

Fashion Week in the Second Circuit: A Win-Win for Louboutin and YSL

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Both Christian Louboutin and Yves Saint Laurent have claimed victory in the Second Circuit's much anticipated decision in *Christian Louboutin SA v. Yves Saint Laurent America Holding Inc.*, decided on September 5, 2012. And in fact, the Second Circuit's decision offered something to each side in the case. While affirming the lower court's decision not to enjoin YSL from using a red sole on a monochromatic red shoe, the Court also held that Louboutin's Red Sole Mark, with some slight modifications, was enforceable and valid. Moreover, in a victory and sigh of relief for many in the industry, the Court reversed the lower court's per se rule that a single color could never serve as a trademark in the fashion industry. The decision also shed some light on the often confusing doctrine of aesthetic functionality.

The Second Circuit disposed of the industry-specific per se rule as contrary to the Supreme Court's holding in *Qualitex Co. v. Jacobson Products Co., Inc.*, in which the Supreme Court ruled that the Lanham Act permits the registration of a color as a trademark. In doing so, the Second Circuit engaged in a comprehensive discussion of the history of single-color marks and the aesthetic functionality defense. Noting the wide range of views on the aesthetic functionality defense among various circuits (ranging from an outright rejection of the doctrine in the Fifth Circuit to a liberal adherence that "[f]ashion is a form of function" in the Seventh Circuit), the Court clarified its three-prong test, which requires a fact-intensive inquiry balancing a mark owner's rights with the public's right to a competitive market. The Court acknowledged the ongoing debate and legislative efforts to afford greater protection to design, as well as the District Court's concern that in the fashion industry (unlike, e.g., the dry cleaning pad industry of *Qualitex* or the insulation industry of *In re Owens-Corning Fiberglas Corp.*), color was arguably a tool rather than "mere ornamentation." However, the Court explained that the fact-specific aesthetic functionality test forbids a per se industry-specific rule, and further elaborated that the defense does not "guarantee a competitor 'the greatest range for [his] creative outlet,' but only the ability to fairly compete within a given market." That is, "[t]he purpose of the functionality defense 'is to prevent advances in functional design from being monopolized by the owner of [the mark] . . . in order to encourage competition and the broadest dissemination of useful design features.'"

Next, analyzing the evidence on the record, the Court determined that Louboutin's lacquered red outsole on a shoe with a contrasting upper color had acquired secondary meaning sufficient to achieve distinctiveness. However, the Court held that the record was insufficient to demonstrate secondary meaning for a red lacquered sole on a red monochromatic shoe and limited the Red Sole Mark accordingly. By doing so, the Court avoided having to address issues of likelihood of confusion and functionality of the Red Sole Mark.

The case has been remanded to address YSL's counterclaims. However, for now, the Red Sole Mark survives (albeit a bit scuffed), YSL can continue marching out monochromatic red shoes, and the fashion industry can put its best foot forward, free from confusing color rules. The decision has been lauded as a win-win for all parties involved—and a fitting way to kick off New York Fashion Week.

About the Author

Ms. Karen H Bromberg is the head of the Firm's Intellectual Property and Licensing Group. She handles all aspects of intellectual property and technology law, including license agreements, technology transfer and vendor agreements, joint development and co-branding agreements, and management of IP litigation (including patent, trademark, copyright, and trade secret litigation). She was named as a New York *Super Lawyer* for Intellectual Property in 2010, 2011, and 2012.

Ms. Joyce Kung has experience in intellectual property disputes and transactions, specifically relating to patents, trademarks and copyrights. She previously practiced at Kenyon & Kenyon LLP, where she focused on patent litigation in the life sciences and biotechnology sectors. Ms. Kung earned a J.D. from the University of North Carolina School of Law, an M.S. in Organic Chemistry from the University of North Carolina, and a B.S. in Chemistry from Duke University. She is registered to practice before the United States Patent and Trademark Office. Prior to joining the Firm, Ms. Kung worked as Staff Attorney for Environment Northeast, where she served as lead counsel on issues before the Public Utilities Regulatory Authority.

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