 it was. But they were clearly associating the two
4 restaurants. It seems to me there are a lot of different
5 kinds of evidence to establish that the trade dress is
6 capable of being identified with Taco Cabana if only it
7 wasn't copied, and therefore subject to confusion.

8 If the Court has no further questions, I
9 respectfully ask that the judgment be affirmed.

10 QUESTION: Thank you, thank you, Mr. Taranto.

11 Mr. Corson, you have 3 minutes remaining.

12 REBUTTAL ARGUMENT OF KIMBALL J. CORSON

13 ON BEHALF OF THE PETITIONER

14 QUESTION: Could I ask if you agree that a
15 trademark to be challenged after it's registered, yet you
16 have to prove that it's -- that there's -- has neither
17 secondary meaning or is not -- and is not inherently
18 distinctive?

19 MR. CORSON: Sir, if it's inherently
20 distinctive, it may be challenged on the ground that it's
21 functional or descriptive and contains those elements. If
22 it is not inherently distinctive, but registered, it may
23 be challenged on the grounds that it has not secondary
24 meaning.

25 QUESTION: Well, here's -- did you answer my

1 question, really? I didn't think you did.

2 MR. CORSON: I'll try again.

3 (Laughter.)

4 QUESTION: Well, here's a mark; here's a mark;
5 and somebody wants to challenge it. And he proves that it
6 doesn't have any secondary meaning.

7 Now, that isn't enough, is it?

8 MR. CORSON: That should be enough, yes.

9 QUESTION: Well, I thought -- I thought -- I
10 thought he also had to prove that it didn't -- that it
11 wasn't inherently distinctive.

12 MR. CORSON: No, if you prove it has
13 second -- if you prove it has no secondary meaning, what
14 you have proved is that the public doesn't recognize this
15 as a mark.

16 QUESTION: Then you disagree with your colleague
17 on the other side.

18 MR. CORSON: I do, I do. I think there has to
19 be recognition. There's a fundamental disagreement --

20 QUESTION: And you give that answer with respect
21 to trade dress or all trademarks?

22 MR. CORSON: Certainly as to trade dress; and
23 with respect to trademarks I can go that far, also, sir.
24 I think --

25 QUESTION: I didn't hear the answer --

1 MR. CORSON: I think I'd go that far, also.

2 You've got nothing to protect. There's a
3 fundamental disagreement here. He's arguing that all you
4 need to get to is to show that there is some possibility
5 here that the trade dress has become confusingly close.
6 That's not the issue. The primary issue is you must show
7 that you have a protectable trade dress, and you can't do
8 that if it isn't recognized, because the language of the
9 act under which this case was brought is false designation
10 of origin. And if the original origin isn't recognized,
11 then there can be no misstatement about it.

12 If none of you know about something and I make a
13 statement to you about it, it can't be judged true or
14 false. That's the point. This protects against false
15 designation of origin.

16 And if the --

17 QUESTION: Well, what if it's a -- there's a
18 false representation to maybe 100 people, but no more? It
19 isn't secondary meaning, but it's 100 people.

20 MR. CORSON: I think -- no, it has to be
21 recognized -- recognition generally in the marketplace.
22 It's not limited just to a few people who have happened to
23 patronize the unit.

24 QUESTION: So here -- but there is nothing in 43
25 that even mentions secondary meaning. All it says is it

1 has to be a false representation. It doesn't say how
2 many, State-wide, or for a block --

3 MR. CORSON: Two points -- it's judicial gloss,
4 in part; and also, if you look to section 2 of the act,
5 they clearly preclude the registration of a mark without
6 proof of secondary meaning unless it's --

7 QUESTION: Well, this isn't a mark. That
8 doesn't have to be a mark.

9 MR. CORSON: That's true.

10 QUESTION: This is a trade dress and that
11 says -- I gather you agree a trade dress can be protected
12 under 43?

13 MR. CORSON: Yes. But it cannot be an
14 inherent -- it cannot be a descriptive mark or a
15 functional mark, or it's not entitled to registration
16 under the act because it doesn't have secondary meaning in
17 those instances.

18 CHIEF JUSTICE REHNQUIST: Thank you, Mr. Corson.
19 The case is submitted.

20 (Whereupon, at 12:10 p.m., the case in the
21 above-entitled matter was submitted.)
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23
24
25

CERTIFICATION

Alderson Reporting Company, Inc., hereby certifies that the attached pages represents and accurate transcription of electronic sound recording of the oral argument before the Supreme Court of The United States in the Matter of:

NO. 91-971 - TWO PESOS, INC., Petitioner V. TACO CABANA, INC.

and that these attached pages constitutes the original transcript of the proceedings for the records of the court.

BY Michelle Sanders

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