

## REVISITING SINGLE COLOR TRADEMARKS IN FASHION AFTER *LOUBOUTIN*<sup>♦</sup>

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### INTRODUCTION

In Volume 30.2 of the *Cardozo Arts & Entertainment Law Journal*, *Protecting Single Color Trademarks in Fashion after Louboutin*<sup>1</sup> outlined the flaws of the district court opinion in *Louboutin S.A. v. Yves Saint Laurent America, Inc.*<sup>2</sup> The note suggested that the Second Circuit vacate and remand the district court’s per se ban on single color marks in fashion in order to allow for the protection of distinctive, non-functional color marks based upon more fact-specific inquiries.<sup>3</sup>

In August 2011, the district court denied Louboutin’s motion for a preliminary injunction against alleged trademark infringement by Yves Saint Laurent (“YSL”). In doing so, the court acknowledged that “[c]olor alone sometimes may be protectable as a trademark,”<sup>4</sup> but ultimately found that single colors in the realm of fashion are per se aesthetically functional. Louboutin brought an interlocutory appeal from the order.

Perhaps indicative of the significant ramifications that a flawed *Louboutin* opinion would have had in the fashion industry and beyond, the Second Circuit took nearly thirteen months to issue its decision on appeal. Much happened in the interim, within both the world of Louboutin and fashion law in general. In France, the birthplace of Christian Louboutin himself, Louboutin lost a lawsuit to a subsidiary of

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<sup>1</sup> Danielle E. Gorman, Note, *Protecting Single Color Trademarks in Fashion After Louboutin*, 30 *CARDOZO ARTS & ENT. L.J.* 369 (2012).

<sup>2</sup> *Louboutin S.A. v. Yves Saint Laurent Am., Inc.*, 778 F. Supp. 2d 445 (S.D.N.Y. 2011).

<sup>3</sup> See Gorman, *supra* note 1.

<sup>4</sup> *Louboutin*, 778 F. Supp. 2d at 450 (internal quotation marks omitted).

Spanish retailer Zara on appeal.<sup>5</sup> The Cour de Cassation held that Zara could continue to use a red sole on its heels and ordered Louboutin to pay over three thousand dollars to Zara.<sup>6</sup> On the home front, U.S. Customs agents seized over twenty thousand pairs of fake Louboutin heels shipped from China worth about eighteen million dollars.<sup>7</sup> Within the U.S. court system, fashion house Gucci America, Inc. had a large win over Guess? Inc., which was found to have infringed four of Gucci's trademarks, including the green-red-green stripe.<sup>8</sup> Of particular relevance was the court's holding that Gucci's diamond motif trade dress is not aesthetically functional because it is a well-known source identifier and is therefore used for more than purely aesthetic reasons.<sup>9</sup>

The Second Circuit has finally weighed in on the fate of Louboutin's mark (the "Red Sole Mark"). What results is an opinion that corrects the district court's most egregious divergences from the law, but leaves important questions unanswered.

#### I. THE SECOND CIRCUIT DECISION

The legal issue on appeal was "whether a single color may serve as a legally protected trademark in the fashion industry and, in particular, as the mark for a particular style of high fashion women's footwear."<sup>10</sup> On September 5, 2012, the Second Circuit issued an opinion<sup>11</sup> that affirmed the district court in part, reversed in part, and remanded for further proceedings with regard to YSL's counterclaims.<sup>12</sup>

Most importantly, the Second Circuit made clear that "no *per se* rule governs the protection of single color marks in the fashion industry, any more than it can do so in any other industry,"<sup>13</sup> and held that the district court's *per se* rule was incongruous with the Supreme Court's holding in *Qualitex v. Jacobson*,<sup>14</sup> where the Court "specifically forbade

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<sup>5</sup> See Joelle Diderich, *Zara Subsidiary Wins Louboutin Appeal*, WOMEN'S WEAR DAILY (June 11, 2012).

<sup>6</sup> See *id.*

<sup>7</sup> See *More than 20,000 Pairs of Fake Designer Shoes Seized at Port*, L.A. TIMES (Aug. 15, 2012, 7:31 PM), <http://latimesblogs.latimes.com/lanow/2012/08/more-than-20000-christian-louboutin-shoes-seized-in-long-beach.html>.

<sup>8</sup> See *Gucci Am., Inc. v. Guess?, Inc.*, 09 Civ. 4373, 2012 U.S. Dist. LEXIS 84232 (S.D.N.Y. June 18, 2012).

<sup>9</sup> *Id.* at \*116.

<sup>10</sup> *Louboutin S.A. v. Yves Saint Laurent Am., Inc.*, 11-3303-cv, 2012 U.S. App. LEXIS 18663, at \*4-5 (2d Cir. Sept. 5, 2012).

<sup>11</sup> See *Louboutin*, 2012 U.S. App. LEXIS 18663.

<sup>12</sup> YSL asserted two counterclaims, seeking: (1) cancellation of the Red Sole Mark on the grounds that it is functional, not distinctive, and was secured by fraud on the PTO; and (2) damages for tortious interference with business relations and unfair competition. See *id.* at \*10. However, less than two months after the Second Circuit ruling, YSL moved to dismiss its counterclaims without prejudice. See Chad Bray, *The Other Shoe Drops in YSL-Louboutin Dispute*, WALL ST. J. LAW BLOG (Oct. 16, 2012), <http://blogs.wsj.com/law/2012/10/16/the-other-shoe-drops-in-ysl-louboutin-shoe-dispute/>.

<sup>13</sup> *Id.* at \*43.

<sup>14</sup> See *Qualitex v. Jacobson Prods. Co.*, 514 U.S. 159, 161 (1995) ("[S]ometimes, a color will

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the implementation of a *per se* rule that would deny protection for the use of a single color as a trademark in a particular industrial context.”<sup>15</sup>

After determining that a single color mark in fashion *could* be protectable, the Second Circuit specifically considered whether Louboutin’s Red Sole Mark merits protection as a distinctive mark. Based upon the evidentiary record before it, the court concluded that Louboutin had only established secondary meaning in the red sole when used in *contrast* with the upper part of the shoe; in other words, Louboutin had not established secondary meaning in the application of a red sole to a red shoe. Pursuant to section 37 of the Lanham Act,<sup>16</sup> the court therefore modified Louboutin’s Red Sole Mark to extend only to “a red lacquered outsole that contrasts with the color of the adjoining ‘upper.’”<sup>17</sup> Louboutin’s trademark, as so modified, was deemed protectable.<sup>18</sup>

“Having limited the Red Sole Mark . . . and having established that the red sole used by YSL is not a use of the Red Sole Mark,” the court found that it need not address the likelihood of confusion or whether Louboutin’s modified mark is functional. Rather, it affirmed the district court order in part, insofar as it declined to enjoin the use of a red sole on a red shoe, and reversed the order in part, insofar as it suggested that Louboutin’s use of *contrasting* red soles was not protectable.

The outcome—that Louboutin’s Red Sole mark was narrowed, though not cancelled, and YSL was held not to have infringed—was cast as a victory for both sides by the media and the lawyers involved.<sup>19</sup> Upon closer consideration, however, it is clear that neither party is in a better position today than it was a year ago. The only winner here is the fashion industry at large, which can now rest assured, knowing that its single color marks are not susceptible to a *per se* ban.<sup>20</sup> However, it seems unlikely that such misfortune would have befallen the industry in

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meet ordinary legal trademark requirements. And, when it does so, no special legal rule prevents color alone from serving as a trademark.”)

<sup>15</sup> *Louboutin*, 2012 U.S. App. LEXIS 18663, at \*38.

<sup>16</sup> “In any action involving a registered mark the court may determine the right to registration, order the cancelation of registrations, in whole or in part, restore canceled registrations, and otherwise rectify the register with respect to the registrations of any party to the action.” 15 U.S.C. § 1119 (2006).

<sup>17</sup> *Louboutin*, 2012 U.S. App. LEXIS 18663, at \*56.

<sup>18</sup> The judgment concerns U.S. Trademark Registration No. 3361597. It is interesting to note that the court did not require the registration to specify a Pantone number for the shade of red claimed.

<sup>19</sup> See, e.g., Larry Neumeister, *NY Court Protects French Shoemaker’s Red Soles*, ASSOCIATED PRESS (Sept. 5, 2012), [http://www.google.com/hostednews/ap/j4AKfPZ97Yio7CTmJXAQ\\_5OSYLfw?docId=77c1986596ed4e1b8391d73552e59921](http://www.google.com/hostednews/ap/j4AKfPZ97Yio7CTmJXAQ_5OSYLfw?docId=77c1986596ed4e1b8391d73552e59921); Shan Li, *Christian Louboutin, YSL Both Claim Victory in Red-Sole Shoe Case*, L.A. TIMES (Sept. 6, 2012, 7:44 AM), <http://www.latimes.com/business/money/la-fi-mo-christian-louboutin-ysl-20120905,0,6601959.story>.

<sup>20</sup> Amicus curiae International Trademark Association (INTA) also claims a victory, as its amicus brief argued for a reversal of the *per se* ban. See *U.S. Appellate Court Falls in Step with INTA in Red Sole Case*, INTA Bulletin, INT’L TRADEMARK ASS’N (Sept. 15, 2012), <http://www.inta.org/INTABulletin/Pages/USAppellateCourtFallsInStepWithINTAinRedSoleCase.aspx>.

the first place had it not been for Louboutin, which chose to pursue a lawsuit on a less-than-ideal set of facts.<sup>21</sup>

## II. LINGERING QUESTIONS

Holistically, the Second Circuit crafted the correct result. Completely canceling the Red Sole Mark would have raised eyebrows, given its abundant acquired distinctiveness and presumptively valid federal registration. Moreover, enjoining YSL from selling a monochromatic red shoe may too have been in error, as there was sufficient doubt as to whether Louboutin could have shown a likelihood of success on the merits, since likelihood of confusion as to source was improbable.

Despite the reasonable outcome, the opinion leaves important questions unanswered. Much of the Second Circuit's opinion addressed the doctrine of aesthetic functionality and even made explicit a three-prong test moving forward,<sup>22</sup> but chose to forego an application of that test to the facts at hand. As such, it is possible that Louboutin's modified trademark could later be deemed unprotectable if YSL or another party were to raise a fact-based aesthetic functionality defense. Despite a helpful review of the doctrine, the Second Circuit provided no guidance on the fundamental issue of this case—how a court should consider aesthetic functionality as it relates to single color marks in fashion. Aesthetic functionality is still a viable defense, and courts applying the doctrine in the future may struggle with the analysis, as did the district court in *Louboutin v. Yves Saint Laurent*, due to this shortcoming of the Second Circuit's opinion.

## III. LOOKING FORWARD

Given the Second Circuit's unhelpful, albeit doctrinally justified,<sup>23</sup>

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<sup>21</sup> See Jason Nardiello, Michael R. Schulman & Paul C. Van Slyke, *Trademark Protection of Apparel at the Fringe—Second Circuit Upholds Louboutin's "Red Sole Mark" in Trademark Dispute with Yves Saint Laurent*, LEXOLOGY (Sept. 6, 2012), <http://www.lexology.com/library/.aspx?g=edf14d07-fae0-4517-82fc-417bb9345289> (“[T]he issue would have been a bit less tangled if there was an opportunity for Louboutin to sue on a YSL shoe with a red sole and a contrasting color.”).

<sup>22</sup> See *Louboutin*, 2012 U.S. App. LEXIS 18663, at \*28–37 (“At the start, we address the two prongs of the *Inwood* test, asking whether the design feature is either ‘essential to the use or purpose’ or ‘affects the cost or quality’ of the product at issue. . . . [I]f a design feature would [be deemed] functional under *Inwood* our inquiry ends. But if the design feature is not ‘functional’ from a traditional perspective, it must still pass the fact-intensive *Qualitex* test and be shown not to have a significant effect on competition in order to receive trademark protection. . . . In short, a mark is aesthetically functional, and therefore ineligible for protection under the Lanham Act, where protection of the mark *significantly* undermines competitors’ ability to compete in the relevant market.”).

<sup>23</sup> The Second Circuit explained that it analyzes trademark infringement claims in two stages: first, it determines whether the plaintiff’s mark merits protection, and then, if and only if the plaintiff’s mark is valid and protectable, it determines whether the use of a similar mark is likely to cause confusion. If the plaintiff demonstrates that its mark is valid and that the defendant’s

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evasion of a specific aesthetic functionality analysis in this case, the author maintains her earlier suggestions in *Protecting Single Color Trademarks in Fashion after Louboutin* regarding how courts should analyze the protectability of single color marks in fashion.<sup>24</sup> Namely, courts should consider: (1) the strength of the mark's secondary meaning; (2) its use as a trademark, as evidenced by its public recognition as a source identifier; (3) its aesthetic functionality, based on the material ramifications for competition within the same market, including consideration of whether adequate alternative designs exist; (4) its utilitarian functionality, limited to whether the element makes the product less costly to produce or of higher quality; and (5) the novelty of the mark. These considerations should be coupled with prophylactic efforts by the USPTO to ensure that registrations for such marks are as precise as possible in the first place, including a requirement that applicants specify the Pantone number(s) claimed.<sup>25</sup>

The reversal of a per se ban on single color marks in fashion is but one small triumph for an industry that continues to struggle with an acknowledged lack of sufficient intellectual property protection. On September 20, 2012, the Senate Judiciary Committee favorably reported to the Senate S. 3523, the Innovative Design Protection Act of 2012,<sup>26</sup> the latest in a series of similar, though ultimately unsuccessful, bills to extend copyright protection to certain fashion designs.<sup>27</sup> With only three months left in the 112th session of Congress, this Act may meet a similar fate.<sup>28</sup>

Some fashion designers, such as Lululemon Athletica, Inc., have

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mark is likely to cause confusion, the defendant may nevertheless prevail by showing that the plaintiff's mark is functional. See *Louboutin*, 2012 U.S. App. LEXIS 18663, at \*17–20. Because in this case the court “determine[d] that the Red Sole Mark merits protection only as modified, and because YSL’s use of a red outsole on monochromatic red shoes does not infringe on the Mark as modified,” it found that it need not reach YSL’s aesthetic functionality defense. *Id.* at \*45.

<sup>24</sup> Gorman, *supra* note 1.

<sup>25</sup> For an expanded explanation of these proposals, see Gorman, *supra* note 1, at 399–402.

<sup>26</sup> See S. 3523, 112th Cong. (2012).

<sup>27</sup> In March 2006, Virginia Rep. Bob Goodlatte introduced H.R. 5055 to amend Chapter 13 of Title 17 of the United States Code to allow for copyright protection of fashion design. The bill never made it out of the Committee. In April 2007, Massachusetts Representative Bill Delahunt introduced an identical bill, H.R. 2033, the Design Piracy Prohibition Act, which had the same fate. New York Senator Charles Schumer introduced the bill in the Senate that August, but hearings were never held. Delahunt reintroduced the bill in April 2009 under the same title; the bill (H.R. 2196) gained more support than previous versions, but ultimately failed again. Schumer introduced the Innovative Design Protection and Piracy Prevention Act (IDPPPA) to the Senate on August 5, 2010, but Congress adjourned before the Act came to a vote, necessitating its July 2011 reintroduction in the 112th Congress. See H.R. 5055, 109th Cong. (2006); H.R. 2033, 110th Cong. (2007); S. 1957, 110th Cong. (2007); H.R. 2196, 111th Cong. (2009); S. 3728, 111th Cong. (2010); H.R. 2511, 112th Cong. (2011).

<sup>28</sup> See Morgan Lewis & Bockius LLP, *Design Protection Bill Sent on for Senate Vote*, LEXOLOGY (Sept. 28, 2012), <http://www.lexology.com/library/detail.aspx?g=693b2adc-bb9a-41e1-abf2-346ce6f40297> (“While both manufacturers and retailers have opposed this legislation in the past, lame-duck sessions can be unpredictable and consequently both bills bear tracking . . .”).

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begun to harness the power of design patents in light of the shortcomings of traditional copyright and trademark protection.<sup>29</sup> Such alternative strategies may be the fashion industry's only remedy for the nearly foreseeable future.

The red sole saga was but one battle in a much larger, more pervasive fight for adequate intellectual property protections in the fashion industry. What remains to be seen is how the industry will sustain its efforts as the limelight fades post-*Louboutin*.

*Danielle E. Gorman\**

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<sup>29</sup> See, e.g., Complaint for Patent Infringement, *Lululemon Athletica Can. Inc. v. Calvin Klein, Inc.*, No. 1:12-cv-01034 (D. Del. filed Aug. 13, 2012), 2012 WL 3292844.

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