



for louboutin and yves saint laurent, both see red

MSK Client Alert

September 10, 2012

With impeccable timing coinciding with the opening night of New York City's Fashion Week, the United States Court of Appeals for the Second Circuit has determined that a single color *can* serve as a trademark in the fashion industry. The Court issued its long-awaited decision on September 5, 2012, in the dispute between French fashion houses Christian Louboutin and Yves Saint Laurent ("YSL") over the right to sell red-soled shoes. The case, *Christian Louboutin S.A. v. Yves Saint Laurent Am. Holding, Inc.*, (No. 11-3303 cv), centered on Louboutin's assertion that, by selling monochromatic red-colored shoes (*i.e.*, red shoes with red outsoles), YSL infringed Louboutin's trademark in its renowned red-lacquer outsoles on its high-fashion shoes. In a Solomon-esque decision, the Second Circuit provided both sides with something to celebrate: The Court upheld Louboutin's trademark for its red outsoles, but only where the color contrasts with the rest of the shoe - thereby giving YSL the green light to continue to market its monochromatic red shoes. Let's look at the Court's opinion in greater detail - first by putting it in context with a brief recap of the decision last year of Judge Victor Marrero of the United States District Court for the Southern District of New York that essentially stripped Louboutin of any trademark rights.

Judge Marrero concluded that he had "serious doubts" that Louboutin possessed a protectable trademark in its red outsole of its high-fashion women's shoes and therefore would not likely succeed on the merits of its claim against YSL for trademark infringement. Thus, the District Court declined to enjoin YSL from marketing its monochromatic red shoes. Specifically, the District Court found that, although a single color can be protectable as a trademark in other industries, "there is something unique about the fashion world that militates against extending trademark protection to a single color." Permitting trademark protection for a single color in the fashion industry, according to Judge Marrero, would "stifle competition by one designer, while granting another a monopoly" because "fashion is dependent upon colors." The District Court so concluded even where a single color has achieved secondary meaning and is associated with a single brand. Essentially, Judge Marrero rested his

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decision on the functionality doctrine, which forbids the feature of a product to be protected as a trademark if it would put a competitor at a significant disadvantage because the feature is essential to the purpose of the product or affects the product's cost or quality. Implicit in Judge Marrero's decision is the conclusion that single-color marks in the fashion industry are inherently functional. As the District Court held: "Louboutin's claim would cast a red cloud over the whole industry, cramping what other designers could do, while allowing Louboutin to paint with a full palette."

In a decision sure to provide plenty of added buzz to the numerous Fashion Week parties, the Second Circuit this past week reversed the reasoning of the lower court and held that there is no *per se* rule governing the protection of a single-color mark in the fashion industry. The Court noted that the Supreme Court, in *Qualitex Co. v. Jacobson Products Co.*, 514 U.S. 159, 162 (1995), definitively held that single-color marks can be entitled to trademark protection. While the Court recognized that the fashion industry may have unique concerns relating to the operation of trademark law – and (interestingly) that forceful arguments exist supporting the contention that United States intellectual property law does not adequately protect fashion design – it held that these unique concerns provided no reason to forgo the fact-specific inquiry of functionality or trademark protection required by *Qualitex*. In addition, the Second Circuit held that, contrary to the District Court's view, assuming functionality in connection with Louboutin's red outsoles is "neither necessary nor appropriate . . . [because] the functionality defense does not guarantee a competitor 'the greatest range for his creative outlet' but only the ability to fairly compete within a given market." Rather, whether a trademark is functional is a highly fact-specific inquiry that should be addressed only as an affirmative defense following a finding of a likelihood of confusion with a valid trademark.

Accordingly, the Second Circuit first (and ultimately, only) focused on the validity of Louboutin's trademark and found that its red outsoles had indeed acquired secondary meaning and thus the requisite distinctiveness to merit trademark protection. The Court held, in particular, that the record below contained sufficient undisputed evidence of Louboutin's advertising expenditures, media coverage, and sales success demonstrating that Louboutin created a brand with worldwide recognition. "By placing the color red 'in a context that seems unusual' and deliberately tying that color to his product, Louboutin has created an identifying mark firmly associated with his brand which, 'to those in the know,' 'instantly' denotes his shoes' source."

Notably, though, the Second Circuit held that there was no evidence to suggest that the secondary meaning associated with Louboutin's red outsoles extended "to uses in which the sole does not contrast with the upper - in other words, when a red sole is used on a monochromatic red shoe." Rather, the Second Circuit concluded that it is "the contrast between the sole and the upper that causes the sole to 'pop,' and to distinguish its creator." Thus, the Court modified Louboutin's trademark to extend only to use of the red outsole that contrasts with the upper adjoining portion of the shoe.

With this modification of Louboutin's trademark, the Court summarily disposed of Louboutin's infringement claim against YSL (and affirmed the District Court's denial of Louboutin's request for a preliminary injunction against YSL) because the red sole on YSL's monochromatic shoes has no contrast with the rest of the shoe and thus makes no use of the Louboutin trademark (as modified by the Second Circuit). Given this, the Second Circuit had no need to address (and did not address) whether there existed a likelihood of confusion between the shoes or



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whether Louboutin's trademark lacks protection due to the functionality doctrine.

The Second Circuit's decision is a victory of sorts for both sides. The Court determined that YSL was not making any use of Louboutin's trademark, and – perhaps more importantly for Louboutin and many other fashion companies, including Tiffany and Company (which filed an amicus brief in support of Louboutin) – the Court determined that a single color can be protected as a trademark in the fashion industry. Louboutin was clearly on the ropes following the District Court's decision. Now, back from the precipice, Louboutin (and others) can seek to protect and enforce single-color marks in an intellectual property climate that the Second Circuit itself acknowledged is not entirely hospitable to the protection of fashion design. Nevertheless, while Louboutin's trademark rights are certainly clearer after the Second Circuit's decision, they are by no means unassailable. Left open is the question of whether Louboutin's modified trademark (and for that matter, single-color marks in general) may actually be ineligible for protection in the face of a fact-based functionality defense. That concern, however, is for another day. As for now, there undoubtedly will be a little extra bounce in the steps of the runway fashion models wearing both Louboutins and Yves Saint Laurent shoes.

For questions about this Alert and how it might apply to your business, contact Howard H. Weller. The Second Circuit's opinion can be found at:

http://www.ca2.uscourts.gov/decisions/isysquery/8a711951-095b-4a1b-8ebc-g248ae64a274/1/doc/11-3303_opn.pdf.