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2nd Circ. Ensures Color's Place As Fashion Trademark

By **Ryan Davis**

Law360, New York (September 05, 2012, 10:16 PM ET) -- The Second Circuit ruled Wednesday that a single color can be used as a trademark in the fashion industry, booting a lower court's finding that Christian Louboutin SA's trademark on red-soled shoes was likely invalid and protecting a significant type of trademark for fashion designers, attorneys said.

But the ruling was not an unalloyed victory for Louboutin, which had sought to prevent rival designer Yves Saint Laurent SAS from selling shoes that were red all over — including their soles. The appeals court held that because Louboutin's trademark covers only a red sole that contrasts with the shoe's body, YSL can keep selling its entirely red shoes.

The U.S. Supreme Court has held in other contexts that color can be used as a trademark, but the district court's ruling addressed for the first time whether the same rule applied to fashion designers. The lower court concluded that when it came to clothing, color was functional and therefore off-limits for fashion industry trademarks.

Designers who use color to mark their products — many of whom harshly criticized the decision to carve from trademark law an exception for the fashion industry — should breathe a sigh of relief at the Second Circuit's reversal, said Jeffrey A. Kobulnick of Ezra Brutzkus Gubner LLP.

"This is a landmark decision for fashion designers that have been successfully using color as a trademark," ensuring that they can continue to register and enforce their marks, he said. "It's a big victory for all designers."

According to Farah Bhatti of Buchalter Nemer PLC, the lower court's ruling had "put trademark law in upheaval" by making it difficult for a fashion company to register a trademark on a color, even if the hue had taken on secondary meaning as a distinctive symbol identifying the brand.

"The appeals court did the right thing, because in the fashion industry, color is very important and has been found in many cases to give secondary meaning," she said, using the example of Tommy Hilfiger Corp., which uses distinctive green buttonholes on all its clothing.

Louboutin went after YSL for trademark infringement in April 2011, seeking an injunction barring sales of YSL's monochromatic red shoes. But U.S. District Judge Victor Marrero of the Southern District of New York denied the injunction several months later, ruling Louboutin's red-sole mark was likely invalid.

The "unique characteristics and needs" of the fashion industry — like creativity and aesthetics — mean colors can't count as trademarks within its scope, the judge said, despite conceding that customers had come to link red-soled shoes with Louboutin.

"Placing off-limit signs on any given chromatic band by allowing one artist or designer to appropriate an entire shade ... would unduly hinder not just commerce and competition, but art

as well," the judge wrote.

The Second Circuit disagreed, ruling Judge Marrero had been wrong to conclude the fashion industry is subject to a different standard than other industries. His ruling conflicted with the U.S. Supreme Court's 1995 Qualitex v. Jacobson decision, which held that "no special legal rule prevents color alone from serving as a trademark," the court said.

"Qualitex requires an individualized, fact-based inquiry into the nature of the trademark, and cannot be read to sanction an industry-based per-se rule," it said. "The district court created just such a rule."

Because Louboutin's red soles have become a distinctive symbol of the brand, they are therefore a valid and protectable mark, the court concluded.

"We see no reason why a single-color mark in the specific context of the fashion industry could not acquire secondary meaning — and therefore serve as a brand or source identifier — if it is used so consistently and prominently by a particular designer that it becomes a symbol," the court ruled.

However, red soles are associated with Louboutin only when the sole contrasts with the rest of the shoe, the court ruled. It ordered the U.S. Patent and Trademark Office to modify Louboutin's registration to state that explicitly, since the trademark as granted said only that it covered a "red sole on footwear."

The change to the trademark means YSL's all-red shoes don't step on Louboutin's trademark, "because the red sole on YSL's monochrome shoes is neither a use of, nor confusingly similar to, the red-sole mark," the court concluded.

The fashion industry will welcome the ruling because it ensures companies that have sunk major resources into using color as a source identifier will stay protected, said Michael Allan of Steptoe & Johnson LLP. Companies such as Tiffany & Co., whose blue box packaging is trademarked, filed amicus briefs supporting Louboutin in the case.

"The decision is particularly interesting in that both Louboutin and YSL will claim victory," he said. "Louboutin resurrected its trademark through the appeal, but at the same time, YSL avoided infringement of that mark because of the court's modification."

Meanwhile, the Second Circuit's "very well-written, well-reasoned and clear opinion" will give the fashion industry useful guidance, said Robert Zelnick of McDermott Will & Emery LLP.

"The court balanced the practical interests of someone like Louboutin to invest in something novel and commercially successful and the interests of competitors not to be too hamstrung in being prevented from offering competing products," he said.

Although the ruling keeps color's trademark-ready status in the fashion industry intact, it makes clear that the scope of protection is limited, said Jedediah Wakefield of Fenwick & West LLP. He noted that, according to the court, color can be used as a mark only "in a context that seems unusual" — like a bright color on the sole of a shoe.

Because unconventional uses of color alone can become a distinctive symbol of a brand, "I don't think the decision can be read to mean the fashion world can register any random color as a trademark," Wakefield said.

"It's pretty narrow holding," he said. "Saying, 'I own black sweaters,' will not be an option."

The case also illustrates why it's important for companies to pick their battles well in litigation, said Marc Reiner of Anderson Kill & Olick PC. Louboutin's decision to sue YSL was a risky one

because the designer was a well-funded opponent, and because its red sole blended into the monochromic shoe, unlikely to confuse consumers, he said.

"Because of this poor choice, Louboutin not only wasted resources on the litigation, but also needlessly put its valuable red-sole trademark in jeopardy," he said. "Had Louboutin lost the ability to prevent others from using a contrasting red sole, the result would have been catastrophic for the brand."

In a statement, YSL attorney David H. Bernstein of Debevoise & Plimpton LLP called the ruling "a complete win" for the company.

"The court has conclusively ruled that YSL's monochromatic red shoes do not infringe any trademark rights of Louboutin, which guarantees that YSL can continue to make monochromatic shoes in a wide variety of colors, including red," he said.

Harley I. Lewin of McCarter & English LLP, an attorney for Louboutin, said the company was pleased the Second Circuit had nixed the lower court's rule against color trademarks in the fashion industry and was considering its options for the rest of the ruling.

"The big win, of course, was to protect the red-sole mark, which we did," he said.

Judges Jose A. Cabranes, Chester J. Straub, and Debra Ann Livingston sat on the panel for the Second Circuit.

Louboutin is represented by Harley I. Lewin, Lee Carl Bromberg and Charles D. Ray of McCarter & English LLP.

YSL represented by David H. Bernstein, Jyotin Hamid and Rayna S. Feldman of Debevoise & Plimpton LLP.

The case is Christian Louboutin SA v. Yves Saint Laurent America Holding Inc., case number 11-3303, in the U.S. Court of Appeals for the Second Circuit.

--Editing by Kat Laskowski and Elizabeth Bowen.

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