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Trademark in Peril?

COURT STOMPS ON LOUBOUTIN'S RED SHOES

The decision in a much-watched case pitting Christian Louboutin against Yves Saint Laurent (YSL) over the right to put red-lacquered bottoms on women's high heels came down August 10, in YSL's favor. The court denied the preliminary injunction Louboutin had sought to bar YSL from marketing and selling YSL's red-soled shoes during the pendency of the litigation. Moreover, the court's decision calls into serious question the validity of Louboutin's U.S. trademark for the red outer soles. Louboutin filed a notice of appeal from denial of the preliminary injunction and the trial court decided August 19 to hold off any further proceedings until it is decided. The story is far from over, but there are some lessons to draw even from the tale so far.

Background

Louboutin has a registered trademark from the U.S. Patent and Trademark Office in "a lacquered red sole on footwear" and in the color red as a feature of the mark. He obtained the registration in 2008 but claimed a first use in commerce in 1992. This year Louboutin griped to Yves Saint Laurent over shoes in YSL's collection utilizing red outsoles, saying they were confusingly similar to Louboutin's trademarked red soles. When YSL refused to stop sales of the allegedly offending shoes, Louboutin sued in April for trademark infringement, counterfeiting, false designation of origin, unfair competition and other theories. YSL counterclaimed, among other things, to cancel the trademark.

The Opinion

The 32-page opinion by U.S. District Judge Victor Marrero in New York finds it "unlikely [Louboutin will] ... be able to prove that its red outsole brand is entitled to trade mark protection, even if it had gained enough public recognition in the market to have acquired secondary meaning." *Christian Louboutin S.A. v. Yves Saint Laurent America, Inc.*, 2011 WL 3505350 at *3 (S.D.N.Y. August 10, 2011). The case distinguishes other situations where color trademarks for industrial products, such as dry cleaning press pads, were upheld. In those cases, the court finds that identifying the product's maker was the only purpose the color served. With respect to fashion, however, the court finds that use of color is not only a source identifier but also is used to advance "expressive,



“ The opinion compares the use of color in fashion to its use by artists in paintings, and notes that designer Louboutin himself said the red lacquer he placed on shoes gave them “energy” and was “engaging” and “sexy.” ”

ornamental and aesthetic purposes.” *Id.* at *4.

The opinion compares the use of color in fashion to its use by artists in paintings, and notes that designer Louboutin himself said the red lacquer he placed on shoes gave them “energy” and was “engaging” and “sexy.” As a result, Judge Marrero concludes red serves a functional purpose beyond just identifying the source of the shoes, and also affects the cost and quality of the shoes.

Judge Marrero warns that depriving competitors of the use of a color would hobble their creative and competitive abilities. In a passage typical of the opinion for its own colorful language, he states:

If Louboutin owns Chinese Red for the outsole of high fashion women’s shoes, another designer can just as well stake out a claim for exclusive use of another shade of red, or indeed even Louboutin’s color, for the insole, while yet another could, like the world colonizers of eras past dividing conquered territories and markets, plant its flag on the entire heel for its Chinese Red. And who is to stop YSL, which declares it pioneered the monochrome shoe design, from trumping the whole foot wear design industry by asserting rights to the single color shoe concept in all shades?

Id. at *10

The opinion goes on to invite an early summary judgment motion by YSL on its counterclaim for cancellation of the trademark.

Implications and Lessons

This is an opinion of first impression insofar as it treats color as a trademark differently for the fashion field. Despite its length, the opinion cites relatively little legal authority. (The European Court of Justice previously reached a parallel conclusion about the use of color for marks as a general matter, but it is not noted.) It is unclear to what extent the reasoning of this case will be applied to other areas. Tiffany, for example, has a trademark for its famous robin’s egg blue boxes, which specifically identifies the color as a feature of the mark. Everything from scarves and ties to exceptional jewelry can go into a trademarked Tiffany’s box. On the other hand, the Susan G. Komen Breast Cancer Foundation, Inc.’s trademark in the “Passionately Pink for the Cure a Program of Susan G. Komen for the Cure” ribbon disclaims color as part of its trademark.

One area where the holding could have particular significance is for sports teams and universities, often identified by their colors. A controversy arose in 2009 when Budweiser distributed beer cans bearing color combinations used by various schools with football teams. While school and team paraphernalia often have features beyond color, such as a mascot or a logo, not all such items do.

The opinion cites other cases, involving, for example, the "LV" monogram on Louis Vuitton Murakami handbags and the Burberry check pattern, where colors form part of a trademark when used in distinct patterns or combinations of shades "that manifest a conscious effort to design a uniquely identifiable mark embedded in the goods." *Id.* at *5. It seems clear, therefore, that a lacquered red outer sole with a distinctive design or even the letter "L" could have held up as a trademark. (Sometimes less is not more.)

An area of vulnerability for the decision on appeal may be its conclusion that no matter how widely associated the red sole was with Christian Louboutin shoes, it never could be distinctive enough to be a source identifier. Some trademarks, like Kodak, are born distinctive, because they are fanciful. Others become distinctive only over time through association with a particular product or source (sometimes called "secondary meaning"). Dealing with a similar issue in the trade dress context, the U.S. Supreme Court said designs in children's sweaters could never be distinctive on their own, but left the door open to a particular design establishing its secondary distinctiveness. For colors and fashion trademarks, Judge Marrero slammed that door shut.

The other lesson, perhaps, to be drawn is summed up in a World War II question: Was this trip really necessary? Hindsight is a great gift, of course, but the Louboutin result, whether or not it holds up on appeal, reminds us that in considering whether to litigate, downsides as well as upsides have to be weighed.

Fashion Knockoff?

PROM DRESS DESIGN FEATURES NOT PROTECTED BY COPYRIGHT

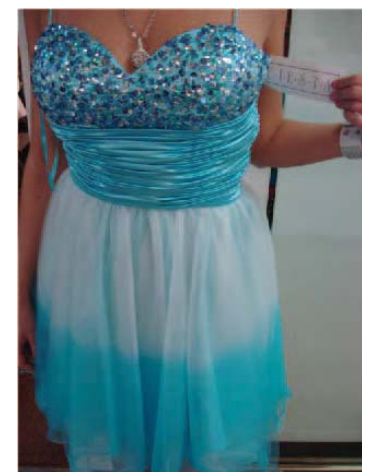
In a decision which illustrates the very limited copyright protection available for fashion items, a U.S. district judge in New York dismissed a copyright infringement claim by a prom dress manufacturer against competing manufacturers and retailers. *Jovani Fashion, Ltd. v. Cinderella Divine, Inc., et al.*, 10 Civ. 7085 (JGK) (S.D.N.Y. July 6, 2011). The court held that the design features of the short, sequined prom dress in issue were not copyrightable because they were not physically or conceptually separable from the dress as a whole.

Prom dress maker Jovani Fashion Ltd. had a visual arts copyright registration for two-dimensional artwork incorporated in the dress, including the selection and arrangement of sequins and beads on its bodice and the tulle used on the bottom of its short skirt. Jovani claimed that a competitor's prom dress design infringed these design features. Jovani attached a side-by-side comparison of the dresses as Exhibit M to its First Amended Complaint (see photos in the margin).

Despite the evident similarities, the court dismissed Jovani's copyright claim. The court noted that the Copyright Act of 1976 does not provide copyright protection for useful articles, including clothing items, as such. Copyright protection can extend only to



Jovani, Style 154416 (on Jovani website)



Fiesta Fashions, Style FI50021

“pictorial, graphic or sculptural features that can be identified separately from and are capable of existing independently of the utilitarian aspects of the article.” 17 U.S.C. § 101. The court next reviewed court decisions identifying factors to be considered in determining whether the “pictorial, graphic or sculptural features” of a useful article are physically or conceptually separable.

Applying those criteria, the court held that the aesthetic aspects of the Jovani dress were not conceptually separable. It concluded that the sequin and tulle design features of the dress did not invoke a concept separate from the design’s clothing function; did not show artistic judgment independent of the functional requirements of the dress; because a primary function of a prom dress is to have aesthetic appeal, the functional aspects of the dress were not secondary; and did not have independent worth as an artistic work that could be separately marketable.

The *Jovani* decision is another blow to designers of fashion items seeking copyright protection for their original work where they do not include copyrighted fabric designs. Jovani has filed a notice of appeal to the Court of Appeals for the Second Circuit.

Flea Market Counterfeits

NOT SUCH A BARGAIN AFTER ALL

After a series of FBI raids, undercover surveillance, and more than a year of litigation, the owner of the Derry, New Hampshire flea market has been found liable for contributory infringement of the Coach® trademarks.

In *Coach, Inc. v. Gata Corporation and Martin Taylor*, 2011 WL 1582954 (D.N.H. April 26, 2011)(McCafferty, U.S.M.J.)(not for publication), Coach sued the flea market and its sole owner and shareholder, who ran the ticket booth and claimed to patrol the Derry market to check for illegal merchandise. Coach claimed that the market and its owner violated the Lanham Act, 15 U.S.C. § 1114 et seq., which imposes liability not only upon direct infringers but also on those who “induce or facilitate” the infringing conduct of others. As federal courts have explained in decisions like *Tiffany (NJ) Inc. v. e-Bay Inc.*, 600 F.3d 93 (2d Cir. 2010), and *Hard Rock Café Licensing Corp. v. Concession Servs., Inc.*, 955 F.2d 1143 (7th Cir. 1992), the law does not permit a flea market owner to be “willfully blind” – to know of or suspect wrongdoing, yet fail to investigate or continue to encourage the infringing sales by supplying services like access to the market.

The New Hampshire District Court found that Coach met its burden of proving that Gata and Taylor knew that Chinese vendors from New York were renting space from them in order to offer counterfeit Coach® bags. After years of open violations, two years of raids provided “a veritable roadmap” to the infringing vendors and merchandise. Nonetheless, sales of counterfeit products continued after the raids, at “dramatically low prices.” The court noted that Gata and Taylor did post a sign saying that no Coach merchandise could be sold at the flea market, and walked through the market, confiscating counterfeit merchandise from time to time. However, the court faulted the

defendants for not inspecting merchandise before allowing vendors to set up, and found that at least one flea market employee actively instructed a vendor on how to sell fake merchandise by keeping it in vehicles or booths, out of plain sight. Finally, although Gata claimed to have a policy of evicting vendors for selling counterfeit goods, the flea market allowed sellers to keep their spots even after Gata employees caught them selling counterfeit bags on “dozens of occasions.”

Following defendants’ motion for reconsideration, on June 9, 2011, the court confirmed its summary judgment against them for contributory trademark infringement. The court concluded, “The bottom line is this. Like the defendant in Tiffany, defendants in this case knew that vendors were using the service they provided to conduct infringing activities. The defendant in Tiffany barred those known infringers from using its service. Gata and Taylor did not.” The parties recently filed with the court a joint notice that they anticipate reaching a settlement agreement in this action.

(Paula J. Morency, a lawyer in Schiff Hardin’s Chicago office who frequently handles trademark infringement issues, contributed this article.)

Care Labels

FTC WEIGHS CHANGES TO CLOTHING LABELING RULE

America’s consumer protection agency, the Federal Trade Commission, is re-thinking the requirements for care labels on clothing. Currently, the Care Labeling Rule, 16 CFR Part 423 *et seq*, requires manufacturers and importers of textile wearing apparel and certain piece goods to attach care labels stating “what regular care is needed for the ordinary use of the product.” The Rule requires that manufacturers or importers possess a “reasonable basis” for the care instruction and specifies which symbols can be used on labels.

The FTC is considering abolishing the Rule or amending it to conform to newly issued international standards. The FTC has asked the public, including members of the apparel and textile industry and consumers, to weigh in on the costs as well as the benefits of the current Rule. In addition, the FTC is seeking public comments on proposed amendments to the Rule. One amendment the FTC is considering allows for the use of a “Professionally Wetclean” instruction consistent with the International Organization for Standardization’s (“ISO”) newly developed standards. The FTC is also considering amending the Rule to expand the approved care symbols to include the symbols published in ASTM International’s new “Standard Guide for Care Symbols.”

The FTC has specifically asked for feedback from members of the apparel and textile industry on the economic impact of and continuing need for the Care Labeling Rule, the burdens of the Rule, and for any suggestions as to modifications to the Rule. It will weigh the comments received by September 6, 2011.

(Mary Ann Mullin, a lawyer in Schiff Hardin’s Product Regulatory Team based in the firm’s Lake Forest office, contributed this article.)

SELL-EBRITY

ACCESSORIES COUNCIL PROGRAM ON MARKETING INVOLVING CELEBRITIES: PUBLICITY RIGHTS, PRODUCT PLACEMENT, ENDORSEMENTS AND MORALS CLAUSES

The room was abuzz with talk of celebrities July 12 at the Fashion Center BID's Manhattan offices — or, more specifically, of how fashion and accessories firms use celebrities to promote their products and how to avoid legal problems along the way. Schiff Hardin's Judith Roth and David Jacoby gave the hour-long presentation for Accessories Council members, which we'll summarize here.

Most states grant celebrities a kind of property right in the ability to use their identities to promote products (and, equally, to prevent such uses). This "right of publicity" varies from state to state. Use of someone's name or photo is almost always covered. Some states, notably California, give a broader reading to identity. At the extreme, a court found that a commercial mimicking Vanna White's "Wheel of Fortune" identity by having a robot in a blonde wig and a white dress turn over lettered cards violated her right of publicity. (After the program took place, Kim Kardashian claimed Old Navy's "Super C-U-T-E" TV ads violated her publicity right by using a model resembling her.)

Which state's law controls can be critical — for example, if a deceased celebrity is involved. Many states allow a celebrity's right of publicity to be exercised by heirs after death. After-life publicity rights last for 70 years in California and for a full century in Indiana. In Tennessee, home of Elvis, they can be perpetual as long as the use does not stop. But New York does not recognize any publicity rights after death.

There are two important exceptions to the celebrity's right to control use of his or her image. The first permits use of a celebrity's identity where the use is "transformative." The other exception is for newsworthy events. "Newsworthy" is broad, but it can't be an excuse for a commercial use.

Product Placement

One of the ways firms try to leverage celebrities' fame is through product placement. This may include:

- Gifting** – such as including a product in gift bags at events like the Oscars or the ACE Awards;
- Product seeding** – giving celebrities identified with the target market free products;
- Barter agreements** – trading a celebrity endorsement for a gift of a valuable product; and

Loans – for example, of valuable jewelry to a celebrity for a red carpet event.

Having an appropriate agreement with the celebrity if you plan to use his or her image for promotional purposes is critical. While courts sometimes will imply permission, as in a recent case involving photos of Shirley Jones at red carpet events, that possibility shouldn't be relied on. Errors can be costly. A recent jury trial involving the use of a model's image on Taster's Choice coffee labels and ad campaigns led to a \$15 million verdict against Nestle (later set aside on procedural grounds on appeal).

Each endorsement situation calls for its own, tailored agreement. Generally speaking, however, key terms will include:

Scope of grant of rights What products are covered? What services will the celebrity provide? What approval rights will the celebrity have? What media will be included?

Duration How long will the agreement run? Will there be options to renew and at whose election? What termination provisions will there be? Will there be a "run-off" period when the agreement ends?

Compensation There are many ways to structure compensation provisions, including flat fees, base fees, bonuses, royalties, upfront payments and equity interests, among others. Will there be a guaranteed payment? Will free products be provided? Will there be a guaranteed marketing spend?

Territory and Exclusivity What is the geographic scope of the deal? Internet issues may arise if it is less than global. Will the deal be exclusive as to particular products on either side?

Morals clause The morals clause usually is of interest to the product maker. It allows the brand to end the agreement if the celebrity engages in certain prohibited conduct. How tough the clause is typically reflects the relative bargaining power of the parties. Paris Hilton recently had a morals clause which was triggered only if she (1) was convicted (2) of a felony (3) involving a violent **and** heinous crime (4) which also had to have a demonstrably material adverse impact on sales OR if she died or suffered a serious permanent disability. Those with lower wattage status may have to live with a simpler clause in which they agree "not to engage in any conduct that might tend to reflect unfavorably on the company." (For more on morals clauses, see the Spring, 2011 **InFashion**.)

SHORT TAKES: Fashion Design Right Legislation Reintroduced in Congress
Rep. Robert Goodlatte (R.-Va.) introduced H.R. 2511 in the House of Representatives, the Innovative Design Protection and Privacy Prevention Act, on July 13. The bill tracks



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one crafted by Senator Charles Schumer (D.-N.Y.) in the last Congress which cleared a Senate committee but did not get to a floor vote before the session ended. **Recalls of Ultrasheer Silk, Rayon Products for Flammability Concerns** Chanel voluntarily recalled various scarves and other silk items in July. The Consumer Product Safety Commission warned that ultrasheer silk or rayon fabrics are more flammable and may not pass muster under the agency's flammability standards. **Sales tax on the Internet looming?** More states decided to tax online sales, most notably California; Amazon cut its affiliations with Arkansas and Connecticut Web sites after those states imposed sales tax. Given the budget pressures faced by states and localities, it seems clear that the faster-growing sales online are just too big a piggy bank not to tap. A possibly tell-tale sign: Amazon came out in favor of a proposed federal law that would allow collection of such taxes on online outfits and "remote sellers" such as catalogue firms by states which have adopted a 1999 uniform sales tax law. **Me, Too, on Showing Irreparable Harm in Copyright Cases** The Ninth Circuit Court of Appeals, which takes in the West Coast, follows the Second Circuit in New York in saying a plaintiff in a copyright infringement suit must establish the likelihood of irreparable harm and not rest on a presumption of harm, *Perfect 10 Inc. v. Google Inc.*, 2011 WL 3320297 (9th Cir. Aug. 3, 2011). **Nothing but Net** The International Corporation for Assigned Names and Numbers — the folks who run the Internet — approved some big changes. Beginning in 2012, ICANN will accept applications for new generic top-level domains (like .com or .org). Unlike existing gTLDs, however, they can be any word at all — so .eyewear or .schiffhardin could qualify. We'll return to this in a future issue. Meantime, the adult entertainment industry gTLD, .xxx, launches September 7. From then until October 27, trademark owners not in the adult entertainment field can file to block their trademarks from being registered as .xxx domain names. After December 6, companies will be able to apply for pre-emptive .xxx domain name registrations for trademarks, as well as personal names or company names. These domain names will be dead-ends that don't point to a Web site but will prevent others from registering the names.

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