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REVIEW OF INTELLECTUAL PROPERTY LAW



SPILLING THE BEANS ON TRADE DRESS: WHETHER TRADE DRESS PROTECTION GIVES RISE TO LIABILITY UNDER A SECTION 32 CLAIM ON TRADEMARK INFRINGEMENT

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ABSTRACT

Section 32 of the Lanham Act serves as the foundation of a brand's reputation and identity, protecting the look and feel of a product by holding those liable who intend to illicitly capitalize on the brand's identified marks. Trade dress is a type of trademark that can further safeguard the distinctiveness and functionality of a product's elements. The importance of trade dress is designed to protect a business that aims to differentiate itself amongst its competitors in a relevant marketplace. The goal is to ensure loyalty amongst competitors in the marketplace and establish integrity to consumers. Nespresso and Peet's Coffee are two prominent competitors in the coffee market. This article begins by establishing the background and significance of trademark law when it comes to the trade dress protection of a brand's reputation and a consumer's expectations. This article will then dive into the case of *Nespresso v. Peet's Coffee*, examining Nespresso's federal claims of trademark infringement against Peet's Coffee, and how Peet's Coffee capsules have allegedly caused consumer confusion when it created its own coffee capsules in a similar product design to Nespresso's capsules. This article will review the likelihood of success for Nespresso's claims and whether Peet's infringed on Nespresso's capsules, by considering the factors of trade dress such as the distinctiveness and functionality of Nespresso's capsules, and the likelihood of consumer confusion when considering the coffee capsule market. Additionally, this article will address the potential implications that can arise from this lawsuit on the entire coffee industry and how raising certain federal trademark lawsuits may cross into the sectors of anticompetition. There are complexities when it comes to trademark infringement cases, especially when the goals of loyalty and integrity must balance with the constantly evolving marketplace and consumers with higher expectations. However, this article will show how to overcome those challenges businesses may encounter when it comes to protecting their brand's identity, specifically when it comes to Nespresso's coffee capsules.



Cite as Dahna S. Kazemyan, *Spilling the Beans on Trade Dress: Whether Trade Dress Protection Gives Rise to Liability under a Section 32 Claim on Trademark Infringement*, 23.1 UIC REV. INTELL. PROP. L. 400 (2024).

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I. INTRODUCTION

As the world awakens to its golden touch, our human instincts know it's that time to start the day for new beginnings. Imagine yourself waking up on a Monday morning before your 9 to 5. After a quick yawn and stretch, you're still half-asleep but you get up knowing that your morning coffee is your cherished ritual before the busy workday ahead. Shuffling to the kitchen, you open your designated coffee drawer and are faced with an array of coffee and espresso options. There are blends of different sorts—ranging from the intense flavors of bold to smooth—and you have the choice to decide between the fresh-grounded coffee beans you can carefully roast, or you can quickly insert coffee capsules in your Nespresso machine for that feeling of instant fuel. You choose the quick option—so you insert a Dark Roast espresso capsule by Peet's Coffee into your Nespresso machine because the anticipation of that first sip of coffee would be enough to wake you up. With each sip, the world outside starts to make more sense. The rest of your day starts becoming clear, and the day's challenges become more achievable. As you were making your coffee, did you realize the whole time you had inserted a Peet's Coffee capsule into your Nespresso machine? Or at first glance, did you think it was Nespresso's own signature capsule? When Nestlé first established its brand of the Nespresso machine, it created a product that would be unique and compatible only to its machine.¹ These were the espresso/coffee capsules that we use to make quick and fresh-brewed coffee and espresso straight from Nespresso machines.² Under the trade dress protection laws, Nespresso created these capsule products to identify and distinguish them amongst others, so the capsules'

* © 2024 DAHNA S. KAZEMYAN, Juris Doctor Candidate, May 2025, UIC School of Law, B.S. in Political Science, Texas A&M University (2021). First and most importantly, I would like to thank my mother and dedicate everything to her. Her sacrifices, her resilience, and her unwavering belief in my potential gave me the ability to pursue my dreams. Thank you for blessing me with a love that knows no bounds. Thank you to my sister, Delbar, because even when you are thousands of miles away, you still make me feel like I'm never alone and give me a continuing strength to keep going. You both are my heroes, my role models, and my forever inspirations. To my Nana, Bobby, Monica, Aurian, Tahj, Amelia, Isa, and Imana—whose love and support have been the greatest gifts I could ever receive, thank you. To my friends, thank you for being the best. Lastly, thank you to the board of the *Review of Intellectual Property Law*, especially Professor Ford for his insight, and to Carling Miller and Jessica Sterna for helping this article come to light. I am truly so grateful for the constant support and patience throughout this journey. This is for *y'all*.

¹ *Nespresso USA, Inc. v. Peet's Coffee, Inc.*, No. 22-CV-02209 (CM), 2023 WL 374980, at *1 (S.D.N.Y. Jan. 24, 2023) (recognizing the innovation of the signature Nespresso machine and how it was created by Nestlé).

² *Id.* at *1 (explaining that the Nespresso coffee/espresso capsule is a product that Nestlé designed to fit the uniqueness and compatibility of the signature Nespresso machine).

convenience and efficiency in brewing coffee would be attractive for consumers.³ So, what happens when another brand in a similar market creates a product that could possibly be mistaken for another brand's product? *Nespresso* would call this trademark infringement.⁴

In *Nespresso USA, Inc. v. Peet's Coffee, Inc.*, Nespresso USA, Inc. ("Nespresso") filed a federal lawsuit against Peet's Coffee, Inc. ("Peet's Coffee," or "Peet's") in the United States District Court for the Southern District of New York.⁵ The plaintiff, Nespresso, is an operating unit of the Nestlé Group that has been around for over thirty years.⁶ The purpose of inventing the Nespresso machines was to bring barista-quality coffee and espresso into homes and businesses across the world.⁷ This innovation has allowed consumers to brew fresh coffee and espresso just with the touch of a button. The brand has also created four signature Nespresso capsules to be compatible with its machine.⁸ The defendant, Peet's, is a coffee retailer with over three hundred locations across the United States.⁹ In 2018, Peet's launched a new product line of coffee and espresso capsules, which is the subject of this action.¹⁰ The trade dress protection of Nespresso's capsule came into question when Peet's launched this new line of coffee and espresso capsules.¹¹ Although Nespresso has filed a motion for reconsideration as of February 14, 2023, Nespresso and Peet's voluntarily dismissed this case three months prior with prejudice of all claims arising from this action, but at what cost?¹² Coincidentally, this has not been the first occasion Nespresso has filed a federal lawsuit against a coffee retailer for these exact same claims, ending the

³ The Lanham (Trademark) Act of 1946, 15 U.S.C. § 1125(a) (2012); *see also* A&H Sportswear, Inc. v. Victoria's Secret Stores, Inc., 237 F.3d 198 (3d Cir. 2000) (explaining trade dress, which is used to establish a trademark infringement under the Lanham Act for either a registered mark under 15 U.S.C. § 1114, or an unregistered mark under 15 U.S.C. § 1125(a)); 15 U.S.C. § 1125 (explaining that unfair competition could occur by infringing an unregistered trademark or infringing trade dress that is mentioned under 15 U.S.C. § 1125(a)).

⁴ 15 U.S.C. § 1127 (defining a trademark as "[a]ny word, name, symbol, or device, or any combination thereof—(1) used by a person, or (2) which a person has a bona fide intention to use in commerce and applies to register on the principal register." This is to be able to identify and distinguish the person's product in the commercial market from other manufacturers or competitors to indicate where the goods came from, even if that source is unknown. If the mark is otherwise not used in commerce during the time the application for trademark registration has been filed, then registration may still be permitted if the applicant makes an establishment, in writing, with a good faith intent to use the mark in commerce at a later date. Under these Lanham Act registration procedures, exclusive rights to the trademark will be awarded to the first source that decides to use it in commerce); *see also* 15 U.S.C. § 1051 (discussing the application and verification process for the use of a trademark)).

⁵ *Nespresso USA, Inc.*, 2023 WL 374980, at *1.

⁶ *Id.*

⁷ *Id.* (explaining the innovation of the barista coffee and espresso machines that were built by Nespresso, the defendant that sued Peet's Coffee, a California-based coffee chain, in Manhattan federal court).

⁸ *Id.*

⁹ *Id.*

¹⁰ *Nespresso USA, Inc.*, 2023 WL 374980, at *1.

¹¹ *Id.*

¹² *See generally Nespresso USA, Inc.*, 2023 WL 374980 (discussing that on Nov. 8, 2023, Nespresso and Peet's filed a Stipulation of Voluntary Dismissal with Prejudice).

dispute with a settlement.¹³ Nespresso seems to be a familiar plaintiff in the Southern District Court of New York, alleging trademark infringement of the Nespresso capsules against various coffee competitors, which have all resulted in the same outcome as the Peet's litigation.¹⁴ Other competitors, such as Williams-Sonoma, Africa America Coffee Trading Co., Hiline Coffee, Ameruss of NY, and Ethical Coffee Company have also been accused of trademark infringement of Nespresso's trade dress capsules design.¹⁵

Although the focus of this case note is to determine whether Nespresso has a valid claim of trade dress protection against Peet's, there seems to be more to Nespresso's claims when it comes to these capsules. Are Nespresso's claims truly meritorious when alleging trademark infringement of its capsules against other coffee market competitors, or could its actions give rise to antitrust issues in the marketplace? This case note will explain this notion in light of Nespresso's most recent suit with Peet's, and how Nespresso's anticompetitive actions can ultimately affect the coffee market if Nespresso continues to bring these types of suits against other competitors.

In the instance that this case will be appealed, there are two possible conclusions the court of appeals could hold: 1) Peet's did infringe on Nespresso's trade dress capsule design by copying each element of Trade Dress; or 2) Peet's did not infringe on Nespresso's trade dress capsule design because Nespresso did not meet the essential elements of Trade Dress.

An appeals court will most likely find that Peet's did not infringe on Nespresso's capsules and that the Peet's capsules did not result in unfair competition or cause consumer confusion. Part two of this case note will provide background on the case and focus on the relevant statutes and elements of trade dress. The third part of this case note will provide greater guidance on the specific facts and procedural history of this case, along with a proposal advising what the court should decide in this lawsuit if this suit were to move forward—and how certain outcomes of this case can affect the coffee industry and the competitors within the coffee market.

¹³ See *Nespresso USA, Inc. v. Williams-Sonoma, Inc.*, No. 19CV4223LAPKHP, 2021 WL 1812199 (S.D.N.Y. May 6, 2021); *Nespresso USA, Inc. v. Afr. Am. Coffee Trading Co. LLC*, No. 15CV5553-LTS, 2016 WL 3162118 (S.D.N.Y. June 2, 2016); *Nespresso USA, Inc. v. Hiline Coffee Company, Inc.*, 2014 WL 1813823; *Nespresso USA, Inc. v. Ameruss of NY, Inc.*, No.: 1:18-cv-09407 (S.D. N.Y. filed Oct. 15, 2018); *Nespresso USA, Inc. v. Ethical Coffee Company SA*, 263 F.Supp.3d 498 (D.Del., 2017).

¹⁴ See generally *Nespresso USA, Inc.*, 2023 WL 374980 (recognizing that Nespresso has sued other coffee competitors in the same district court for the exact same claims alleged in this case against Peet's).

¹⁵ *Id.* (discussing Nespresso's previous lawsuits with other competitors, which have all been dismissed and ended in a form of settlement).

II. BACKGROUND

A. *The Lanham Act*

The Lanham Act was formerly known as the Trademark Act of 1946.¹⁶ This Act is a United States federal law that governs trademark registration, use, and protection.¹⁷ If such use is likely to result in consumer confusion, or if the dilution of a famous mark is likely to occur, the federally registered mark is protected against the use of similar marks by other parties.¹⁸ The Lanham Act addresses issues related to trademark infringement, such as the protection of trade dress.¹⁹ This type of protection can apply to words, symbols, logos, and other marks that would identify and distinguish products or services in the marketplace.²⁰

Trade dress is a type of protection under the Lanham Act that relates to the overall appearance and design of a product or its packaging.²¹ For example, the infamous Coca-Cola bottle's shape is considered one of the most famous trade dress

¹⁶ *Nespresso USA, Inc.*, 2023 WL 374980, at *5; *see also* 15 U.S.C. § 1114(1) (discussing defendant Peet's Coffee's first argument that plaintiff Nespresso lacks standing to bring its claim for trademark infringement under § 32 of the Lanham Act, 15 U.S.C. § 1114(1), because plaintiff is not the "registrant" of the NESPRESSO marks and has not registered this mark with the United States Patent and Trademark Office (USPTO)).

¹⁷ 15 U.S.C. § 1127; *see also* Fed. Treasury Enter. *Sojuzplodoimport v. SPI Spirits Ltd.*, 726 F.3d 62, 72 (2d Cir. 2013) (discussing that the USPTO permits claims for registered trademark infringement to be brought by the "registrant" of the relevant trademarks. The term "registrant" under the Lanham Act is defined to include the registrant's "[l]egal representatives, predecessors, successors and assigns." Nespresso claims that it is registered and assigned the legal right to its mark.).

¹⁸ *Nespresso USA, Inc.*, 2023 WL 374980, at *17; *see also* *L'Oreal USA, Inc. v. Trend Beauty Corp.*, No. 11 CIV., 2013 WL 4400532, at *9 (S.D.N.Y. Aug. 15, 2013) (quoting Fed. Treasury Enter. *Sojuzplodoimport v. SPI Spirits Ltd.*, ("FTE"), No. 11-4109-cv, 2013 WL 3970048, at *9 (2d Cir. Aug. 5, 2013)).

Exclusive licensees to a trademark are deemed assignees under § 1114 in limited circumstances; Congress could easily have included "licensee" or "exclusive licensee" among the terms . . . that define a "registrant." It chose instead to limit standing to parties having a more specific set of interests in the registered mark. A plaintiff therefore must show that its "license" amounts, in fact, to an assignment.

¹⁹ *SPI Spirits, Ltd.*, 726 F.3d at 78 (discussing that a plaintiff must show that its "license" amounts to an assignment. To demonstrate that there has been an assignment under the Lanham Act, a party must show: "(1) the relevant assigning document [was] effected by [an] instrument in writing duly executed, and (2) the . . . assignment . . . transfer[ed] an ownership interest in the marks at issue." In this case, Nespresso would have to prove there has been an assignment.).

²⁰ *Fun-Damental Too, Ltd. v. Gemmy Indus. Corp.*, 111 F.3d 993, 999 (2d Cir. 1997).

²¹ *Int'l Leisure Prods. v. Sunnyslife Austl.*, 2018 WL 1305712, at *4 (S.D.N.Y. Mar. 12, 2018).

marks worldwide.²² The classic shape of the Coca-Cola bottle has been a federally registered trademark since 1977, becoming a symbolic trademark design for the brand's reputation and easily identifiable for consumers for over four decades.²³ Trade dress embodies the distinctive and non-functional features of a product's design for the source of the product to be easily distinguishable from other competitors in the market and deter consumers from confusion.²⁴ Elements such as packaging, color schemes, shapes, graphics, and product configurations can be used to show a source's trade dress.²⁵

B. Distinctive Trade Dress Elements

Trade dress today broadly embodies the concept of how a product is presented to the minds of the public, such as its color, design, packaging, and any or all the elements that make up its total appearance; for example, the consuming public has come to recognize the shape of the bottle that is associated with Coca-Cola because of its iconic design.²⁶ The essential requirements to establish a successful trade dress claim are that the trade dress must be: 1) Distinctive; and 2) Non-functional.²⁷ In the Second Circuit, the relevant court in this action, a product design trade dress infringement claim consists of four elements.²⁸

First, the plaintiff must offer the character and scope of the claimed trade dress.²⁹ Next, the plaintiff bears the burden of proving that the matter sought to be protected is not functional.³⁰ Functionality, in this case, could either be applied in a "purely utilitarian sense," or it can be recognized to have slight aesthetic functionality.³¹ In

²² See *Homeland Housewares, LLC v. Euro-Pro Operating LLC*, 2015 WL 476287, at *5 (C.D. Cal. Feb. 5, 2015) (describing that the Coca-Cola bottle shape is classified as trade dress); *Clearline Techs. Ltd. v. Cooper B-Line, Inc.*, 2012 WL 12893491, at *8 (S.D. Tex. July 2, 2012) (noting the shape of a Coca-Cola bottle is associated with the Coca-Cola brand and is protected by trade dress).

²³ See also 1 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 8:1 (5th ed. 2019) (stating that trade dress includes "the shape and design of the product itself").

²⁴ *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205, 205 (2000).

²⁵ *Id.*

²⁶ 15 U.S.C. § 1125(a)(3) ("In a civil action for trade dress infringement under this chapter for trade dress not registered on the principal register, the person who asserts trade dress protection has the burden of proving that the matter sought to be protected is not functional.").

²⁷ See *TraFFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 58 (2001) ("A feature is functional as a matter of law if it is "essential to the use or purpose of the product or if it affects the cost or quality of the product.").

²⁸ *Urban Group Exercise Consultants, Ltd. v. Dick's Sporting Goods, Inc.*, No. 12 Civ. 3599, 2012 WL 3240442, at *3 (S.D. N.Y. Aug. 7, 2012) (quoting *Sherwood 48 Associates v. Sony Corp. of America*, 76 F.App'x 389, 391 (2d Cir. 2003)).

²⁹ 15 U.S.C. § 1125(c)(4); *Urban Group Exercise Consultants*, 2012 WL 3240442, at *3 (quoting *Landscape Forms, Inc. v. Columbia Cascade Co.*, 113 F.3d 373, 381 (2d Cir. 1997)) ("A plaintiff must also offer 'a precise expression of the character and scope of the claimed trade dress.'").

³⁰ *Int'l Leisure Prods. v. Sunnlylife Australia* 2018 WL 1305712, at *4.

³¹ *Christian Louboutin S.A. v. Yves Saint Laurent*, 696 F.3d 206, 219 (2d Cir. 2012).

terms of aesthetic functionality in the product's features, trade dress is considered functional "if the right to use it exclusively would put competitors at a significant non-reputation-related disadvantage."³² The third element requires the plaintiff to show that its trade dress has acquired secondary meaning.³³ Finally, the plaintiff must show the defendant's alleged feature it is infringing upon and how it is likely to cause consumer confusion in the market.³⁴ In other words, the plaintiff must show that its trade dress of the product is distinctive.³⁵

A product can be considered distinctive in two ways: the product can either be inherently distinctive or acquire distinctiveness by having a secondary meaning in the marketplace.³⁶ Secondary meaning is at issue here since it is acquired when, "in the minds of the public, the primary significance of a product feature is to identify the source of the product rather than the product itself."³⁷ An 'unregistered product' design trade dress is not inherently distinctive.³⁸ Therefore, if that product's design is distinctive through its features and can be identified to the source of the product, then the product can only be protected upon the showing of a secondary meaning.³⁹ A plaintiff seeking protection for its product design trade dress must not only show secondary meaning but also that the defendant's product is so similar that it is likely to cause confusion as to the product's actual source.⁴⁰ Thus, through showing sufficient facts to support its claim, the plaintiff must satisfy each of the four elements.⁴¹

C. Trademark Infringement under Section 32 of the Lanham Act

Section 32 of the Lanham Act (15 U.S.C. § 1114) is a provision that addresses civil liability for trademark infringement.⁴² Liability for trademark infringement is satisfied when a party uses a registered trademark in commerce without the authorization of the trademark owner.⁴³ Infringement can occur when the unauthorized use will likely dilute, tarnish, or harm the reputation of the registered

³² *Qualitex Co. v. Jacobson Products Co., Inc.*, 514 U.S. 159, 165 (1995) (quoting *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 850, n.10 (1982)).

³³ *Nespresso USA, Inc.*, 2023 WL 374980, at *8.

³⁴ *Id.*

³⁵ *Id.*; *Metrokane, Inc. v. The Wine Enthusiast*, 160 F.Supp. 2d 633, 637 (S.D.N.Y. 2001).

³⁶ *Nespresso USA, Inc.*, 2023 WL 374980, at *8; *see also Inwood Laboratories, Inc.*, 456 U.S. at n.11.

³⁷ *Nespresso USA, Inc.*, 2023 WL 374980, at *8.

³⁸ *Id.* at *11.

³⁹ *Id.*

⁴⁰ 15 U.S.C. § 1125(a)(1)(A); *see also Samara Bros.*, 529 U.S. at 210; *see generally Metrokane*, 160 F.Supp. 2d at 639 ("An unregistered product's design trade dress cannot be inherently distinctive, and thus that 'product's design is distinctive, and therefore protectable, only upon a showing of secondary meaning.") (quoting *Wal-Mart Stores, Inc.*, 529 U.S. at 215-16) (emphasis in original)).

⁴¹ *Ashcroft v. Iqbal*, 556 U.S. 662, 663 (2009) (explaining that at the motion-to-dismiss stage, the plaintiff does not need to necessarily prove anything. However, the plaintiff must allege sufficient facts to make a plausible claim that each of the four elements can be satisfied.).

⁴² 15 U.S.C. § 1114.

⁴³ *1-800 Contacts, Inc. v. WhenU.com, Inc.*, 414 F.3d 400, 406-07 (2d Cir. 2005).

mark, which can ultimately lead to a likelihood of confusion, mistake, or deception among consumers regarding the source or origin of goods or services.⁴⁴

To establish a trademark infringement claim under the Lanham Act for either a registered mark under 15 U.S.C. § 1114, or an unregistered mark under 15 U.S.C. § 1125(a), the plaintiff must demonstrate that: 1) the plaintiff has a valid and legally protectable mark; 2) the plaintiff owns the mark; and 3) the defendant's use of the mark to identify goods or services causes a likelihood of confusion.⁴⁵ In short, these three distinct elements necessary to successfully establish a trademark infringement claim are classified as "use," "in commerce," and "likelihood of confusion."⁴⁶

1. "Use"

"Use" of a trademark by an alleged infringer must be established through a threshold test.⁴⁷ Without the "use" of a trademark, activities that may be "in commerce" or create a "likelihood of confusion" do not on their own violate the Lanham Act.⁴⁸ This element is applied as a limiting function to prevent trademark holders from asserting ownership over a word without actually using the mark.⁴⁹

2. "In Commerce"

To satisfy the "in commerce" requirement, the plaintiff must demonstrate that the defendant's allegedly infringing activities have a substantial effect on interstate commerce.⁵⁰ Activities that meet the "in commerce" requirement can apply to any promotional efforts, marketing, or advertising that prominently features the trade dress product.⁵¹

3. "Likelihood of Confusion"

The central concept in many trademark infringement cases under the Lanham Act is the "likelihood of confusion."⁵² When the use of a mark is likely to cause confusion amongst consumers regarding the true source or origin of the product, infringement likely occurs.⁵³ If a consumer assumes the alleged infringing mark to be associated with the source of another product that is identified with a similar mark, then there is a likelihood of confusion.⁵⁴ Courts typically consider several factors when

⁴⁴ Eyal R.D. Corp. v. Jewalex New York Ltd., 784 F.Supp. 2d 441, 449 (S.D.N.Y. 2011).

⁴⁵ *1-800 Contacts, Inc.*, 414 F.3d at 412.

⁴⁶ 15 U.S.C. § 1127.

⁴⁷ *1-800 Contacts, Inc.*, 414 F.3d at 412.

⁴⁸ *Id.*

⁴⁹ *Id.*

⁵⁰ *Nespresso USA, Inc.*, 2023 WL 374980, at *16.

⁵¹ *1-800 Contacts, Inc.*, 414 F.3d at 412.

⁵² *A&H Sportswear, Inc.*, 237 F.3d at 210-11.

⁵³ *Estee Lauder Inc. v. The Gap, Inc.*, 108 F.3d 1503, 1508-09 (2d Cir. 1997).

⁵⁴ *Nespresso USA, Inc.*, 2023 WL 374980, at *16.

determining the likelihood of confusion in trademark infringement cases.⁵⁵ These factors may include the similarity of the marks, the relatedness of the goods or services, the strength of the mark, evidence of actual confusion, the defendant's intent, and the marketing channels used.⁵⁶ Courts conducting a likelihood of confusion analysis will apply two different standards, depending on whether the allegedly infringed product directly competes or does not directly compete with the trademarked item.⁵⁷

When the accused product directly competes with the trademarked product, i.e., they are related in goods or services, the court will rarely look beyond the mark itself, and infringement will usually be found if the two marks at issue are so sufficiently similar that consumer confusion can be expected.⁵⁸ If the accused product does not directly compete with the trademarked product, the court will typically find that confusion is unlikely, and thus there is no infringement.⁵⁹

D. Sections 1 and 2 of the Sherman Act

To promote fair competition and prevent monopolistic practices in business, the Sherman Antitrust Act was enacted by Congress in 1890.⁶⁰ This Act consists of two main sections:

Section 1 of the Sherman Act aims to prevent agreements, conspiracies, or combinations among competitors that unreasonably restrain trade or commerce.⁶¹ This provision prohibits a wide range of anticompetitive behavior that could harm the markets and restrict consumer choice.⁶²

Section 2 aims to promote competition by preventing the abuse of monopolization or the attempts to monopolize any part of interstate commerce.⁶³ A monopoly exists when a single seller or producer controls a substantial portion of the market, giving them the power to control prices or exclude competitors.⁶⁴ These anticompetitive means, such as monopolization or excluding competitors, can eventually harm consumers by reducing their choices, increasing prices unfairly, and restricting innovations that could have been beneficial to society.⁶⁵

⁵⁵ AMF, Inc. v. Sleekcraft Boats, 599 F.2d 341, 348-49 (9th Cir. 1979).

⁵⁶ *Id.*

⁵⁷ Interspace Corp. v. Lapp, Inc., 721 F.2d 460, 462-63 (3d Cir. 1983).

⁵⁸ *Id.*

⁵⁹ *Id.*

⁶⁰ 15 U.S.C. §§ 1-38 (“The Sherman Act is codified in 15 U.S.C. §§ 1-38, and was amended by the Clayton Act in 1914.”).

⁶¹ 15 U.S.C. § 1 (“Every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several States, or with foreign nations, is declared to be illegal.”).

⁶² *Id.*

⁶³ 15 U.S.C. § 2.

⁶⁴ U.S. v. Grinnell Corp., 384 U.S. 563, 571 (1966) (discussing that monopoly power refers to the ‘the power to control prices or exclude competition.’ This can usually be evident when a single entity dominates a majority of the market).

⁶⁵ *Id.*

The Sherman Act became crucial in laying the foundation for antitrust violations in the United States and serving as a means to regulate business conduct and competition in the marketplace.⁶⁶ Most notably, anticompetitive conduct is quite possibly the most crucial aspect referred to in the Sherman Act when it comes to attempted monopolization.⁶⁷

III. THE CASE

A. *Facts of the Case*

The *Nespresso v. Peet's Coffee* trade dress case involved Nespresso, a coffee company known for its single-serve espresso machines and capsules, and Peet's Coffee ("Peet's"), a coffee roaster and retailer.⁶⁸ Nespresso accused Peet's of copying its trade dress. Nespresso argued that the visual and aesthetic elements of its coffee/espresso capsules make the capsules distinctive and identifiable.⁶⁹ Nespresso argued that Peet's coffee capsules were too identical to its own and created a likelihood of consumer confusion.⁷⁰ Nespresso's capsule trade dress includes elements like the specific capsule shape, color scheme, and certain design features to make it identifiable with its brand in the minds of consumers.⁷¹ This dispute centered on whether Peet's trade dress was a deliberate imitation of Nespresso's, and whether consumers were likely being misled to believe they were buying Nespresso products while purchasing the Peet's capsules.⁷²

⁶⁶ See generally *Copperweld Corp. v. Independence Tube Corp.*, 467 U.S. 752 (1984); *Bell Atlantic Corp. v. Twombly*, 550 U.S. 544 (2007); *American Needle, Inc. v. National Football League*, 560 U.S. 183 (2010); 15 U.S.C. § 2 (2007) ("To demonstrate attempted monopolization, plaintiff must prove that defendant has engaged in predatory or anticompetitive conduct with specific intent to monopolize and that there is a dangerous probability of defendant achieving monopoly power.").

⁶⁷ *Spanish Broad. Sys. of Fla., Inc. v. Clear Channel Commc'ns, Inc.*, 376 F.3d 1065, 1075 (11th Cir. 2004) (quoting *Northeastern Tel. Co. v. Am. Tel. & Tel. Co.*, 651 F.2d 76, 85 (2d Cir. 1981)).

⁶⁸ *Nespresso USA, Inc.*, 2023 WL 374980, at *2-3 (providing the background of the plaintiff in this lawsuit. For over thirty years, Nespresso and its affiliate, Nestlé Nespresso SA, have been selling NESPRESSO-brand coffee and espresso machines, as well as coffee/espresso capsules that are compatible with its machines, consumables, and accessories throughout the world. Accordingly, these are known as the "NESPRESSO Products.").

⁶⁹ *Id.* at *9.

⁷⁰ *Id.* at *1 (summarizing that Peet's "further alleges that the Trade Dress is not functional, as evidenced by 'the presence of numerous different third-party capsule designs that are available for sale in the United States market and that work with NESPRESSO-branded machines (among other things).'").

⁷¹ *Id.*, at *2 (discussing the trade dress elements Nespresso has raised against Peet's Coffee. Peet's Coffee alleges that, due to the "extensive advertising, marketing," and selling of its own capsules, "as well as the commercial success and widespread news media coverage of the NESPRESSO Capsule featuring the Trade Dress, the Trade Dress has become widely recognized" and well-known among consumers in the United States.).

⁷² *Id.* (Under Nespresso, Nestlé S.A. owns three U.S. trademark registrations for the NESPRESSO word and three trademark registrations for the NESPRESSO design.)



Figure 1: the “Original NESPRESSO Capsule”



Figure 2: the “Infringing Capsule”

Nespresso argued that its capsules’ trade dress is distinct in four ways: “a frustoconical top portion, an opaque color, a circular bottom that is wider in diameter than the top of the capsule, and an inverted frustoconical indentation at the top.”⁷³ Nespresso claimed to have an “arbitrary,” “unique,” and “aesthetic” trade dress, and further alleged that the trade dress is not functional.⁷⁴ In July 2018, Nespresso claimed that Peet’s launched a new line of its own coffee and espresso capsules that infringed the Nespresso trade dress by copying each element of the capsule and rendering the Peet’s capsule “nearly identical” and “confusingly similar” to that of Nespresso.⁷⁵ Nespresso also claimed that Peet’s used the Nespresso marks to advertise, market,

⁷³ *Nespresso USA, Inc.*, 2023 WL 374980, at *1-2 (explaining that “[p]ursuant to a written sub-license agreement from Nestlé Nespresso SA, Plaintiff [Nespresso USA, Inc.] has the exclusive right in and to (including to license third parties to use) the NESPRESSO Marks in the United States to advertise, market, promote, offer for sale, and sell NESPRESSO Products.”).

⁷⁴ *Id.*, at *2-3 (discussing how Nespresso alleged that when Peet’s stated that the capsules were compatible with Nespresso machines, Peet’s failed to display non-affiliation disclaimers that were ‘prominent and proximate’ to Peet’s references to NESPRESSO. Rather, Nespresso claimed that placing a small, inconspicuous disclaimer at the bottom of its website made it unlikely for consumers to see and/or read it when placed in that location. Nespresso also claimed that Peet’s used the registered ® symbol in connection with the use of NESPRESSO, which falsely suggested that there was an affiliation or association with Nespresso. Nespresso also alleged that Peet’s used NESPRESSO as both a noun, rather than an adjective that modifies a noun, and a tagline to convey compatibility with the Peet’s capsule).

⁷⁵ *Id.* at *2 (explaining that Peet’s would display its capsules alongside and/or in close proximity to Nespresso’s machines and genuine Nespresso product displays. As a result, Nespresso claims that Peet’s gave consumers the “false impression that Peet’s Capsule is affiliated with, endorsed by, sponsored by, or licensed by Nespresso.”).

promote, and sell its own capsule.⁷⁶ Through Peet's advertisements on its website, stating its coffee was "now in capsules designed to fit your NESPRESSO® OriginalLine*," Nespresso alleged that Peet's was promoting a product with Nespresso's registered mark, which it was unauthorized to do, pursuant to 15 U.S.C. § 1114(1).⁷⁷ Nespresso found that Peet's referenced Nespresso as a tagline to its own product to attract consumers and did not display an obvious non-affiliation disclaimer.⁷⁸ On the other hand, Peet's argued that it did place a disclaimer at the bottom of its website and rejected the accusation that it engaged in any infringement of Nespresso's trade dress capsules.⁷⁹

Additionally, Nespresso asserted that Peet's would promote these capsules in retail stores by placing the Peet's capsules near Nespresso machines and product displays, which would ultimately result in consumer confusion and unfair competition.⁸⁰ While Peet's rejected these claims, Nespresso filed this suit alleging that Peet's infringed on Nespresso's capsule trade dress and misled consumers into believing its capsule was affiliated with or sponsored by Nespresso.⁸¹

⁷⁶ *Id.* at *3 (explaining that when Nespresso noticed Peet's website advertising its capsules' compatibility with the Nespresso machines, on October 19, 2018, Nespresso's counsel issued a demand letter to defendant Peet's, notifying Peet's Coffee of the infringement claims it had identified and demanded that Peet's cease and desist improper use of the NESPRESSO marks and the trade dress. Peet's denies the allegations that its actions infringed the NESPRESSO marks or the trade dress.).

⁷⁷ *Id.* (explaining that Nespresso had seen Peet's Coffee advertising on its website and promoting its capsules' compatibility with Nespresso machines, which Peet's was not authorized to do. "Plaintiff alleges that despite its diligent efforts and numerous attempts to resolve this matter over the course of years, Defendant has continued its deliberate and improper use of the NESPRESSO Marks and the Trade Dress. For example, Plaintiff Nespresso claims that Defendant Peet's website continues to have the NESPRESSO Marks and places a disclaimer in small, inconspicuous wording at the bottom of its website.").

⁷⁸ *Nespresso USA, Inc.*, 2023 WL 374980, at *8 (summarizing how Nespresso further alleged that Peet's capsule packaging continued to suggest descriptive references to NESPRESSO and the NESPRESSO marks but did not include prominent and proximate disclaimers. The disclaimer was on the back of the packaging only.).

⁷⁹ *Id.* at *3 (explaining how Peet's Coffee rejected any claims made against it by Nespresso and that it had a disclaimer included on its website. On the other hand, Nespresso raised *concerns* about the customer reviews on the Peet's Coffee website that could indicate consumer confusion. For example, 'We are so thankful that Peet's paired up with Nespresso to create pods for coffee'; 'the Peet's [N]espresso pods are the best'; and 'I've been using Peet's Nespresso pods for about 6 months and I love them!' Nespresso alleged that Peet's replied to these consumer comments without taking any action to dispel consumer confusion.).

⁸⁰ *Id.* at *2.

⁸¹ *Id.* at *3 (discussing how Nespresso claimed that Peet's actions were causing actual confusion in the marketplace. Within its Complaint, Nespresso included screenshots of consumer reviews of the Peet's coffee/espresso products on its website. Nespresso believed that consumers have mistakenly believed that the Peet's capsule has an affiliation, connection, and/or association with and/or to the NESPRESSO capsule.).

B. Procedural History

On March 17, 2022, Nespresso filed a ten-count complaint in the United States District Court of the Southern District of New York.⁸² Counts I and II of the complaint alleged violations of the Lanham Act arising from Peet’s infringement of the Nespresso marks and the trade dress.⁸³ Counts III and IV introduced unfair competition, false endorsement, false association, and false designation of origin for use of the Nespresso Marks and use of the Trade Dress.⁸⁴ Counts V and VI raised the dilution issue of the Nespresso Marks as well as the Trade Dress.⁸⁵ Additionally, under Counts VII and VIII, Nespresso filed a claim against Peet’s for unfair competition and its use of Nespresso marks and trade dress, as well as Peet’s alleged dilution of the Nespresso Marks and Trade Dress under New York business law in Counts IX and X.⁸⁶

Nespresso sought a preliminary and permanent injunction, disgorgement of Peet’s Coffee’s profits, and an award of damages, attorneys’ fees, and costs.⁸⁷ Peet’s filed a motion to dismiss nine of the counts (Counts I, II, and IV-X) in their entirety pursuant to Federal Rule of Civil Procedure 12(b)(6), and to dismiss Count III in part, pursuant to 12(f).⁸⁸ The district court granted Peet’s Coffee’s motion to dismiss Nespresso’s complaint regarding Counts I, V, VI, IX, and X. As to all other Counts, the court denied the motion.⁸⁹ On November 8, 2023, both parties filed a stipulation of voluntary dismissal with prejudice of all claims and counterclaims of the action, pursuant to Federal Rule of Civil Procedure 41(a)(1)(A)(ii).⁹⁰ However, Nespresso filed a motion for reconsideration on February 14, 2023.⁹¹

⁸² *Id.*

⁸³ *Nespresso USA, Inc.*, 2023 WL 374980, at *3 (discussing the Counts of the complaint, Nespresso asserted that it was an “assign” of the NESPRESSO marks because it had received an exclusive license to use the NESPRESSO marks in the United States, which is equivalent to an assignment of the marks); *see also* 15 U.S.C. § 1127.

⁸⁴ *Id.* at *6 (explaining that Second Circuit courts “[h]ave long held—and persuasively reasoned—that a party is not an ‘assign’ for standing purposes under the Lanham Act unless that party owns the mark at issue.”).

⁸⁵ *Id.* at *3.

⁸⁶ *Id.*

⁸⁷ *Id.*

⁸⁸ *See Ashcroft*, 556 U.S. at 678 (quoting *Twombly*, 550 U.S. at 570 (2007)) (“[A]ll reasonable inferences should be drawn in favor of the plaintiff . . . but the complaint must contain sufficient allegations to nudge a claim . . . across the line from conceivable to plausible”); *see also Nespresso USA, Inc.*, 2023 WL 374980, at *5 (“Defendant [Peet’s] asserts that Counts I, V, VI, IX, and X should be dismissed because Nespresso lacks standing to bring the claims. Defendant first argues that Plaintiff [Nespresso] lacks standing to bring its claim for trademark infringement under § 32 of the Lanham Act, 15 U.S.C. § 1114(1) (Count I), because Plaintiff is not the ‘registrant’ of the NESPRESSO Marks.”).

⁸⁹ *See Allen v. WestPoint-Pepperell, Inc.*, 945 F.2d 40, 44 (2d Cir. 1991) (“In determining the adequacy of a claim under Rule 12(b)(6), consideration is limited to facts stated on the face of the complaint, in documents appended to the complaint or incorporated into the complaint by reference, and to matters of which judicial notice may be taken.”).

⁹⁰ *See generally Nespresso USA, Inc.*, 2023 WL 374980 (discussing that on November 8, 2023, Nespresso and Peet’s filed a Stipulation of Voluntary Dismissal with Prejudice).

⁹¹ *Id.* (recognizing that Nespresso filed a motion for reconsideration as of February 14, 2023).

C. The Holding of the Court

While *Nespresso v. Peet's Coffee* is a complex legal matter on trademark infringement claims, a strong argument could be made in support of the Peet's capsules by proving that the product design of Nespresso's capsule trade dress lacks secondary meaning and would therefore be unlikely to cause consumer confusion among the product's market audience. Ultimately, it would be up to the court to weigh these arguments and consider all relevant factors and statutes when reaching a decision.

IV. ANALYSIS

The first section of this analysis argues that the elements of Nespresso's trade dress are not inherently distinctive. Although Nespresso is arguing the capsules' product *design*, such as the shape of its coffee capsules, the distinctive look is related more to the capsules' product *packaging*.⁹² In terms of the functional aspects of Nespresso's coffee capsules, they are primarily designed to fit the Nespresso machine and to brew fresh coffee; however, this has become a common concept that has existed in the coffee market, and for which consumers in the market, who make their coffee from a coffee machine, have become familiar with.⁹³ Therefore, the distinctiveness and functionality Nespresso claims its capsules have—solely based on its product design—may not survive eligibility for trade dress protection.⁹⁴

Given the distinctive branding and strong customer loyalty associated with both Nespresso and Peet's, the second section of this analysis discusses how consumers are unlikely to mistake one brand for the other based solely on the capsules' similarities.⁹⁵ In other words, the likelihood of consumer confusion on the basis of the capsules alone may be minimal.⁹⁶ This section will also focus on trademark registration, and how

⁹² Ray K. Harris and Stephen R. Winkelman, *Why Product Configurations Cannot Be Inherently Distinctive*, 91 TRADEMARK REP. 988, 989 (2001) (“The attribution of inherent distinctiveness to certain categories of word marks and product packaging derives from the fact that the very purpose of attaching a particular word to a product, or encasing it in a distinctive packaging, is most often to identify the source of the product.”).

⁹³ See *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763 (1992); See *Mana Products, Inc. v. Columbia Cosmetics Mfg., Inc.*, 65 F.3d 1063, 1068 (2d Cir. 1995); *IP Lund Trading Aps v. Kohler Corp.*, 163 F.3d 27, 36 (1st Cir. 1998).

⁹⁴ *Nespresso USA, Inc.*, 2023 WL 374980, at *8 (discussing that although Nespresso claims it meets the functionality and distinctiveness requirements, Nespresso relies on its product design rather than product configuration and packaging. Therefore, under this type of claim, Nespresso may not be entitled to trademark protection. Nespresso claiming for there to be trade dress protection on its capsules' product design, it has to rely on secondary meaning.); see *Metrokane*, 160 F. Supp. 2d at 639 (“An unregistered product's design trade dress cannot be inherently distinctive, and thus that 'product's design is distinctive, and therefore protectable, only upon a showing of secondary meaning.'”).

⁹⁵ *Id.* at *1.

⁹⁶ *Id.* at *8 (explaining that Nespresso arguing that Peet's capsules is likely to cause customer confusion may not suffice because courts tend to look at the circumstances of each case in regard to trade dress. Trade dress in the Second Circuit rely on the consumer's minds and how the brand has advertised their product's feature. On this basis, Nespresso has not shown

Nespresso may lack the protection they claim to have when alleging Peet's to be an unregistered user of their so-called product design.⁹⁷ This section will further provide input on the other suits Nespresso has filed in the Second District court when it comes to its capsules' trade dress, and how Nespresso's action of these suits implicating consumer confusion on Nespresso's capsules' under trade dress protection could result in a conflict between the laws of antitrust and laws of trademark.⁹⁸

Ultimately, the outcome of such trade dress disputes often depends on a thorough examination of the visual and design elements in question, as well as the likelihood for consumer confusion.⁹⁹ It is also essential for companies to protect their trade dress to maintain their brand's uniqueness and reputation--however, having a registered trademark product will not always give that protection.¹⁰⁰ Although there has not yet been a final verdict on the case, the specific claims of *Nespresso vs. Peet's Coffee* would depend on the legal precedent presented in similar circumstances which have shaped the way courts analyze trademark infringement.¹⁰¹ A compelling argument could be made for the court to find in favor of Peet's on the grounds that there is no actionable trade dress infringement.¹⁰² To support this perspective, one could present several key points to the Second Circuit, which will all be discussed in the final part of this discussion.

sufficient evidence that Peet's capsules has caused any customer confusion or promotional efforts to do so); see *Bd. Of Supervisors for Louisiana State Univ. Agric. & Mech. Coll. v. Smack Apparel Co.*, 550 F.3d 465, 481 (5th Cir. 2008) ("Although not necessary to a finding of likelihood of confusion, a defendant's intent to confuse may alone be sufficient to justify an inference that there is a likelihood of confusion.").

⁹⁷ *Nespresso USA, Inc.*, 2023 WL 374980, at *3 (explaining that Peet's denied the allegations and argued that Nespresso's capsule design was not entitled to trademark protection. It also said that Nespresso was using trademark claims to extend a monopoly it had lost when patents covering its capsule system expired).

⁹⁸ *U.S. v. Timken Roller Bearing Co.*, 83 F. Supp. 284, 318 n.2 (N.D. Ohio 1949) ("Whatever extension of trade mark rights is encompassed in the Lanham Trade-Mark Act, Title 15 U.S.C.A. § 1051 et seq., its enactment did not open the door to employ a trade mark as an instrument to undermine the antitrust laws. This is borne out with transparent clarity by its legislative history.").

⁹⁹ See Mark D. Robins, *Actual Confusion in Trademark Infringement Litigation: Restraining Subjectivity Through A Factor-Based Approach to Valuing Evidence*, 2 NW. J. TECH. & INTEL. PROP. 1 (2004).

¹⁰⁰ See *Jones v. Am. Council on Exercise*, 245 F. Supp. 3d 853, 859–60 (S.D. Tex. 2017) (explaining that even if a mark is registered, it will not necessarily obtain protection and ownership because the mark of an ownership and protection comes is established by use, and not by registration).

¹⁰¹ *Nespresso USA, Inc.*, 2023 WL 374980, at *1.

¹⁰² *Id.*

A. *Distinctiveness and Functionality*

To obtain legal protection for trade dress, it's essential to demonstrate that the trade dress is distinctive, has acquired secondary meaning, and is nonfunctional.¹⁰³ Registering trade dress with the United States Patent and Trademark Office (USPTO) can provide additional legal protection and prevent others from using similar trade dress that may cause confusion among consumers, but it will not always act as an affirmative defense.¹⁰⁴

1. *Distinctiveness*

The Supreme Court of the United States has decided numerous cases involving the issue of distinctiveness, particularly in the context of trademark and trade dress law.¹⁰⁵ While these cases don't always result in a clear-cut finding of "no distinctiveness," they often revolve around whether the particular trademark or trade dress in question meets the criteria for distinctiveness or protection.¹⁰⁶

In the Supreme Court decision in *Two Pesos, Inc. v. Taco Cabana, Inc.*, it established a legal framework for trade dress protection and emphasized the importance of trade dress distinctiveness.¹⁰⁷ The Court held that elements of trade dress can be protected if they are either: 1) inherently distinctive; or 2) have acquired secondary meaning.¹⁰⁸ However, the Supreme Court's *Two Pesos* decision left many questions unanswered.¹⁰⁹ The case did not set a clear standard on how to define an

¹⁰³ See Fariba Soroosh, *Is an Inherently Distinctive Trade Dress Protectable under 43(a) Without Having Acquired a Secondary Meaning?*, 9 SANTA CLARA HIGH TECH. L.J. 387, 388 (1993).

¹⁰⁴ *Nespresso USA, Inc.*, 2023 WL 374980, at *2.

¹⁰⁵ See *Duraco Products, Inc. v. Joy Plastic Enterprises Ltd.*, 40 F.3d 1431 (1994).

¹⁰⁶ See Bradley K. Groff, *Bare-Fisted Competition or Palming Off? Protection of Product Design As Trade Dress Under the Lanham Act*, 87 TRADEMARK REP. 112 (1997).

¹⁰⁷ *Two Pesos*, 505 U.S. at 768–69 (discussing the finding of this Supreme Court decision case. The defendant here was Two Pesos, a restaurant-chain based in Houston, Texas. The plaintiff is Taco-Cabana, fast-food restaurant chain in San Antonio, Texas. Two Pesos was sued for trademark infringement under the Lanham Act, specifically copying Taco Cabana's trade dress. The claim was that the restaurants looked nearly identical. The judge in this case had instructed the jury that trade dress must be inherently distinctive or had to have acquired a secondary meaning).

¹⁰⁸ *Id.* at 768.

Marks are classified in categories of increasing distinctiveness: (1) generic, (2) descriptive, (3) suggestive, (4) arbitrary, or (5) fanciful. The latter three categories are inherently distinctive and entitled to protection. Marks that are merely descriptive of a product are not inherently distinctive, but they may acquire distinctiveness, allowing them to be protected. Generic terms can never be trademarks.

¹⁰⁹ *Id.* at 773.

“inherently distinctive” trade dress and whether there is any difference depending on whether the alleged trade dress consists of product configuration or packaging.¹¹⁰

A. Inherent Distinctiveness

Inherent distinctiveness in trade dress is often associated with design elements that are unique, distinctive, and set a product apart from competitors in a way that does not serve a primarily functional purpose.¹¹¹ While Nespresso has certainly built a strong brand identity around its coffee capsules, it is the branding, packaging, and logo that contribute to the distinctiveness, rather than the capsules themselves.¹¹² The distinctiveness of Nespresso’s capsule packaging relies on the combination of the compatibility with their coffee machine, the branding, and the specific design elements on the capsules, as well as the overall customer experience.¹¹³

Nespresso’s coffee capsules have become a popular product and their creation has been integral in the association to their branding and business model.¹¹⁴ However, these capsules may not be inherently distinctive from a legal standpoint for several reasons.¹¹⁵ In Nespresso’s Complaint, they described trade dress as the “overall commercial impression created by the unique combination of the four distinct elements” of the capsule, which consist of “[1] a frustoconical top portion (a cone with the tip removed), transitioning abruptly to a more vertical sidewall that connects to the flange of the capsule; [2] an opaque color; [3] a circular bottom that is wider in diameter than the top of the capsule; and [4] an inverted frustoconical indentation at the top.”¹¹⁶ Nespresso argued how the combination of these four elements create the trade dress and that the Nespresso capsule has maintained this “look and feel” throughout their whole line of capsule products.¹¹⁷ Nespresso also alleged that its capsules are “unique and iconic.”¹¹⁸ However, Nespresso also admitted that while third-parties sell similar capsules that are compatible with the Nespresso machines, the only difference between these generic third-parties and Peet’s is that their overall commercial impressions don’t compete like Peet’s brand and reputation.¹¹⁹ This contradicting claim essentially means that Nespresso finds the Peet’s capsule product to be in competition with the Nespresso capsules when reaching the consumer market-

¹¹⁰ *Id.* (explaining the confusion when deciding how to define ‘inherently distinctive’. The holding of this case created tension with the certain provisions of the Lanham Act. The Second Circuit courts have denied protection for trade dress under § 43(a) when proof of secondary meaning is absent even though § 43(a) provides no basis for distinguishing between trademark and trade dress); see 15 U.S.C. § 1125(a).

¹¹¹ Harris and Winkelman, *supra* note 91, at 999.

¹¹² *Nespresso USA, Inc.*, 2023 WL 374980, at *2.

¹¹³ *Id.*; see also Tracey Tooker & TT Ltd., Inc. v. Whitworth, 212 F. Supp. 3d 429, 434 (S.D.N.Y. 2016) (citing *Heller Inc. v. Design Within Reach, Inc.*, No. 09 CIV.1909 (JGK), 2009 WL 2486054, at *6 (S.D.N.Y. Aug. 14, 2009)) (“To plead a claim of trade dress infringement, a claimant must “specify both ‘which features are distinctive’ and ‘how they are distinctive.’”).

¹¹⁴ *Id.* at *1.

¹¹⁵ *Id.*

¹¹⁶ *Nespresso USA, Inc.*, 2023 WL 374980, at *2.

¹¹⁷ *Id.* at *9.

¹¹⁸ *Id.*

¹¹⁹ *Id.*

-and it's plausible to consider that Nespresso argues this would lead to customer confusion on that basis.¹²⁰

In *Wal-Mart Stores, Inc. v. Samara Brothers, Inc.* (2000), the Supreme Court considered the trade dress of children's clothing.¹²¹ The Court held that trade dress protection applies to the "look and feel" of a product's packaging or presentation, rather than the design of the product itself.¹²² The underlying issue here is the product design of the capsules created by Nespresso.¹²³ However, Nespresso argued that the "look and feel" deals with the product design, rather than the product's packaging.

When Nespresso described the four "distinct" elements of their capsule products, they considered the design of their signature capsule products; yet, these capsules alone are virtually identical in structure and design to other coffee brands that also sell coffee or espresso capsules.¹²⁴ Even when considering the product design, the capsules tend to often have a common, standardized shape and size to also be compatible with the Nespresso machines.¹²⁵ When this type of product design is shared by many other coffee brands' capsule products, Nespresso's capsule design do not make their own product or packaging inherently distinctive.¹²⁶ Starbucks, L'OR, and William-Sonoma along with many other high-rated coffee brands have created capsules to be compatible with the Nespresso machine.¹²⁷ Clearly, these capsules have to have a designated shape to fit the signature Nespresso machine, and Nespresso's very own capsules do not make a "unique and iconic" distinction when other brands have done the same for compatibility purposes.¹²⁸

¹²⁰ *Id.* at *9.

¹²¹ *Wal-Mart Stores, Inc.*, 529 U.S. at 213 (recognizing the trade dress in question. Samara Brothers designs, manufactures, and sells children's clothing. Wal-Mart had contracted with a supplier, known as Judy-Philippine (JPI), to manufacture children's clothing. Wal-Mart used photos of Samara clothing to send to JPI and wanted the clothing to be labeled under the Wal-Mart brand, "Small Steps". JPI manufactured the clothes but copied sixteen of Samara's clothing with some slight changes to create the line of clothes they were constructed to do under its contract with Wal-Mart. Samara brought suit under trademark infringement for unregistered trade dress under section 43(a) of the Lanham Act. The court in this case found that Samara's product's design was not distinctive, and therefore not protectible, from replicas in an action for infringement of unregistered trade dress under section 43(a) of the Lanham Act, because it was merely inherently distinctive. Justice Scalia wrote the unanimous opinion for the court, holding that, "[c]onsumers should not be deprived of the benefits of competition with regard to the utilitarian and esthetic purposes that product design ordinarily serves by a rule of law that facilitates plausible threats of suit against new entrants based upon alleged inherent distinctiveness.').

¹²² *Id.* at 206.

¹²³ *Nespresso USA, Inc.*, 2023 WL 374980, at *1-2.

¹²⁴ *Id.* at *1.

¹²⁵ *Id.* (discussing that the product design of the capsules have distinct features on their own to be compatible with the signature Nespresso machine. Nespresso's capsules alone did not create any distinctive features that have set them apart from other brands).

¹²⁶ *Id.*

¹²⁷ *Id.* (finding that aside from Peet's and the design of their capsules, other competitors have created similar capsules to be compatible with Nespresso machines).

¹²⁸ *Nespresso USA, Inc.*, 2023 WL 374980, at *9.

B. Secondary Meaning

The courts in the Second Circuit find the primary element of “secondary meaning” to be an empirical inquiry.¹²⁹ They consider the “mental association in buyer[s]’ minds between the alleged mark and a single source of the product.”¹³⁰ The Second Circuit has also laid out several non-exclusive factors to consider, including “(1) advertising expenditures; (2) consumer studies linking the mark to a source; (3) unsolicited media coverage of the product; (4) sales success; (5) attempts to plagiarize the mark; and (6) length and exclusivity of the mark’s use.”¹³¹ However, the courts don’t require every one of these factors to be proven to for there to be a showing of secondary meaning.¹³² It can be argued that Nespresso has worked to create secondary meaning and recognition for their *brand* through marketing and consistent use over time, however, the capsules themselves have not acquired any secondary meaning.¹³³

The Second Circuit’s decision in *Christian Louboutin S.A. v. Yves Saint Laurent America Holding, Inc.* is an example of a case that demonstrates when a particular trade dress has acquired secondary meaning in the eyes of consumers.¹³⁴ Louboutin

¹²⁹ *Ethicon Endo-Surgery, Inc. v. Covidien, Inc.*, 796 F.3d 1312, 1330 (2015).

[T]he overall design is dictated by the function of the article is determined by weighing: whether the protected design represents the best design; *whether alternative designs would adversely affect the utility of the specified article*; whether there are any concomitant utility patents; whether the advertising touts particular features of the design as having specific utility; and whether there are any elements in the design or an overall appearance clearly not dictated by function.

¹³⁰ 2 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 15:5 (4th ed. 2017) [hereinafter MCCARTHY ON TRADEMARKS]; *see generally* *Honestech, Inc. v. Sonic Sols.*, 725 F. Supp. 2d 573 (W.D. Tex. 2010), *aff’d*, 430 F. App’x 359 (5th Cir. 2011).

¹³¹ *Nespresso USA, Inc.*, 2023 WL 374980, at *2. (“[T]he Complaint notes that ‘The Original NESPRESSO Capsule featuring the Trade Dress has been the subject of widespread, unsolicited media coverage for over three decades,’ including in publications such as *The New York Times*; *The Guardian*; *Time*; *Bloomberg*; *Business Insider*; *Mic*; *Environmental Leader*; and *Recycling Today*.”)

¹³² *Id.* (recognizing different way to prove secondary meaning. While also considering the promotional efforts that feature the Trade Dress, Nespresso can also provide images of promotional artwork comprised of the NESPRESSO Capsule featuring the Trade Dress to show evidentiary support. This can include photos of Nespresso’s website and the displays of the capsule outside of its packaging to show the trade dress. Peet’s however, that the photos cannot necessarily depict the entire combination of four distinct elements that allegedly makes up the Trade Dress. This entirely is a question of fact and determined on a case-by-case basis); *see also* 15 U.S.C. § 1125(a)(1)(A); *see also* *Samara Bros.*, 529 U.S. at 210; *Metrokane*, 160 F. Supp. 2d at 639 (“[A] plaintiff seeking protection over its product design trade dress must show not only secondary meaning, but also that the defendant’s product is so similar that it is likely to cause confusion about the product’s actual source.”).

¹³³ *Nespresso USA, Inc.*, 2023 WL 374980, at *2 (discussing that Nespresso has claimed they have established secondary meaning, specifically in the Complaint. Nespresso addressed the attempts of Peet’s plagiarism to the Trade Dress by claiming they have copied all the elements of their capsules and have promoted them in a similar manner to Nespresso’s. Peet’s argues that these allegations are insufficient to plead secondary meaning because they are not tied to the Trade Dress in question).

¹³⁴ *Louboutin*, 696 F.3d at 213.

registered a trademark known as the “Red Sole Mark.”¹³⁵ The Red Sole Mark covered the bright-red outsoles of shoes, that have later developed a secondary meaning, with this particular color becoming an instant identifier of the Louboutin brand.¹³⁶ YSL introduced a line of monochromatic shoes that featured the same color throughout the entire shoes, including the outsoles.¹³⁷ Louboutin sued YSL for trademark infringement, seeking a preliminary injunction to prevent YSL from selling any shoes that had outsoles with the similar color of red attributable to Louboutin’s Red Sole Mark.¹³⁸ The Second Circuit found Louboutin’s Red Sole Mark to be enforceable, but only against shoes with contrasting color uppers.¹³⁹ Therefore, YSL’s red, monochromatic shoes did not infringe the Red Sole Mark.¹⁴⁰ Louboutin was entitled to protection because the Red outsole is an instant identifier of the Louboutin brand and its reputation in the fashion industry.¹⁴¹ This type of secondary meaning and distinctiveness came from Louboutin’s promotion of the red sole, allowing the sole itself to become closely associated with Louboutin and luxury.¹⁴² However, this strong association to the brand is only limited to shoes with red soles and contrasting uppers, because the contrast is what made the shoes distinctive, as decided by the Second Circuit.¹⁴³

Following this logic, while Nespresso has a secondary meaning as to their *brand*, which has set them apart in the coffee industry, the capsules themselves have not.¹⁴⁴ Although Nespresso has promoted these capsules to be their own, and to be compatible with their machines, the capsules *themselves* do not consist of a special, distinct feature.¹⁴⁵ Nespresso has only argued that the four elements of trade dress to show that their *capsules* are distinct; however, those features are not enough to acquire a secondary meaning since the capsules were created to be compatible with the signature Nespresso machine.¹⁴⁶ The “Nespresso” name has also become a generic term for a “category of single-serve espresso systems, machines, and capsules.”¹⁴⁷ Nespresso has created a brand that consists of various products, including machines, capsules, and coffee in the market.¹⁴⁸ Unlike Louboutin being known for their Red Sole Mark and only selling shoe products with the red sole feature, Nespresso had established a platform and reputation in the eyes of consumers on the basis of their *brand* rather than the design of their capsule product.¹⁴⁹

¹³⁵ *Id.*

¹³⁶ *Id.*

¹³⁷ *Louboutin*, 696 F.3d at 213.

¹³⁸ *Id.* at 214.

¹³⁹ *Id.*

¹⁴⁰ *Id.*

¹⁴¹ *Louboutin*, 696 F.3d at 213.

¹⁴² *Id.* at 213.

¹⁴³ *Id.* at 214-15.

¹⁴⁴ *Nespresso USA, Inc.*, 2023 WL 374980, at *2.

¹⁴⁵ *Id.*

¹⁴⁶ *Id.*

¹⁴⁷ *Id.* (recognizing the brand name of Nespresso, Peet’s also argued that the ‘Nespresso’ name had become generic).

¹⁴⁸ *Id.*

¹⁴⁹ *Nespresso USA, Inc.*, 2023 WL 374980, at *2; *see Louboutin*, 696 F.3d at 213.

1. *Functionality*

To qualify for trade dress protection, the trade dress must be non-functional.¹⁵⁰ This means that the elements of the trade dress should distinguish the product or service in the eyes of consumers.¹⁵¹ Functionality is a question of fact, and Nespresso alleged that their capsules satisfy the non-functionality standards of trade dress.¹⁵² Looking at the facts, Nespresso capsules are primarily designed to contain and brew coffee.¹⁵³ The design is functional, as it must fit the coffee machine's holder and accommodate to the brewing process.¹⁵⁴

When a trade dress feature is found to be utilitarian, it is not eligible for trade dress protection.¹⁵⁵ However, a court may consider granting trade dress protection when considering aesthetic functionality.¹⁵⁶

2. *Aesthetic Functionality*

In 1995, the Supreme Court in *Qualitex* determined a product was considered functional “if exclusive use of the feature would put competitors at a significant non-reputation-related disadvantage.”¹⁵⁷ Although the definition here refers to functionality, this was intended to apply to aesthetic functionality specifically.¹⁵⁸

¹⁵⁰ See Amy B. Cohen, *Following the Direction of Traffix: Trade Dress Law and Functionality Revisited*, 50 IDEA 593 (2010).

¹⁵¹ *Id.* at 595; see also *Inwood Laboratories, Inc.*, 456 U.S. at 850, n.10; *Louboutin*, 696 F.3d at 21; *Int'l Leisure*, 2018 WL 1305712 (quoting *Inwood Laboratories, Inc.*, 456 U.S. at 850) (“A product feature is functional under the traditional *Inwood* definition ‘if it is essential to the use or purpose of the article or if it affects the cost or quality of the article.’”); *LeSportsac, Inc. v. Kmart Corp.*, 754 F.2d 71, 76 (2d Cir. 1985) (“A design feature of a particular article is ‘essential’ only if the feature is dictated by the functions to be performed; a feature that merely accommodates a useful function is not enough.”).

¹⁵² *Nespresso USA, Inc.*, 2023 WL 374980, at *2. (“[A] finding of whether a trade dress is functional is ‘essentially a fact question.’”); see *Int'l Leisure*, 2018 WL 1305712, at *6 (quoting *Kohl's*, 2006 WL 2645196, at *4).

¹⁵³ *Id.*

¹⁵⁴ *Id.*

¹⁵⁵ See Cohen, *supra* note 149 at 612; *TraFFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 30 (2001).

¹⁵⁶ Harris and Winkelman, *supra* note 91, at 1007 (“[T]he presumption that merely aesthetic product features cannot be inherently distinctive is consistent with the Supreme Court decision in *Qualitex* which held that some categories of mark — color — can never be inherently distinctive.”); *Qualitex Co. v. Jacobson Products Co., Inc.*, 514 U.S. 159, 163 (1995).

¹⁵⁷ *Qualitex Co.*, 514 U.S. at 170 (describing whether a product is functional through a competition test. The court stated the ultimate aesthetic functionality test “is whether the recognition of trademark rights would significantly hinder competition.” The Supreme Court in *TraFFix* had later confirmed the competition test in *Qualitex* and that the test should apply to aesthetic functionality); see *Johnson & Johnson v. Actavis Grp. hf, No. 06 CIV. 8209 (DLC)*, 2008 WL 228061, (S.D.N.Y. Jan. 25, 2008).

¹⁵⁸ *Qualitex Co.*, 514 U.S. at 170 (holding by the Supreme Court that the green-gold color of manufacturer's press pad acts as a symbol after having developed secondary meaning for

Later, *TrafFix* formed a two-factor test to determine aesthetic functionality: 1) trade dress protection would create a competitive disadvantage on other competitors; and 2) this advantage should not be caused by the reputation of the source of the goods.¹⁵⁹ However, this is typically difficult for courts to consider, and there has been no clear response as to why.¹⁶⁰ As a result, this makes aesthetic functionality one of the most troublesome issues in trademark law.¹⁶¹ Judges often rely on their personal experiences and intuition to assess whether competition is hindered if trademark protection is granted to the disputed trade dress.¹⁶²

Nespresso argued its trade dress is “unique, arbitrary, and aesthetic” and that there are numerous different third-party capsule designs available for sale in the United States and work with Nespresso-branded machines.¹⁶³ Although Nespresso argued the third-party capsules vary in shape and design, and create different overall commercial impressions from the Nespresso original capsule, the reality is that these third-party capsules cannot vary in shape or design from Nespresso’s because these capsules need to have a similar shape and design to fit into the signature Nespresso machine.¹⁶⁴ Furthermore, there has not been an exclusive disadvantage to other

customers which they have identified the green-gold color as Qualitex's. The Court found that the color of the pads identifies the press pads' source, and that the green-gold color serves no other function. On the other hand, Nespresso's design of the capsules provides no secondary meaning or has a symbol that would serve no other function to differentiate it from its competitors).

¹⁵⁹ *TrafFix Devices, Inc.*, 532 U.S. at 23 (explaining the two-factor prong that was decided in *Qualitex* to determine aesthetic functionality. In this case, the Supreme Court held that a trade dress feature that serves a significant function is not eligible for trade dress protection, even if it has acquired secondary meaning. The case involved the design of a portable sign stand); *see also* *Jeffrey Milstein Inc. v. Greger Lawlor Roth Inc.*, 58 F.3d 27 (1995) (discussing that similar designs, appearance, or concepts are generally not protected under trade dress law. The plaintiff, Milstein, Inc. manufactured greeting cards. These cards were folded vertically and could be formed into the shape of an animal, person, or other object so that the outline of the object also be the shape of the card. The defendant, Greger, Lawlor, Roth, Inc. began making greeting cards using a similar concept. Milstein sued Greger under trade-dress infringement, but the court denied Milstein's request for an injunction and found that Milstein's greeting cards was considered generic and rendered only as a concept).

¹⁶⁰ *See* Mitchell M. Wong, *The Aesthetic Functionality Doctrine and the Law of Trade*, 83 CORNELL L. REV. 1116 (1998).

¹⁶¹ *Id.* at 1118.

¹⁶² Xiaoren Wang, *Trade Dress Protection and Its Impact on Competition: An Attempt At An Empirical Approach*, TRADEMARK REP., 112(3), pp. 644-83, 648 (2022).

¹⁶³ *Nespresso USA, Inc.*, 2023 WL 374980, at *2 (explaining that secondary meaning has not been sufficiently pleaded here.; *see also* *Jenny Yoo Collection, Inc. v. Watters Design Inc.*, No. 16-CV-2205 (VSB), 2017 WL 4997838, at *9 (S.D.N.Y. Oct. 20, 2017) (explaining that the court found the allegations that a product became an “instant success” and received “praise from reviewer” to be insufficient when finding if there is a secondary meaning. These allegations failed to show that the “praise” had resulted from the alleged trade dress. The complaint in *Jenny Yoo* had only stated that the products at issue had “strong sales.” Like Nespresso, they have only stated that they have done “substantial advertising” and have made “billions of dollars of sales of the NESPRESSO Capsule worldwide” while failing to recognize that these expenditures and profits have not resulted on the capsules alone, but on the Nespresso brand as a whole).

¹⁶⁴ *Id.* at *9.

competitors from Nespresso's capsule.¹⁶⁵ Nespresso failed to consider that all these capsules function the same way, which is by being compatible with the signature Nespresso machine and brewing coffee.¹⁶⁶ Competition is not hindered for Nespresso, nor for other competitors in the market, making the Nespresso capsules functional.¹⁶⁷

3. When Antitrust Law Meets Trademark Law

The intersection of antitrust law and trademark law can be complex and a controversial notion because both aim to regulate business and commerce in the marketplace in their own ways; but when the laws are used unfairly, it raises concerns for the market and the well-being of society.¹⁶⁸ Trademark law plays a crucial role in protecting the reputation and identity of brands or products, and prevents competitors from using similar marks in a way that could confuse consumers.¹⁶⁹ Whereas antitrust law is designed to promote competition and prohibit anticompetitive behavior in the marketplace.¹⁷⁰ Both are designed to protect facets of consumer welfare, ensure a fair market for businesses, and contribute to a functioning and efficient economy.¹⁷¹

Unfortunately, there are instances when trademark rights are misused to restrain competition, and this can eventually lead to antitrust violations.¹⁷² For example, the doctrine of secondary meaning can sometimes preclude competitors of the trademark owner from using words which, however, because of their descriptiveness or other deficiencies, the trademark in question is not initially susceptible to exclusive appropriation by anyone.¹⁷³ Trademark misuse can be used as an affirmative defense and a ground in the principles of antitrust law.¹⁷⁴ Standing must be met to make a

¹⁶⁵ *Id.* at *8.

¹⁶⁶ *Id.*

¹⁶⁷ *Id.* at *2.

¹⁶⁸ *Timken Roller Bearing Co.*, 83 F. Supp. at 315 (discussing the concerns that arise when there is a conflict between the Sherman Act and the alleged monopoly that becomes the subject matter of innumerable litigated cases. In a sense, Nespresso filing a number of federal lawsuits against its competitors may also raise concerns on what Nespresso may be trying to achieve under a trademark infringement claim of its capsules).

¹⁶⁹ *Id.* (“Fundamentally the basic function of the law pertaining to trade marks is to safeguard the good will of one manufacture or distributor against the sale of another's merchandise as his.”); see also *Canal Co. v. Clark*, 80 U.S. 311, 324 (U.S.1871) (discussing that trade-mark itself must point distinctively to its origin, with no attempts to deceive the public).

¹⁷⁰ *Copperweld Corp. v. Independence Tube Corp.*, 467 U.S. 752, 773 (1984) (“[A] business enterprise should be free to structure itself in ways that serve efficiency of control, economy of operations, and other factors dictated by business judgment without increasing its exposure to antitrust liability.”).

¹⁷¹ *Id.* at 771 (implying that when a corporation discourages others from creating their own divisions, it will ultimately serve no useful antitrust purpose and deprive consumers of efficiency and instead create decentralization).

¹⁷² C. Scott Hemphill and Erik Hovenkamp, *Antitrust and Trademark Settlements*, ANTITRUST L.J., Chicago Vol. 85, Iss. 1, 67-102 (2023) (discussing the antitrust concerns are evident in case between 1-800 Contacts—the leading online retailer of contact lenses—and its competitors, such as Walgreens when it comes to restrictive trademark settlements).

¹⁷³ 1 CALLMANN ON UNFAIR COMPETITION, TRADEMARKS & MONOPOLIES § 4:54 (4th ed.).

¹⁷⁴ *Id.*

claim based on antitrust violation, and once standing has been met, a business must show three elements to proceed on a trademark misuse claim: “1) the defendant has engaged in predatory or anticompetitive conduct with 2) the specific intent to monopolize a market, and 3) the defendant has a dangerous probability of achieving said monopoly.”¹⁷⁵ The courts in *G Heileman Brewing Co. v. Anheuser-Busch, Inc.* applied this test when brewing companies brought action against a third-party competitor for declaratory judgment, claiming that their use of the “LA” mark on their beer products was not necessarily trademark infringement, but and this claim brought by the third-party was an attempt to monopolize.¹⁷⁶

In this case, when Nespresso alleged trademark infringement against Peet’s for its capsule products, the purpose behind filing such actions may be to hinder competition in the coffee market.¹⁷⁷ Nespresso alleged that Peet’s infringed on its capsule trade dress design; however, this is the same claim that has been brought by Nespresso against multiple coffee companies—with all of these cases ending in a settlement.¹⁷⁸ It seems that Nespresso’s main concern for bringing an action on its capsules product design against Peet’s (and the other competitors) is due to the likelihood of causing consumer confusion.¹⁷⁹ But when the capsules’ trade dress in question is based solely on the capsule’s product design, Nespresso’s capsules lack secondary meaning and, therefore, the claim that Peet’s capsules create a likelihood of consumer confusion is insufficient.¹⁸⁰

Comparing Nespresso’s previous suits with the similar claims of its capsules’ trade dress, Nespresso may have been able to notice and reframe their infringement claim on the basis of the capsules’ packaging design, rather than its product design.¹⁸¹ However, they clearly did not when they raised the exact same action against Peet’s.¹⁸² Since all the other suits have ended these disputes in settlement, it is unclear why Nespresso would want to bring another action against Peet’s on the trade dress of

¹⁷⁵ *Spectrum Sports, Inc. v. McQuillan*, 506 U.S. 447, 447 (1993).

¹⁷⁶ *G. Heileman Brewing Co. v. Anheuser-Busch, Inc.*, 676 F. Supp. 1436, 1473 (E.D. Wis. 1987).

¹⁷⁷ See *Williams-Sonoma, Inc.*, 2021 WL 1812199; *Afr. Am. Coffee Trading Co. LLC.*, 2016 WL 3162118; *Hiline Coffee Company, Inc.*, 2014 WL 1813823; *Ameruss Of Ny, Inc.*, 87216595-EXT; *Ethical Coffee Company SA*, 263 F.Supp.3d 498.

¹⁷⁸ See generally *Nespresso USA, Inc.*, 2023 WL 374980 (analyzing how each of these suits that have been filed by Nespresso have all been dismissed and resulted in a form of settlement).

¹⁷⁹ *Nespresso USA, Inc.*, 2023 WL 374980 at *15.

¹⁸⁰ *Metrokane, Inc.*, 160 F. Supp. 2d at 640

[A] court determines likelihood of confusion by analyzing the 8 “*Polaroid* factors.” These include: (1) the strength of the plaintiff’s trade dress; (2) the similarity between the two trade dresses; (3) the proximity of the products in the marketplace; (4) the likelihood that the prior owner will “bridge the gap” between the products; (5) evidence of actual confusion; (6) the defendant’s bad faith; (7) the quality of defendant’s product; and (8) the sophistication of the relevant consumer group.

¹⁸¹ *Id.* at 639 (S.D.N.Y. 2001) (describing that product’s design is considered distinctive only when there is a showing of secondary meaning).

¹⁸² See generally *Nespresso USA, Inc.*, 2023 WL 374980.

capsules product design, if not to drive Peet's out of the coffee capsule market.¹⁸³ The same could result here in this case with Peet's, but it is important to note what Nespresso's potential intent is when filing these federal lawsuits when they all result in the same outcome.¹⁸⁴

4. A Proposition for the Second Circuit

Peet's, along with many other brands in the coffee market who have their own capsule products, have not posed a serious disadvantage to Nespresso.¹⁸⁵ If anything, there is high likelihood that Nespresso is *benefiting* from Peet's capsule products.¹⁸⁶ Consumers know that to use a Nespresso machine, they must find a capsule that is compatible with it.¹⁸⁷ Peet's capsules are unlikely to cause confusion about the product's actual source, since both Nespresso and Peet's are big name-brands in the coffee industry.¹⁸⁸ These two competitors have spent decades reaching an audience in the market through promotional and advertising efforts, each acquiring a reputation for their respective brands.¹⁸⁹ The "look and feel" of the Peet's capsules on that basis alone has not had a detrimental effect on these brands.¹⁹⁰ With Nespresso claiming it meets the product-design trade dress elements, it is necessary for the courts to see that this differs from product packaging and branding.¹⁹¹ Nespresso's claim derives from the capsules product design, and when considering the necessary requirements to meet trade dress, this alone does not meet the threshold, specifically for secondary meaning.¹⁹²

¹⁸³ *Id.* at *7 (discussing why Nespresso raises federal lawsuits then eventually settle all claims and counterclaims. Nespresso's claim with Peet's seems to result in a similar outcome. It's unclear to determine why Nespresso is bringing these same claims with various competitors, since their argument on its capsules' trade dress design is not enough to show that it has acquired secondary meaning).

¹⁸⁴ *Id.*

¹⁸⁵ *Nespresso USA, Inc.*, 2023 WL 374980, at *8; see *DO Denim, LLC v. Fried Denim, Inc.*, 634 F. Supp. 2d 403, 408 (S.D.N.Y. 2009) (citing *Yurman Design, Inc. v. PAJ, Inc.*, 262 F.3d 101, 116 (2d Cir. 2001)) (finding that trade dress is functional "[i]f the right to use it exclusively would put competitors at a significant non-reputation-related disadvantage.").

¹⁸⁶ *Nespresso USA, Inc.*, 2023 WL 374980, at *8.

¹⁸⁷ *Id.*

¹⁸⁸ See *Robins*, *supra* note 98.

¹⁸⁹ *Nespresso USA, Inc.*, 2023 WL 374980, at *2.

¹⁹⁰ *Id.*

¹⁹¹ LAW OF MERCHANDISE AND CHARACTER LICENSING § 12:30; see *Chevron Chemical Co. v. Voluntary Purchasing Groups, Inc.*, 659 F.2d 695, 702 (5th Cir. 1981); *Sun-Fun Products, Inc. v. Suntan Research & Development Inc.*, 656 F.2d 186, 188 (5th Cir. 1981); *Perfect Fit Industries, Inc. v. Acme Quilting Co., Inc.*, 618 F.2d 950, 953 (2d Cir. 1980); *Original Appalachian Artworks, Inc. v. Toy Loft, Inc.*, 684 F.2d 821, 831 (11th Cir. 1982).

¹⁹² *Nespresso USA, Inc.*, 2023 WL 374980, at *2.

V. CONCLUSION

Although there are many factors, the determination of trade dress protection is based on the facts and circumstances of each case.¹⁹³ In the end, it can be argued that the elements of Nespresso's trade dress, such as the shape of its coffee capsules and specific color schemes, are not inherently distinctive.¹⁹⁴ Peet's, along with many other third-party competitors know what consumers want to wake up to.¹⁹⁵ I wake up in the morning and see what type of coffee I want to drink.¹⁹⁶ Whether it's a decision between dark roast or medium roast, the decision of the capsules become based on the flavors or varieties offered by each brand.¹⁹⁷ Nespresso's coffee capsules are functional when they are primarily designed to fit its signature Nespresso machine, even if Nespresso's intent was to design a product based on what consumers would prefer and find attractive.¹⁹⁸

Given the distinctive branding and strong customer loyalty associated with both Nespresso and Peet's, it could be argued that consumers are unlikely to mistake one for the other based solely on packaging similarities.¹⁹⁹ The likelihood of confusion is minimal when the focus of coffee is elsewhere; for example, rather than fixating on what the coffee is packaged in, consumers may be more intentional buying coffee from their favorite brand because that brand may offer overall better flavor options, unique coffee blends, or even various caffeine strengths.²⁰⁰

Furthermore, Nespresso is still given a marketing and advertising advantage when Peet's created its set of capsule products to fit the signature Nespresso machine. When a consumer sees these capsules are compatible with the Nespresso machine, they know this means they either need to have or purchase the signature Nespresso machine. This does not necessarily hinder any sales from Nespresso; if anything, Nespresso makes a profit when a consumer realizes they need to purchase the Nespresso machine before they can even buy any brand of coffee capsules.

¹⁹³ See generally *id.* at *1.

¹⁹⁴ *Bliss Collection, LLC v. Latham Co., LLC*, 82 F.4th 499, 514 (6th Cir. 2023)

[U]nlike a trademark, a trade dress is not explicitly defined in the Lanham Act. But judicial precedent recognizes trademark and trade dress as two distinct concepts under the Act and a party may independently infringe both. Trade dress refers to the image and overall appearance of a product. It embodies that arrangement of identifying characteristics or decorations connected with a product, whether by packaging or otherwise, that makes the source of the product distinguishable from another and promotes its sale.

¹⁹⁵ *Nespresso USA, Inc.*, 2023 WL 374980, at *1.

¹⁹⁶ *Id.*

¹⁹⁷ *Id.*

¹⁹⁸ *Id.*

¹⁹⁹ See *Duraco Prod., Inc. v. Joy Plastic Enterprises, Ltd.*, 40 F.3d 1431, 1445 (3d Cir. 1994) (explaining that a feature of the product itself can satisfy trade dress protection as long as the plaintiff can show that the object is nonfunctional, has acquired secondary meaning, and that consumers confusion will occur).

²⁰⁰ *Nespresso USA, Inc.*, 2023 WL 374980, at *1.

Aside from the likelihood of consumer confusion,²⁰¹ the outcome of such trade dress disputes often depends on a thorough examination of the visual and design elements in question, the legal arguments presented, and evidence provided by both of the parties in court.²⁰² Many third-party competitors try to protect their trade dress to maintain their brand's reputation; however, what they are trying to protect is not always unique.²⁰³ There may be no final verdict on this--however, the Second Circuit must consider the specifics of the case.²⁰⁴ Many of these facts ultimately would lead the court to realize Peet's has not committed trademark infringement when there was no product that had established trade dress in the first place.²⁰⁵

²⁰¹ *Id.*

²⁰² *Id.*

²⁰³ *Id.*

²⁰⁴ *Id.*

²⁰⁵ See generally *Nespresso USA, Inc.*, 2023 WL 374980, at *1.

