

E-ALERT | Branded Goods

September 11, 2012

COLOR TRADEMARKS IN THE FASHION INDUSTRY – LOUBOUTIN WINS THE BATTLE; YSL CLAIMS VICTORY IN THE WAR

Just one day before the start of New York Fashion Week, the United States Court of Appeals for the Second Circuit gave some much-needed comfort to the fashion industry by ruling in the legal battle between French footwear designer Christian Louboutin and Yves Saint Laurent that Louboutin's famous red lacquered sole deserves trademark protection. *Christian Louboutin S.A. v. Yves Saint Laurent Am. Holding, Inc.*, 11:3303-cv, (2d Cir. Sep. 5). But the court limited Louboutin's trademark protection to red soles that stand out in contrast to the rest of the shoe. As a result, the court denied Louboutin's application for injunctive relief to stop YSL from selling red monochrome versions of its Tribtoo platform pumps, complete with red sole. Because YSL only used red soles with matching red shoes, the Court ruled that YSL had not infringed Louboutin's mark, leaving open the possibility that Yves Saint Laurent could sue Louboutin for the losses that it says it suffered because of pressure applied to retailers not to stock the YSL product.



YSL and Louboutin have both been quick to claim victory in the landmark trademark decision.

Both sides have been quick to claim victory, but the reality is that the decision is both good news and bad news for the fashion industry. Brand owners will be relieved that the court has upheld the principle that color can serve as a trademark in the fashion industry, having feared that the court might exclude the industry from that protection on the basis that allowing any designer to trademark color would stifle competition in the industry. But the case has clearly laid bare the limitations of trademark protection in the fashion industry and highlighted the conservative protection afforded to designers under US law. Louboutin prevailed because he had registered the trademark and could show that he had used the color red in an unusual context, deliberately tying that color to his products across his women's high fashion footwear range from as far back as the early 1990s and had made a significant capital investment in building a reputation and goodwill in his brand – not a set of facts that is likely to give much comfort to less established or IP-savvy brand owners. Further, the decision highlighted the availability of defenses against the validity of color trademarks in the fashion industry, including the aesthetic functionality standard, which states that if a color is functional it cannot be protected by trademark, since to do so would significantly hinder competition.

So fashion houses – frustrated by the lack of protection against copying of their products in the US market – may breathe a cautious sigh of relief, but the overwhelming sense is that US law continues to provide too little protection at too great a cost.

More established fashion houses may take some comfort from the decision but will think twice before starting litigation. After all, when Louboutin started the legal challenge his goal was to stop YSL from selling the red monochrome shoe. Not only did he fail in that regard, he also came close to losing his registered trademark – and still could if YSL brings an action to invalidate the mark on functional grounds. Commentators suggest that such an action is unlikely and that both parties will retreat, having claimed “total victory” for themselves. But behind the scenes, brand owners would be well advised to consider some basic housekeeping, such as:

- an audit of marketing and advertising expenditures to ensure that such expenditures provide supporting evidence for trademark protection in all key markets, focusing in the US on detailed records of expenditure and in Europe on the results of marketing and advertising spend;
- an audit of brand protection strategies for key markets, identifying alternative forms of protection where available, including copyright protection, design patent protection and utility patent protection, together with design protection in the EU market; and
- a “best practices” review to ensure that new trademark applications are filed promptly and that key trademark registrations – particularly in the US – are narrowly crafted to minimize the risk of legal challenge on the basis of the “aesthetic functionality” test set out in the *Louboutin* decision.

Fashion houses will also hope that the publicity generated by the case will reenergize lobbyists and put pressure on legislators to move forward with design protection legislation – in the form of The Innovative Design Protection and Piracy Prevention Act (IDPPPA), H.R. 2511 – that will level the playing field with designers in the EU, who benefit from the EU unregistered design protection regime. Brand owners in other industries, who feared that the decision might have ramifications for their color-based trademarks – like retail jeweler Tiffany, who filed an amicus brief in support of Louboutin’s appeal out of concern for the implications for its distinctive blue boxes – will be considering the ramifications of the case for their own products. There are also likely to be more cases as brands challenge the scope of the limitations of trademark protection imposed by the decision. What seems certain is that this will not be the final chapter.

If you have any questions concerning the material discussed in this client alert, please contact the following members of our branded goods team:

Louise Nash	+44.(0)20.7067.2028	lnash@cov.com
Bruce Wilson	+1.202.662.5400	bwilson@cov.com
Simon Frankel	+1.415.591.7052	sfrankel@cov.com

This information is not intended as legal advice. Readers should seek specific legal advice before acting with regard to the subjects mentioned herein.

Covington & Burling LLP, an international law firm, provides corporate, litigation and regulatory expertise to enable clients to achieve their goals. This communication is intended to bring relevant developments to our clients and other interested colleagues. Please send an email to unsubscribe@cov.com if you do not wish to receive future emails or electronic alerts.

© 2012 Covington & Burling LLP, 1201 Pennsylvania Avenue, NW, Washington, DC 20004-2401. All rights reserved.