

TRADEMARKS & FASHION

Leslie J. Lott

LOTT & FISCHER

355 Alhambra Circle
Suite 1100
Coral Gables, Florida
U.S.A.
www.lottfischer.com

INTRODUCTION

The fashion industry would be forgiven for viewing United States law as somewhat schizophrenic. On the one hand, we revere “famous brands” even protecting them against non-infringing, diluting use. On the other, we permit others to advertise and promote their “copies” of famous brand names under the doctrine of “nominal fair use.” And we permit “parodies” of famous marks like “Chewy Vuiton,” “Sniffany & Co.,” and “Chewnel No. 5.”

The United States engaged in comparative advertising long before it was permitted in Europe, and using another’s mark or brand to promote one’s own products as “similar” or a copy of the branded design, has been permitted at least since the *Societe Comptoir v. Alexander’s* case in 1962. In that case, one of the leading federal appellate courts, the 2nd Circuit in New York, approved Alexander’s department store advertising that its dresses were “copies” of genuine Dior designs.

More recently, United States courts have declined to go along with European courts in their condemnation of eBay’s sale of counterfeit branded products online. The United States court considered that eBay took extensive measures to prevent sales of counterfeits, and determined that those measures were adequate to shield it from liability. There is no absolute liability for sales made on the Internet. But, at the same time, U.S. courts have extended liability for sales of counterfeits by flea markets and swap shops to the owners of those markets, landlords who had reason to suspect counterfeit activity.

In this presentation, we will try to make sense of all this. Are these positions simply inconsistent or can they reasonably be seen as an ongoing struggle to balance the benefit to consumers in having the widest range of products available, and the benefits of allowing

competing businesses to flourish, against the harm done when consumers are deceived or confused and when the legitimate intellectual property of businesses are taken through unfair competition?

We will also look at the history of brand development from the registration and protection of trademarks, such as Chanel, Gucci, Christian Dior, the “labels,” to the extension of “ornamentation:” **CHANEL**, printed on the front of a white T shirt, LaCoste’s crocodile on shirt fronts, Adidas’ three stripes. Brands are no longer the labels in the neck of a garment. They are now the decoration of the product itself, and they are registered as trademarks.

Trade dress registration has led to new ways to protect fashion brands. The registration of the design of Cartier’s love bracelet and Montblanc’s snow cap top provide new means to take action against counterfeiting. And we are still struggling with the extent of protection of Louboutin’s red sole.

FAIR USE AND COMPARATIVE ADVERTISING

Mid-century United States television commercials advertised that a named product was far superior to “Brand X.” This reluctance to name a competitor was based on part on advertiser’s unwillingness to give their competitors any publicity whatsoever, and also on a widely held belief that it was probably “illegal.” In the ongoing battle for market share between HERTZ and AVIS car rental companies, AVIS, without mentioning its rival, advertised “We’re no. 2, we try harder.”



Then came the Alexander's Department Stores decision in 1962.¹ A New York department store sold copies of original Dior designs. Newspaper advertisements and hang tags attached to the garments read:

“Original by Christian Dior– Alexander's Exclusive– Paris– Adaptation”

The Court balanced the interest of the consumer in obtaining fashionable clothing at competitive prices and found that interest at least as compelling as the interest of the fashion house in protecting its name. The critical finding was that there was no deception. Because Alexander's clearly labeled its dresses as “copies” of Dior, and not Dior originals, there was no confusion of the public. Absent consumer confusion, there was no trademark infringement, and Alexander's Department Stores prevailed.

TRADE DRESS AS TRADEMARK

If trademark coverage is not always adequate protection in the fashion industry, what about trade dress? Historically, trade dress elements incorporated into a garment design were regarded as “mere ornamentation.” The United States Patent and Trademark Office routinely denied registration of design elements appearing on garments. Then Chanel came along with its iconic plain white tee shirt with the **CHANEL** name displayed across the front:



Clearly, this “ornamentation” was trademark use. It identified the source of the products and distinguished them from others. Gloria Vanderbilt and Jordache displayed their “signature” marks across the hip pockets of jeans. The line between trademarks and trade dress was blurred.

¹ *Societe Comptoir de L'industrie Cotonniere Etablissements Boussac, Christian Dior, Societe a Responsabilite Limitee, Paris, and Christian Dior New York, Incorporated v. Alexander's Department Stores, Inc.*, 299 F.2d 33 (2nd Cir. 1962).

In 2000, the United States Supreme Court decided *Wal-Mart Stores Inc. v. Samara Bros., Inc.*², holding that if a manufacturer can demonstrate that designs incorporated into its dresses – in this case three large appliques on a wide white yoke for children’s garments – were recognized by the public as indicating the manufacturer of the product, those designs could be protected as trade dress.



In Canada, a similar issue is currently before the federal court, with Canada Goose suing Sears Canada over its sale of what Canada Goose considers a knock off of its popular Kensington Parka by Sears lower-priced Alpinetek coats.

Canada Goose Kensington Parka:



Sears Alpinetek coats:



The Canada Goose design is not registered, but according to the lawsuit, distinctive and recognizable, including the shaping of the jacket, a distinctive round patch on the arm, and fur trim. Canada Goose is seeking damages in excess of \$50,000 and delivery of all of the allegedly infringing parkas. Sears Canada has called Canada Goose a “bully,” but the case is ongoing and the outcome remains to be seen.

² 120 S.Ct. 1339 (March 22, 2000)

Even if trade dress is known to the public, though, that is no guarantee of protection. In the United States, Louis Vuitton has not been able to protect its “multicolore” logo against competitors:



Louis Vuitton introduced a modified version of its famous Toile Monogram in 2002. The “multicolore” version was printed in 33 bright colors on a white or black background. The following summer, a competitor, Dooney & Bourke introduced its “It Bag” which featured the DB monogram in an array of bright colors set against a white background. Vuitton sued Dooney & Bourke for trademark infringement and dilution and moved for preliminary injunction...its motion was denied.

The court found that Luis Vuitton’s multicolore mark was inherently distinctive and that it had gained secondary meaning in the marketplace, meaning that consumers recognized it as a trademark, but the court nonetheless found no likelihood of confusion between the two. In effect, Vuitton was a victim of its own fame. Because it was so well known, consumers were not likely to be confused by the similar “DB” design.³

Gucci fared far better in its efforts to protect a number of its trademarks against infringing marks used by American designer Guess?⁴ Awarding Gucci \$4.7 million dollars in damages, (considerably less than the hundreds of millions claimed), Federal Judge Shira Scheindlin noted:

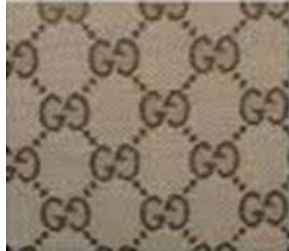
Over the past three years, the parties have put in countless hours and spent untold sums of money, all in the service of fashion — what Oscar Wilde aptly called "a form of ugliness so intolerable that we have to alter it every six months." With the instant disputes now resolved, and with Gucci's entitlement

³ *Louis Vuitton Malletier v. Dooney & Bourke, Inc.*, 454 F.3d 108, 2006 U.S. App. LEXIS 16774 (2nd Cir. 2006). By way of example of a fashion house that has sought to avoid becoming a victim of its own fame, CHANEL has published advertisements seeking to educate the public that its trademark is not the description of a style, but of the source. See, Appendix A.

⁴ *Gucci America, Inc. v. Guess?, Inc.*, 868 F. Supp. 2d 207, (S.D. N.Y. 2012).

to the relief noted above, it is my hope that this ugliness will be limited to the runway and shopping floor, rather than spilling over into the courts.

In its suit, Gucci alleged infringement of its repeating GG Pattern by the Guess? “Quattro G” pattern, and that Guess’ “Square G” infringed Gucci’s stylized G design mark:



The case also charged infringement by Guess? In its duplication of Gucci’s stylized “G” mark:



Gucci



Guess?

and in its alleged copying of Gucci’s three stripes on a shoe design:



Guess argued that the average buyer would never confuse Guess with Gucci because of the price difference, because Gucci waited seven years to exercise its rights, and because Gucci could be described as an "aspiration brand." The judge disagreed, finding that Gucci had successfully proven its case, and granting an injunction against Guess?.

The court found no infringement by the Guess script logo as compared to the Gucci script logo:



5

LOUBOUTIN AND PROTECTION OF COLOR IN THE FASHION INDUSTRY

Vuitton's multicolore mark was not protected, but what if the color is not part of a design, but the mark itself. In the context of the fashion industry, can trade dress consisting of a specific color, become a protectable trademark?

This was put to the test in 2011, in the Christian Louboutin case.⁶ Louboutin has used red soles to distinguish its high fashion shoes since 1992. The company held a United States Trademark Registration dated January 1, 2008 for "Womens high fashion designer footwear"

⁵ Ironically, apparently the Italian Tribunale di Milano (Court of Milan), in a May 2013 judgment ruled that the products of Guess Inc. *do not infringe* the trade mark rights of Italian luxury brand Guccio Gucci SpA . As reported by the King & Wood Mallesons blog at <http://www.ipwhiteboard.com.au/>, in a July 5, 2013 posting by Kristian Rodd: The Court of Milan held that Guess did not infringe *any* of Gucci's trade marks, primarily due to:

1. the graphic differences between the marks, considering the font, thickness and inclination of the letters; and
2. the visible presence on all of Guess's products of the well-known "Guess" trade mark. The Court held this would avoid any risk of confusion for the "*particularly observant and circumspect*" consumer ...

The Court of Milan also declared that two of Gucci's trade marks were invalid, namely:

- the letter "G" inserted into a radial dotted pattern...because it lacked distinctive character; and
- [a] floral pattern ... because it breached Article 9 of the [Italian Industrial Property Code](#), because it was capable of conferring substantial value to the product...

⁶ *Christian Louboutin S.A. v. Yves Saint Laurent*
778 F.Supp. 2d 445; 2011 U.S. Dist. LEXIS 90200 (August 10, 2011).

Int. Cl.: 25

Prior U.S. Cls.: 22 and 39

United States Patent and Trademark Office

Reg. No. 3,361,597

Registered Jan. 1, 2008

TRADEMARK
PRINCIPAL REGISTER



CHRISTIAN LOUBOUTIN (FRANCE INDIVIDUAL)
24 RUE VICTOR MASSÉ
PARIS, FRANCE 75009

FOR: WOMEN'S HIGH FASHION DESIGNER
FOOTWEAR, IN CLASS 25 (U.S. CLS. 22 AND 39).

FIRST USE 0-0-1992; IN COMMERCE 0-0-1992.

THE COLOR(S) RED IS/ARE CLAIMED AS A
FEATURE OF THE MARK.

THE MARK CONSISTS OF A LACQUERED RED
SOLE ON FOOTWEAR. THE DOTTED LINES ARE
NOT PART OF THE MARK BUT ARE INTENDED
ONLY TO SHOW PLACEMENT OF THE MARK.

SEC. 2(F).

SER. NO. 77-141,789, FILED 3-27-2007.

NORA BUCHANAN WILL, EXAMINING ATTORNEY

The mark, as described in the registration: “consists of a lacquered red sole on footwear.”

When Yves St. Laurent introduced its 2011 Cruise collection, it included four styles that were solid color shoes, with the wraparound color extending even to the soles of the shoes:



Among other colors, the Yves St. Laurent shoes came in red. Louboutin approached YSL but YSL refused to withdraw the challenged models from the market.

Louboutin sued under federal and state law for trademark infringement, counterfeiting, dilution and unfair competition. Yves St. Laurent counterclaimed for cancellation of Louboutin's red sole trademark registration.

By the time the *Louboutin* dispute arose, it was long-settled law in the United States that color – without more – could serve as a trademark.⁷ The U.S. Supreme Court's 1995 opinion in *Qualitex v. Jacobson Products*⁸ held that a color can be registered as a trademark, but only when it "can act as a symbol that distinguishes a firm's goods and identifies their source, without serving any other significant function." When color serves an aesthetic function (as YSL contended it did in Louboutin's shoes), it cannot be exclusively appropriated as a trademark.

Of course, one can always claim color as an element of a mark: Coca-Cola's iconic mark has long been displayed and protected in its signature red and white script. But what about when the mark IS the color?

In this case, the court made several statements recognizing that Louboutin's red soles serve the trademark function:

No doubt then, Christian Louboutin broke ground and made inroads in a narrow market. He departed from longstanding conventions and norms of his industry, transforming the staid black or beige bottom of a shoe into a red brand with worldwide recognition at the high end of women's wear, a product visually so eccentric and striking that it is easily perceived and remembered.

The court even quoted a Jennifer Lopez song about her Louboutins. The court recognized that color – when non-functional can be a valid trademark, quoting from the *Qualitex* and *Owens Corning*⁹ decisions.

But the court was obviously concerned about the fact that, this time, color was claimed as a mark in the FASHION INDUSTRY as opposed to industrial products like fiberglass and industrial ironing pads:

Whatever commercial purposes may support extending trademark protection to a single color for industrial goods do not easily fit the unique characteristics and needs--- creativity, aesthetics, taste, and seasonal change---that define production of articles of fashion.

⁷ In the *Qualitex* case, the Court permitted the registration of a green/gold shade as a trademark for industrial ironing board covers, ruling that the color served no function but only identified the source of the product (U.S. Trademark Reg. 1,633,711) . Another example of color as a trademark is the color pink for fiberglass insulation for buildings, owned by Owens-Corning (U.S. Trademark Reg. No 2,380,742).

⁸ *Qualitex Co. v. Jacobson Products Co.* (93-1577), 514 U.S. 159 (1995)

⁹ *In re Owens-Corning Fiberglas Corp.*, 774 F.2d 1116, 1123 (Fed. Cir. 1985)

In fashion, color serves not only to identify source or sponsorship, but to advance ornamental, expressive, and aesthetic purposes. Historically, in fashion, color has been allowed as an element of a traditional trademark. The court summed up the question in this case as one of whether there is something unique about the fashion industry that precludes extending trademark protection to a single color, even though such registrations have been upheld in other industries.

Ultimately, the Court of Appeals determined that Louboutin's trademark red soles were entitled to protection, except when the shoe itself is red – allowing YSL to make and sell red-soled shoes. With that, Yves Saint Laurent voluntarily dismissed its remaining claims against Christian Louboutin, bringing the lengthy dispute to an end. Yves Saint Laurent's attorney was quoted as saying:

By dismissing the case now, Yves Saint Laurent also wishes to ensure that the Court will not make any further rulings that put at risk the ability of fashion designers to trademark color in appropriate cases.

This result is not unlike that reached by the 2nd Circuit years ago in the *SAFARI* case.¹⁰ Abercrombie registered "SAFARI" as its trademark and, without invalidating the trademark, the court permitted Hunting World to sell its safari hats and mini safari hats, saying the term was descriptive of a type of clothing.

¹⁰ *Abercrombie & Fitch Company v. Hunting World, Incorporated*, 461 F.2d 1040, (2nd Cir. 1972).

DOES PARODY EXCUSE COPYING?

A company called *Haute Diggity Dog* sells pet accessories based on famous designer names and trademarks:



It was sued by Luis Vuitton in 2006, for trademark infringement and for dilution of the distinctive quality of Vuitton's trademarks.¹¹ The court found no infringement and no dilution in the defendant's use of CHEWEY VUITON as a trademark, and granted summary judgment in favor of Haute Diggity Dog on the basis of parody. The case was appealed, and affirmed, also on the basis of parody (although the appeals court's reasoning differed from the underlying case.) Ultimately, the Court of Appeals determined that the defendants were using the name CHEWEY VUITON as a designation of source for the defendants' products, that CHEWEY VUITON appears on the product in a trademark-like fashion and that the defendant was treating its CHEWEY VUITON designation as if it were a trademark, and not merely a parody of someone else's trademark. The defendant had actually applied to register CHEWEY VUITON with the United States Patent and Trademark Office. But the court considered parody as a defense to trademark dilution, and on that basis, determined that the defendant's use was not likely to impair the famous mark's distinctiveness. The court thought

¹¹ *Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC*, 81 U.S.P.Q.2d 1064 (E.D. Va. 2006). The judgment of the District Court was affirmed in 2007 by the Court of Appeals. *Louis Vuitton v. Haute Diggity Dog*, 507 F.3d 252 (4th Cir. 2007)

it was obvious to consumers that the parody in this case was satire, and found that use by the defendant only enhanced the famous mark's distinctiveness.¹²

Historically, Canadian courts have been far less receptive to a defense of parody in trademark infringement cases. A case that is often cited is *Source Perrier S.A. v. Fira-Less Marketing Co.*¹³ The defendant, seeking to spoof Prime Minister Pierre Trudeau, produced bottled water in the familiar green bottle, labelled "PIERRE EH!" "Canada's First Minister Water." "PLAIN CANADIAN TAP WATER NON SPARKLING SOMETIMES CARBONATED WITH HOT AIR." The bottles carried the disclaimer "not to be confused with Perrier natural mineral water" and the suggestion: "Serve liberally at party functions remove cap, shrug, pour into kitchen sink and watch your investment go down the drain."



The court was not amused:

¹² The NEW YORK DAILY NEWS of Thursday, August 14, 2014 reports: "A woman who recently opened an organic doggie snacks business called Snaks 5th Avenchew has ruffled retailer Saks Fifth Avenue, causing the giant luxury chain to demand she stop using the name. But Carrie Sarabella said she's not ready to just give up with a tail between her legs. "I feel that I'm entitled to use the name with at least a little bit of a fight," she said Wednesday, when the ultimatum was set to expire. "What happens after today — I don't know." Sarabella, 32, of Hoboken, N.J., started creating canine recipes to contend with allergies suffered by her therapy dog Pinero, a 6-year-old cocker spaniel."



¹³ 70C.P.R. (2d)61 [1983] 2 F.C. 18 (Fed.T.D.)

The fact that the defendant intends to produce a spoof does not take away from the deception created in the minds of customers. The defendant is clearly attempting to cash in on the well-established reputation of Perrier, and the deception, in my view, tends to dilute the quality of its trade marks, to impair its business integrity established over the years, and to cause injury to its goodwill.¹⁴

Other Canadian decisions have, similarly, rejected a fair use defense based on parody.¹⁵ The First Amendment to the United States Constitution prohibits the making of any law abridging the freedom of speech. U.S. courts are appropriately deferential to the First Amendment when they hear parody cases. While they draw the distinction, and impose more stringent standards, on commercial speech, still the concept of freedom of speech is given great deference. Canadian law also protects freedom of speech. Section 2 of the Canadian Charter of Rights and Freedoms is the section of the Constitution of Canada that lists "fundamental freedoms" enforceable by the courts. They include freedom of expression. However, as the court declared in the *Michelin* case:

“[t]he Charter does not confer the right to use private property...in the service of freedom of expression.”¹⁶

COUNTERFEITS AND THE EBAY DECISION

In 2003, American luxury jeweler, Tiffany Inc. sent a demand letter to eBay complaining about counterfeits appearing online. Tiffany demanded, for example, that eBay ban sellers of five or more Tiffany items, regardless of whether or not there was any other reason to be suspicious of the items or the sellers.

eBay did not agree to Tiffany's demands and Tiffany filed suit in 2004. The case went to trial and early signs did not look good for eBay. The court had expressly noted precedents that found other defendants “contributorily responsible” when they continued to knowingly supply counterfeit products.

¹⁴ *Perrier*, *supra* at 65.

¹⁵ See, e.g. *Cie générale des établissements Michelin- Michelin & Cie. V. C.A.W.-Canada* (1996), [1997] 2F.C. 306, (sub nom. *Cie Générale des Établissements Michelin-Michelin & Cie b. C.A.W.-Canada*) 71 C.P.R. (3^d) 348 (F.C.T.D.)

¹⁶ *Id.* at 388.

To make matters worse, while eBay was waiting for the decision in the Tiffany case, a French court on June 30, 2008, ordered eBay Inc. to pay Louis Vuitton and other luxury-goods brands over \$63 million in damages for five years of allowing fake and unauthorized goods to be sold online.

It was a Paris commercial court judge who sided with LVMH - Möet Hennessy Louis Vuitton and sister company Christian Dior SA, which together represent luxury brands Luis Vuitton, Givenchy, Fendi, Emilio Pucci and Marc Jacobs. They had accused eBay of not taking the necessary steps to ensure that products sold on its web sites around the world weren't counterfeit. The court agreed.

LVMH characterized this as “an answer to a particularly serious question, on whether the Internet is a free-for-all for the most hateful, parasitic practices.” The decision basically held that companies like eBay are not simply passive hosts for the sale of goods, they are brokers who make a profit from the sale of fake goods, and therefore bear a level of responsibility. eBay, of course, sees things quite differently. eBay sees itself as empowering business and customers with a business model that cuts out the middle man.

A month earlier, another French judge had ordered eBay to pay Hermes International €20,000 for facilitating sales of fake products. The year before, in 2007, Rolex sued in Germany and Germany's Federal Supreme Court found against eBay as well, in connection with sales of Rolex fakes online.

So eBay must have been very worried that the Tiffany lawsuit against eBay in the United States might be another expensive defeat; one that would possibly require it to significantly alter its entire business plan.

In the past, eBay defended itself by pointing to its VeRO program (Verified Rights Owner Program), that allows companies to report suspicious items and have them taken down. But the European courts were sympathetic to claims that the volume of branded goods sold on eBay was too great for the brand owners to even monitor. The judgments against eBay in Europe basically telegraphed that eBay's practices were not sufficient, and that eBay is not just an impartial venue, but a participant facilitating the trade of counterfeit goods.

In the event, the New York decision was a welcome reversal of the European trend. The court found that eBay does not take possession of the items it offers for sale. It acts

merely as an online middle man between buyers and sellers. Most importantly, the court found, eBay has established programs to fight counterfeit offerings, which relieve it of liability. Rather than blaming eBay, the Court gave eBay credit for the extensive efforts it had made to prevent trade in counterfeits, including:

1. a budget of \$20 million a year;
2. 4,000 employees in its “Trust and Safety” department;
3. 200 customer service representatives fighting trademark infringement;
4. 70 employees who work exclusively with law enforcement officers;
5. a fraud search engine software tool on which eBay spends \$5 million a year;
6. VeRO program established over ten years earlier, which allows a trademark owner to report potentially infringing items directly to eBay and have them promptly removed from the site; and
7. It offers “About Me” pages to trademark owners to educate users about their intellectual property rights, products and enforcement policies.

There is now an absolute dichotomy in the way European courts and United States courts view the eBay business model. A bit bizarre in these days of global trade and Internet trade ...and it will be interesting over the next couple of years to see if it is possible to reconcile the two views.¹⁷

¹⁷ Unlike the situation in the United States, there is no legal authority for Canadian Customs officers to proactively target, examine and detain commercial counterfeit goods at the border. The *Combating Counterfeit Products Act* has been proposed to reduce trade in counterfeit goods by providing new enforcement tools. For example, the Bill provides the owner of a registered trademark and/or a copyright with access to an assistance procedure whereby goods are detained by customs officials for up to ten days. During this period, the owner may receive a sample of goods and request information to assist in identifying the owner/source, and the goods will remain in detention only if the rights owner commences a civil action. The Bill was introduced last October and is making its way through the Parliament. The last stage completed was Concurrence at Report Stage in the House of Commons (2014-01-31), and it is now in its Third Reading.

APPENDIX A

A Note Of Information And Entreaty To Fashion Editors, Advertisers, Copywriters And Other Well-Intentioned Mis-users Of Our **CHANEL** Name.

CHANEL

was a designer, an extraordinary woman
who made a timeless contribution to fashion.

CHANEL

is a perfume.

CHANEL

is classic elegance
in couture, ready-to-wear and accessories.

CHANEL

is our registered trademark for fragrance, cosmetics,
clothing, accessories and other lovely things.

Although our style is justly famous, a jacket is *not* "a Chanel jacket"
unless it is ours, and somebody else's cardigans are *not* "Chanel
for now."

And even if we are flattered by such tributes to our fame as "Chanel-
issime, Chanel-ed, Chanels and Chanel-ized," PLEASE DON'T. Our
lawyers positively detest them. We take our trademark seriously.

Merci,

CHANEL, Inc.