

The recipe for successful restaurants

US courts have frequently been called on to rule in disputes over the trade dress of restaurants. **Bobby Ghajar** and **Joshua Burt** examine some of the cases that have been decided and discuss how to protect a restaurant's look and feel

About 60% of new restaurants fail within three years of opening their doors (H G Parsa, John T Self, David Njite and Tiffany King, *Why Restaurants Fail*, 46 Cornell Hotel and Restaurant Administration Quarterly 304, 309 Exh 1 (2005)). Although factors such as location, quality of food and service and marketing play a significant role in a restaurant's success, developing a unique identity and style is equally important as a restaurant attempts to distinguish itself from the competition. With success comes tougher challenges for established restaurants, as competitors or start-up restaurants attempt to emulate elements of the successful restaurant in the hope of improving their odds of beating the failure rate.

IP laws play a role in protecting a restaurant's identity and style and fending off copycats. Trade mark law can protect a restaurant's name, marketing slogans, logos or the name of a signature dish or beverage. A restaurant's menu, artwork, sculptures or construction blueprints may be protected by copyright law. The look and feel of a restaurant, from its décor to its layout, may be protected as trade dress - another form of trade mark protection.

Cases involving popular restaurants such as the Hard Rock Cafe, Rainforest Cafe, Rally's, Hooters, and In-N-Out Burgers illustrate the challenges litigants face in trade dress cases. This article addresses what is protectable trade dress and what an owner must establish to prove a case for trade dress infringement in the United States. It concludes with a list of steps that restaurateurs may take to strengthen their prosecution or defence of trade dress claims.

What is trade dress?

In the United States, trade dress is the "overall image and appearance [of a business or product], and may include features such as size, shape, color or color combinations, texture, graphics, and even particular sales techniques" (*Sally Beauty Co v Beautyco, Inc*, 304 F3d 964, 977 (10th Cir 2002) citing *Two Pesos, Inc v Taco Cabana, Inc*, 505 US 763, 764 n1 (1992)). Trade dress functions just like a trade marked name (Coca-Cola), logo (the McDonald's golden arches), or sound (the Intel jingle) to identify the source of a product or service offered by a company. Thus, "a product feature, whose only impact is decorative and aesthetic, with no source-identifying role, cannot be given exclusive rights under trade dress law" (*Steven W Boney, Inc v Boney Servs, Inc*, 127 F3d 821, 828 (9th Cir 1997, citation omitted)).

Restaurant trade dress may include the shape, layout and general appearance of the interior and exterior of a restaurant, colour schemes, decor, menu, equipment used to serve food, style of service or preparation of food, servers' uniforms and other features reflecting the overall image or visual appearance of the restaurant (see *Taco Cabana International, Inc v Two*

Pesos, Inc, 932 F2d 1113, 1118 (5th Cir 1991); *Fuddrucker's, Inc v Doc's BR Others, Inc*, 826 F2d 837, 841 (9th Cir 1987)).

Cooking up a protectable trade dress

Although Congress only amended the Federal Trademark Law in 1999 to make trade dress protection explicit (15 USC § 1125(a)(3)), US courts have long recognized the protection of trade dress. One of the earliest restaurant cases was decided in 1937 when the White Castle hamburger chain sued a competing hamburger stand named White Tower for unfair competition because White Tower copied its trade dress - the castle design of the exterior of its hamburger stands (*White Tower Systems, Inc v White Castle System of Eating Houses Corp*, 90 F2d 67 (6th Cir 1937)). Finding that the trade dress was similar and that White Tower had copied White Castle's locally renowned castle design, the court enjoined White Tower from using the similar trade dress.

Today, in order to establish a case for trade dress infringement, a restaurateur must prove that the trade dress is (1) non-functional; (2) distinctive; and (3) that a defendant's product or service creates a likelihood of consumer confusion (*Taco Cabana*, 505 US at 764-776). As discussed below, each of these elements can be significant obstacles, and few plaintiffs have succeeded in demonstrating all three.

Functionality

Trade dress protection only applies when the combination of the restaurant's features are "non-functional" (15 USC § 1125(a)(3)). Trade dress is functional, however, when it "is essential to the use or purpose of the article or if it affects the cost or quality of the article" or when "the exclusive use of [the trade dress] would put competitors at a significant non-reputation-related disadvantage" (*Traffix Devices, Inc v Marketing Displays, Inc*, 532 US 23, 32-33 (2000)). In *Rally's, Inc v Int'l Shortstop, Inc*, 776 F Supp 451 (ED Ark 1990) the court found that Rally's trade dress was indistinctive and functional because the height of its restaurant was dictated by city building codes, while the awnings provided protection against the elements, greater visibility, and drew attention to the restaurant's sign.

Some courts consider a multi-part test to determine whether trade dress is functional, including (1) whether the design yields a utilitarian advantage, (2) whether alternative designs are available, (3) whether advertising touts the utilitarian advantages of the design, and (4) whether the particular design results from a comparatively simple or inexpensive method of manufacture (*Disc Golf Ass'n, Inc v Champion Discs, Inc*, 158 F3d 1002, 1006 (9th Cir 1998)). By imposing a requirement of non-functionality, the law ensures that an owner cannot have a monopoly on elements that are necessary to run a restaurant. In the same

vein, the law does not protect the core *concept* of a trade dress, such as a theme, because it would severely limit another's ability to use the same concept, and hinder competition (*Rainforest Cafe, Inc v Amazon, Inc*, 86 F Supp 2d 886, 894 (D Minn 1999)).

At the same time, the law focuses on the *overall* trade dress, that is, the combination of an establishment's visual elements, rather than each element in isolation. "Functional elements that are separately unprotectable can be protected together as part of a trade dress" (*Fuddruckers*, 826 F2d at 842, quoting *Le Sportsac, Inc v K Mart Corp*, 754 F 2d 71, 76 (2d Cir 1985)). In *Morton v Rank Am, Inc*, 812 F Supp 1062, 1068 (CD Cal 1993) the court denied Planet Hollywood's motion to dismiss Hard Rock's complaint on the basis that its claimed trade dress – American cuisine, entertainment memorabilia displayed in a museum or gallery-like format, loud music, souvenir merchandise sales, hand-painted ceilings with sky or night time effects – may be non-functional as a whole.

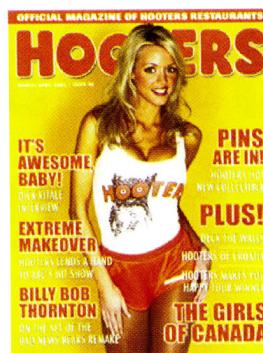
As one court put it, if design decisions are made "for aesthetic reasons, and not, for example, because they were the only, the cheapest, or the most efficient way to design a [restaurant]" that is evidence of non-functionality (*Clicks Billiards, Inc v Sixshooters, Inc*, 251 F 3d 1252, 1262 (9th Cir 2001), which found that the combined individual elements of a billiards hall constituted protectable trade dress).

A further illustration of this concept comes from a case involving the popular Fuddruckers hamburger chain. There, the court noted:

If Fuddruckers were to get protection for its trade dress, which includes such items as directors chairs, white tile, and an open bakery ... , it could ... only prevent competitors from using the items in a way that, viewed as a whole, is likely to confuse consumers. There are many ways to use directors chairs, white tile, open bakeries, and the many other items that make up Fuddruckers' trade dress that would not cause confusion (*Fuddruckers*, 826 F 2d at 843 n 7).

The issue of functionality is not restricted to items of décor. In a recent case, the popular Hooters restaurant chain sued the Winghouse restaurant chain for infringing its trade dress, which included the provocative Hooters Girl uniform; rustic interior; the layout of its tables; lighting; celebrity photographs; and beachy music from the 1950s through the 1980's (*HI Ltd P'ship v Winghouse of Fla, Inc*, 347 F Supp 2d 1256, 1258 (MD Fla 2004), *aff'd*, 451 F3d 1300 (11th Cir 2006)). The district court found that each of Hooters' trade dress décor and design elements were very common in bar and beach-themed restaurants. More significantly, despite the renown of the Hooters Girls and their provocative uniforms, the court held that the Hooters Girls' uniforms were functional and rendered the claimed trade dress unprotectable. The court based its conclusion on an admission Hooters made in an earlier case in which it defended itself against claims of discrimination by arguing that "the Hooters Girl's predominant function is to provide vicarious sexual recreation, to titillate, entice, and arouse male customers' fantasies". Therefore, the Hooters' Girl uniforms *functioned* to attract and arouse male customers, and Hooters could not prevent other restaurants from using this marketing tool.

In a trade dress case brought against the Rainforest Cafe chain of restaurants, the critical issue was "whether the combination of features comprising the rainforest theme as manifested in the Amazon Bar & Grill [plaintiff] enjoys protection because it creates a 'distinctive impression' and was adopted purely for 'identification and individuality' or whether, as [Rainforest Cafe] argues, the combination of features is 'essential to others attempting to compete' in the rainforest-themed restaurant business" (*Rainforest*, 86 F Supp 2d at 894). The



Hooters girl (above) and Winghouse girl (right)

fact that Rainforest Cafe admitted that it could "compete effectively [in the rainforest-themed restaurant business] without copying another restaurant's rainforest decor" led the court to conclude that there was a triable issue whether Amazon Bar and Grill's trade dress was functional.

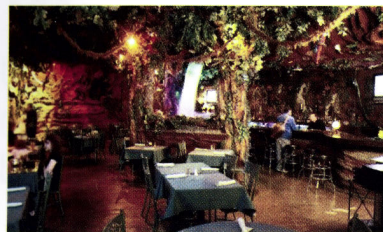
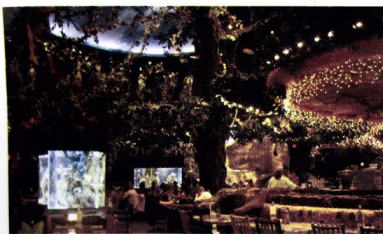
As these cases demonstrate, it is important for a restaurateur to carefully define its trade dress to ensure that it captures a combination of elements that, overall, are non-functional and unique.

Serving up a distinctive trade dress

Assuming a restaurateur can establish that its trade dress is not functional, it must still prove that the trade dress is "distinctive" (*Taco Cabana*, 505 US at 764-776). It can do so in one of two ways. First, it can attempt to show that the trade dress is inherently distinctive – that "its intrinsic nature serves to identify a particular source" of the goods or services offered, or that it is "arbitrary", "fanciful" or "suggestive" and leads diners to think that the establishment must have some common link to other restaurants with the same trade dress (*Wal-Mart Stores, Inc v Samara Bros, Inc*, 529 US 205, 210 (2000), citation omitted). On the other hand, trade dress is generic if it is "common" or a "mere refinement of a commonly-adopted and well-known form of ornamentation" (*Ale House Management, Inc v Raleigh Ale House, Inc*, 205 F3d 137, 142 (4th Cir 2000), which analyzed an interior décor comprised of a centrally located bar with seating on either side, television monitors, arcades and pool tables).

Restaurant trade dress is rarely inherently distinctive. In the only restaurant trade dress case decided by the US Supreme Court, two competing Mexican food chain restaurants battled over the protectability of the décor of a Mexican food restaurant chain (*Taco Cabana*, 505 US 763). In *Taco Cabana* the Court agreed with the lower court's determination that the plaintiff's trade dress – "a festive eating atmosphere having interior dining and patio areas decorated with artifacts, bright colors, paintings and murals", "interior and exterior areas with the interior patio capable of being sealed off from the outside patio by overhead garage doors" and "festive and vivid [exterior] color scheme using top border paint and neon stripes" with bright awnings and umbrellas – was inherently distinctive (*Taco Cabana* at 765). The combination of the plaintiff's unique and arbitrary décor elements guided the Court's decision.

The inherent distinctiveness of trade dress is measured by its overall uniqueness: Is it unconventional, unusual or used out of context? For example, the presence of a mechanical bull, octagonal tables and purple flooring in a fancy restaurant would probably be considered unusual and arbitrary, and thus inherently distinctive. By contrast, in the context of a wild-west-themed restaurant, a mechanical bull, sawdust-littered floor, and exposed ceilings may be considered descriptive or suggestive of the restaurant's theme.



Inside the Rainforest Cafe at the MGM Grand in Las Vegas (above) and the Amazon Bar & Grill in Sherman Oaks, California (below)

In most cases, the distinctiveness inquiry will turn on the concept of acquired distinctiveness, or secondary meaning. Trade dress has secondary meaning when “in the minds of the public, the primary significance of [the trade dress] is to identify the source of the product [or service] rather than the product itself” (*Wal-Mart Stores*, 529 US at 211). The notion is that, through years of significant public use, advertising (particularly, advertising that draws the consumers’ attention to the asserted trade dress), publicity and sales, consumers learn to identify a particular restaurant or chain by its trade dress. For example, the uniquely-shaped McDonald’s red roof design might have been considered simple and indistinctive when first introduced, but after years of consistent use on buildings and in advertisements, fast food diners have come to recognize the roof as that of McDonald’s.

The main course - likelihood of confusion

Even when a restaurateur succeeds in showing that its trade dress is protectable (both non-functional and distinctive), it must also demonstrate that there is a likelihood that consumers will be confused by the similar appearance (trade dress) of the competing restaurant (*Taco Cabana*, 505 US at 764-776). This can happen if consumers incorrectly believe that one restaurant is associated, connected, or affiliated with another based on similarity of trade dress (15 USC Sections 1114 and 1125).

Most of the published restaurant trade dress cases are decided on functionality or distinctiveness, or have settled out of court. Where courts have addressed likelihood of confusion in trade dress cases, they are guided by several factors including: (1) the degree of similarity between the marks; (2) the intent of the alleged infringer in adopting its mark; (3) evidence of actual confusion; (4) similarity of products and manner of marketing; (5) the degree of care likely to be exercised by purchasers; and (6) the strength or weakness of the marks (*Sally Beauty Co v Beautyco, Inc*, 304 F3d 964, 972 (10th Cir 2002)). Some courts also consider in the parties’ expansion plans, similarity in marketing and the comparative quality of their businesses.

In the *Rainforest Cafe* case, the court applied these factors and found that several weighed in favour of a likelihood of confusion, including the “intent” factor. The court was particularly persuaded by Rainforest Cafe’s (the defendant) special trips from Minnesota to the Amazon Bar and Grill locations in California to “see if [he] could find any ideas he could borrow” from the Amazon Bar and Grill trade dress. For comparison, see *In-N-Out Burger v Chadders Restaurant*, 2007 US Dist LEXIS 47732 (D Utah, June 29 2007) where the court found no infringement where the defendant changed multiple elements of its décor, menu, uniforms and signs from red (the colour predominantly used by In-N-Out) to blue just prior to suit.

How to protect décor and design and avoid infringing another’s trade dress

There are a number of steps that a restaurateur can take to develop and protect its own trade dress and to avoid trade dress infringement.

First, in addition to consulting with an attorney, the restaurateur should select a restaurant décor and design that is unique, with non-functional elements that differ from those of its competitors. The cases demonstrate that restaurant trade dress protection is typically narrow. The greater the number of constituent elements, the more likely it is that a court will find the trade dress sufficiently distinctive and non-functional.

Second, if establishing trade dress rights is important to the business, the restaurateur should promote its trade dress in its advertisements. Where possible, it should feature the décor and design features in print advertisements and television commercials and mention them in radio promotions. These call-out promotional efforts educate actual and target customers to know to look and expect certain elements in an owner’s restaurant or restaurant chain, and are helpful to establish secondary meaning. In litigation, declarations from patrons or the trades, unsolicited publicity or market studies, all relating to the recognition of the asserted trade dress, will help a restaurateur establish secondary meaning.

Third, a restaurant chain should create a uniform trade dress so that each new location in the chain looks nearly identical. Failing to maintain a consistent trade dress between restaurants can be fatal to trade dress protection (*Ale House Management, Inc v Raleigh Ale House, Inc*, 205 F3d 137 (4th Cir 2000) held that trade dress was not “unique or unusual” because plaintiff did not maintain a uniform décor and floor layout in each of its restaurants). Some restaurants have developed trade dress manuals that lay out the specific design details for the elements that comprise the trade dress, which are useful to establish a distinctive, memorable, and consistent trade dress: for example, see www.mosserdesign.net/manuals.htm (trade dress manual for Baja Fresh restaurants).

Finally, the restaurateur can register its trade dress with the United State Patent and Trademark Office if it is non-functional and distinctive. The ownership of a federal registration for trade dress provides its owner with the presumption that its trade dress is valid, distinctive and non-functional, and that it holds exclusive rights in the trade dress. A restaurateur can also obtain copyright protection for certain elements of the trade dress, such as the menus, artwork, architectural plans or custom decorative sculptures created by the owner. These registrations would probably prove valuable in any trade dress litigation.

In the end, restaurateurs will succeed based upon their creativity, diligence, a good business model and luck. Nonetheless, neither they nor their attorneys should overlook the viability of trade dress protection and infringement. New restaurants need to be wary of the rights of other competing restaurants and avoid copying non-functional elements or the total visual feel of another restaurant. Likewise, successful restaurants should be cognizant of the benefits of establishing a unique identity and look-and-feel, maintaining consistency, and taking proactive efforts to establish and protect their trade dress.



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