
WAKE FOREST JOURNAL OF BUSINESS
AND INTELLECTUAL PROPERTY LAW

VOLUME 12

SPRING 2012

NUMBER 2

**“SOLE” SEARCHING: CHRISTIAN LOUBOUTIN’S FIGHT
AGAINST YVES SAINT LAURENT—AND THE AESTHETIC
FUNCTIONALITY DOCTRINE—TO OWN THE COLOR RED**

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I. INTRODUCTION TO THE MAIN EVENT 295

**II. LOUBOUTIN LOSES ROUND 1: THE DISTRICT COURT’S REFUSAL
TO PROTECT RED SOLES..... 298**

 A. THE DISTRICT COURT’S SUMMARY AND APPLICATION OF THE
 LAW 299

 B. THE DISTRICT COURT’S REASONING: THE MONET AND PICASSO
 HYPOTHETICAL..... 301

**III. REVIEWING THE FIGHT: WILL THE SECOND CIRCUIT FIND THE
LOWER COURT MADE THE RIGHT CALL? 304**

 A. AESTHETIC APPEAL AND THE FUNCTIONALITY DOCTRINE 304

 1. *Branding Implications and Effect on
 Precedent..... 304*

 2. *If Affirmed: Arbitrary Distinction of Fashion
 Industry Consumers?..... 309*

 B. THE COST OF PRODUCTION’S INFLUENCE ON FUNCTIONALITY. 309

IV. CONCLUSION: LOUBOUTIN REFUSES TO BE KNOCKED OUT 311

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ABSTRACT

The fashion industry relies on color as an indispensable medium in all aspects of design. The question now brewing is simply: can a color itself be protected under the Lanham Act when used within the fashion context? On August 10, 2011, the U.S. District Court for the Southern District of New York held that trademark laws cannot protect a single color within the fashion context because such protections would unduly hinder competition. The District Court relied on the aesthetic functionality doctrine, finding that the color red is ornamental and aesthetic; thus, not a protectable trademark. Christian Louboutin, the world-renowned designer of women's high-end footwear, is searching for a different answer. Louboutin sued fellow high-end fashion powerhouse Yves Saint Laurent for trademark infringement after Laurent released a line of shoes featuring red outsoles—a signature feature of Louboutin's shoes. Louboutin has appealed to the U.S. Court of Appeals for the Second Circuit, arguing its lacquered, bright red outsoles are worthy of trademark protection. Louboutin argued that the famous red outsole is a protectable trademark because the color serves the purpose of brand recognition—therefore, a secondary meaning has attached to the use of color.

Regardless of the ultimate holding, the Second Circuit's ruling will have serious implications on the fashion industry as well as trademark jurisprudence. If affirmed, the trademarked use of color, such as Tiffany's robin egg blue, will no longer be protected. The fashion industry's branding efforts will be heavily impacted, as "copycat" replications may legally take place without recourse for the designers. Such a ruling will also drive a sharp wedge in the trademark legal landscape between the fashion industry and other industries—single color use will be unprotected in fashion, yet allowable in other industries. In addition, if affirmed, the Second Circuit will create a unique precedent that finds the higher costs associated with producing a red outsole is in fact a hindrance to competition. This concept goes against the common sense ideal that high costs are normally associated with an economic disadvantage because more money is required to produce a more complicated and intricate mark. As glamorous as the fashion industry may be, the pending litigation between Louboutin and Yves Saint Laurent reminds spectators that the fashion industry is about more than making women beautiful—it is about making money and protecting business interests.

I. INTRODUCTION TO THE MAIN EVENT

A battle is taking place between two French couture fashion houses, but the setting is neither the runways of Paris nor the pages of *Vogue*—it is the courtroom. Christian Louboutin (“Louboutin”), the high-end women’s shoe designer known for its stilettos with the signature, lacquered, bright red outsoles, sued fellow high-fashion heavyweight, Yves Saint Laurent (“YSL”), over YSL’s use of red outsoles in its Cruise 2011 collection.¹ Louboutin has owned the U.S. Trademark Registration² for the use of red outsoles on its footwear since 2008 and demanded YSL stop the sale of its red outsole shoes immediately.³ However, YSL refuses to give up without a fight.

Upon YSL’s refusal to pull its allegedly infringing shoes from the market, Louboutin filed its lawsuit against YSL in April 2011, claiming trademark infringement and unfair competition.⁴ Louboutin also filed a motion for preliminary injunction to prevent further sales of the YSL shoes.⁵ A trademark is a word, phrase, symbol or design, or a combination of words, phrases, symbols or designs, that identifies and distinguishes the source of the goods of one party from those of others.⁶ The essential function of a trademark is to exclusively identify the commercial source or origin of products or services, such that the trademark indicates source or serves as a badge of origin.⁷ Thus, certain exclusive rights attach to a registered mark,⁸ which can then be enforced through an action for trademark infringement.⁹

In denying Louboutin’s request for injunction on August 10, 2011,¹⁰ the United States District Court for the Southern District of New York broadly held that no single color could serve as a trademark on an item of fashion because it would unduly hinder competition.¹¹ Specifically, the court relied upon the aesthetic functionality doctrine, opining that the color red, as used on the allegedly infringing YSL products, “serves ornamental and aesthetic functions vital to robust

¹ Complaint and Jury Demand at 1, *Christian Louboutin S.A. v. Yves Saint Laurent Am., Inc.*, 778 F. Supp. 2d 445 (S.D.N.Y. 2011) (No. 11 Civ. 2381).

² RED SOLE MARK, Registration No. 3,361,597.

³ Complaint and Jury Demand, *supra* note 1, at 24-25.

⁴ *Id.* at 1.

⁵ *Id.* at 2.

⁶ BLACK’S LAW DICTIONARY 1631 (9th ed. 2009).

⁷ *Id.*

⁸ Lanham Act § 7, 15 U.S.C. § 1057 (2006).

⁹ Lanham Act § 32, 15 U.S.C. § 1114 (2006).

¹⁰ *Christian Louboutin S.A. v. Yves Saint Laurent Am., Inc.*, 778 F. Supp. 2d 445, 445, 447 (S.D.N.Y. 2011).

¹¹ *Id.* at 454.

competition” in the fashion industry.¹² The district court concluded that, “Louboutin is unlikely to be able to prove that its red outsole brand is entitled to trademark protection, even if it has gained enough public recognition in the market to have acquired secondary meaning.”¹³

The lower court not only declined to grant Louboutin’s motion to bar YSL from producing its red shoes, but it also appeared “ready to cancel Louboutin’s trademark registration outright” in the same proceeding.¹⁴ Judge Marrero, the U.S. District Court judge who presided over the case, felt “[t]he better course is to simply allow the appeal to proceed and halt any further proceedings till we get guidance” from the New York-based federal circuit court.¹⁵ Wasting no time, Louboutin immediately appealed to the U.S. Court of Appeals for the Second Circuit to stay the lower court proceedings.¹⁶ Louboutin submitted its appellate brief to the Second Circuit Court of Appeals shortly thereafter on October 17, 2011.¹⁷ On appeal, Louboutin will contend that the district court’s denial of Louboutin’s injunction largely rested upon the seldom-used doctrine of aesthetic functionality.¹⁸ The district court stated:

Color alone ‘sometimes’ may be protectable as a trademark, ‘where that color has attained secondary meaning and therefore identifies and distinguishes a particular brand’ . . . [but not] where it is ‘functional,’ meaning that color is essential to the use or purpose of the product, or affects the cost or quality of the product.¹⁹

The district court not only held that the color red by itself is not a protectable trademark, but also singled out the fashion industry. The

¹² *Id.* at 449.

¹³ *Id.*

¹⁴ Michelle Mancino March & Natasha Grant, *The War of the Rose-Coloured Shoes*, INTELL. ASSET MGMT. MAG., Oct. 26, 2011, available at <http://www.internationallawoffice.com/newsletters/detail.aspx?g=c150bdb6-3549-4dd2-9499-fe191951d074>; see *Louboutin*, 778 F. Supp. 2d at 458 (recognizing the validity of Louboutin’s mark is the “heart” of the litigation).

¹⁵ Don Jeffrey, *Louboutin Red-Soled Shoe Ruling Held Up by Judge in Yves St. Laurent Case*, BLOOMBERG, Aug. 19, 2011, <http://www.bloomberg.com/news/2011-08-19/louboutin-red-soled-shoe-ruling-held-up-by-judge-in-yves-st-laurent-case.html>.

¹⁶ Notice of Appeal, *Louboutin*, 778 F. Supp. 2d 445 (No. 11 Civ. 2381).

¹⁷ See Brief for Appellants, *Louboutin*, 778 F. Supp. 2d 445 (No. 11 Civ. 2381).

¹⁸ *Id.* at 21.

¹⁹ *Louboutin*, 778 F. Supp. 2d at 450 (quoting *Qualitex Co. v. Jacobson Prods.*, 514 U.S. 159, 161, 163, 165 (1995)).

court reasoned that, “for Lanham Act purposes . . . in fashion markets color serves not solely to identify sponsorship or source, but . . . primarily to advance expressive, ornamental and aesthetic purposes.”²⁰ Thus, the court reasoned that with respect to fashion, the color red falls under the aesthetic functionality doctrine and is rendered without trademark protection.

The Second Circuit’s ruling in *Louboutin* will have serious implications on the fashion industry and trademark jurisprudence. For example, if the Second Circuit affirms the lower court’s decision, Louboutin’s red sole registration will likely be cancelled. Also, if affirmed, other designers will have a more limited capacity to register or enforce rights on the use of single colors. This thought strikes fear into the heart of a company like jeweler Tiffany’s, who uses a signature color of robin’s egg blue.²¹ Simply put, some of fashion’s signature colors—Valentino red,²² Hermés orange²³ and Tiffany blue²⁴—are likely to be compromised if the lower court’s broad ban on a single color trademark is upheld on appeal.²⁵ As such, certain fashion houses are following the *Louboutin* case with a particular interest, hoping that this area of law is not disturbed by such a broad new rule of restriction upon single color trademarks.²⁶

Because many of the issues on appeal revolve around whether the district court erred in its findings and conclusions of law, the majority of issues on appeal will be reviewed *de novo*, with no weight given to

²⁰ *Id.* at 451.

²¹ Brief for Tiffany LLC et al. as Amici Curiae Supporting Appellants at 2, *Louboutin*, 778 F. Supp. 2d 445 (S.D.N.Y. Oct. 24, 2011) (No. 11 Civ. 2381); *see id.* at 4 (advocating that the “functionality” defense should only be applied after likelihood of confusion analysis is completed, and such confusion is present in this case).

²² RED VALENTINO, Registration No. 3,767,661.

²³ COLOGNE HERMÉS EAU D’ORANGE VERTE, Registration No. 3,792,480.

²⁴ In addition to a trademark for its blue box with white ribbon, Tiffany (NJ) LLC owns three U.S. Trademark and Service Mark Registrations for the robin’s egg blue color *per se*; *see* Registration No. 2,359,351 (blue on boxes), Registration No. 2,416,795 (blue on shopping bags), and Registration No. 2,416,794 (blue on cover of catalogs).

²⁵ Robyn Hagan Cain, *Tiffany Files Amicus Brief in Louboutin-YSL Trademark Dispute*, FINDLAW.COM (October 25, 2011, 3:07 PM), http://blogs.findlaw.com/second_circuit/2011/10/tiffany-files-amicus-brief-in-louboutin-ysl-trademark-dispute.html.

²⁶ *See* Lauren Milligan, *Blue and Red*, VOGUE (October 25, 2011, 10:43 AM), <http://www.vogue.co.uk/news/2011/04/20/christian-louboutin-sues-yves-saint-laurent-for-red-sole-shoes>.

the lower court's decision.²⁷ This note focuses on the impact and implications of the impending ruling by the Second Circuit. Specifically, this note analyzes the effect of the prospective ruling on the application of the functionality defense, including the importance of factors such as aesthetics and production costs.

First, if the Second Circuit affirms the lower court's ruling, the fashion industry will certainly feel the consequences through its branding efforts. If affirmed, no designer in the fashion industry will be able to have a protectable trademarked color on the grounds that it indicates source, because it will be deemed "functional" and therefore unprotectable. Thus, replication of Valentino's signature red and Tiffany's blue boxes will be allowable.²⁸ In addition, the Second Circuit would create an unprecedented rule that fashion industry consumers—as opposed to other industry consumers—are sophisticated enough to distinguish between similar marks. Such "sophistication" comes from an assumption that luxury goods' high price points render high-end fashion consumers well researched. However, if reversed, the Second Circuit will fall in line with precedent that holds that aesthetically appealing and desirable marks can still serve as an indicator of source, thus warranting protection under the Lanham Act.²⁹

Second, if the lower court's decision is affirmed, the Second Circuit will be one of the few courts which actually finds that a *higher* cost of production hinders competition because a trademarked color, like Louboutin's Chinese Red, makes the final creation more exclusive and costly. If reversed, however, the Second Circuit will make the statement that a higher cost of production yields a non-functional and protectable trademark since such a mark is more complicated and more expensive to produce, thus giving an economic advantage to competitors to produce other goods.

II. LOUBOUTIN LOSES ROUND 1: THE DISTRICT COURT'S REFUSAL TO PROTECT RED SOLES

Before bringing the action against YSL, Louboutin began coloring the glossy red outsoles of its shoes in 1992 to give the line "energy," and because red—the color of passion—is "sexy."³⁰ YSL argued,

²⁷ See *Cnty. of Nassau v. Leavitt*, 524 F.3d 408, 414 (2d Cir. 2008) (quoting *D.D. ex rel. V.D. v. N.Y. City Bd. of Educ.*, 465 F.3d 503, 510 (2d Cir. 2006)).

²⁸ *Cain*, *supra* note 25.

²⁹ See *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 164 (1995).

³⁰ *Christian Louboutin S.A. v. Yves Saint Laurent Am., Inc.*, 778 F. Supp. 2d 445, 447 (S.D.N.Y. 2011).

however, that despite having a trademark on the red outsole, Louboutin was simply copying the red outsole trend that dates back to the days of King Louis XIV.³¹ Even Dorothy's ruby slippers in *The Wizard of Oz* featured red outsides.³² YSL further argued that it had been producing red outsides occasionally in its collections dating back to the 1970s, to achieve its "monochromatic" signature look.³³ After YSL refused to remove its red-soled shoes in its Cruise 2011 collection from the market, Louboutin looked to the U.S. District Court for the Southern District of New York for relief. The claims Louboutin brought included trademark infringement as well as a motion for preliminary injunction to stop YSL's production of the allegedly infringing shoes.³⁴ YSL, in turn, counterclaimed and asked the court to cancel Louboutin's red sole mark because it was (1) not distinctive, (2) ornamental, (3) functional, and (4) was secured by fraud.³⁵ YSL also sued for damages, alleging both tortious interference with business relations and unfair competition.³⁶

A. The District Court's Summary and Application of the Law

In speaking for the court, District Judge Victor Marrero framed the issue at hand as whether, despite Louboutin's acknowledged innovation and broad association of the high-fashion outsole with Louboutin as its source, trademark protection should have been granted to Louboutin's registration.³⁷ The court acknowledged at the outset of the opinion that "the law, like the marketplace, applauds innovators" by protecting ingenuity through patents and trademark registration and penalizing unfair competition.³⁸ The court then moved into addressing Louboutin's trademark infringement and unfair competition claims under the Lanham Act. In order for Louboutin to succeed on these claims, it was required to show (1) the red sole mark merits protection, *and* (2) YSL's use of the same or sufficiently similar mark is likely to cause consumer confusion as to the origin of sponsorship of YSL's shoes.³⁹ The court, however, never reached the second question at issue since it determined the red sole mark did not merit protection.

In finding the first prong of the infringement analysis was not met,

³¹ *Id.*

³² *Id.*

³³ *Id.* at 449.

³⁴ *Id.*

³⁵ *Id.*

³⁶ *Louboutin*, 778 F. Supp. 2d at 449.

³⁷ *Id.* at 448.

³⁸ *Id.*

³⁹ *Id.* at 450.

the court first highlighted the language of the Lanham Act, which outlines when a trademark registration is permitted.⁴⁰ Next, the court noted that under 15 U.S.C. § 1057(b) of the Lanham Act, Louboutin's registration of its mark triggers the statutory presumption that the mark is valid. However, the presumption is rebuttable.⁴¹ Focusing specifically on color as a trademark, the court stated the landscape of the law currently held that color is protectable as a trademark sometimes if the color alone has attained *secondary meaning*, and therefore identifies and distinguishes a particular brand, thus indicating its "source."⁴² However, a color is not protectable if it is *functional*, meaning the color is essential to use or purpose of the product, or affects the cost or quality of the product.⁴³ In quoting the Restatement (Third) of Unfair Competition, the court defined "functional" in this context to be an "aesthetic value" which is able to confer a significant benefit that cannot practically be duplicated by the use of alternative designs.⁴⁴

While the district court ultimately found Louboutin's red did not merit protection, it acknowledged that industrial products with a single color—such as green-gold pads used for dry cleaning presses and pink fibrous glass insulation—were able to be trademarked.⁴⁵ The court reasoned that because industrial standards require uniform composition of these goods, the color of such industrial materials simply changes an article's external appearance in order to distinguish one source from another.⁴⁶

In setting the tone of the opinion, the court quickly distinguished such industrial products from items within the fashion industry. The court stated that because fashion industry products are not limited by uniform industry standards like the pink insulation, and instead are based on creativity, taste and seasonal changes, color in the fashion industry cannot be a protectable trademark.⁴⁷ To support this point,

⁴⁰ *Id.* ("The "Lanham Act permits the registration of "trademark" which it defines as 'any word, name, symbol, or device, or any combination thereof ... [,] which a person has a bona fide intention to use in commerce and applies to register . . . , to identify and distinguish his or her goods . . . from those manufactured and sold by others and to indicate the source of the goods).")

⁴¹ *Louboutin*, 778 F. Supp. 2d at 450.

⁴² *Id.*

⁴³ *Id.* (citing *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 163 (1995)).

⁴⁴ *Id.* (citing *Qualitex*, 514 U.S. at 170 (1995) (quoting Restatement (Third) of Unfair Competition § 17 cmt. C (1993))).

⁴⁵ *Id.* (referencing *Qualitex*, 514 U.S. at 166 and *In re Owens-Corning Fiberglass Corp.*, 774 F.2d 1116, 1123 (Fed. Cir. 1985)).

⁴⁶ *Louboutin*, 778 F. Supp. 2d at 450-451.

⁴⁷ *Id.* at 451.

the court reasoned that color is unprotectable namely because it does not serve the acceptable secondary meaning of distinguishing a brand, but instead is *functional*, used primarily to advance "expressive, ornamental and aesthetic purposes."⁴⁸ Quick to distinguish the color issue at bar from other judicially-held enforceable trademarks, such as Louis Vuitton's monogrammed pattern and Burberry's signature plaid, the court signaled that this case is about a *single* color. It is not a "uniquely identifiable mark embedded in goods," that identifies a product's origin.⁴⁹ Thus, the *single* color does not meet the secondary meaning test warranting trademark protection under the Lanham Act.⁵⁰

B. The District Court's Reasoning: The Monet and Picasso Hypothetical

In perhaps the most controversial portion of the opinion, the court then outlined its reasoning why a single color does not warrant trademark protection under the Lanham Act through a "fanciful" hypothetical of an "imagined case" where Picasso sues Monet for Monet's use of a distinctive shade of indigo, Picasso's signature aesthetic.⁵¹ The court compared painting to fashion design, pointing out that both "stem from related creative stock," both are devoted to appealing to aesthetics, both strive to pleasure patrons with goods that serve commercial and ornamental purposes, and both are simply all about taste.⁵²

Noting another similarity, the court pointed out that both the painting hypothetical and the real world fashion industry rely on palettes subject to seasonal change, and such palettes depend on color as an "indispensible medium."⁵³ The court concluded its analysis of the Picasso/Monet hypothetical by suggesting color thus performs "a creative function" in its aim to please or be useful, and does not "identify and advertise a commercial source," a characteristic which would warrant trademark protection.⁵⁴

The court then shifted the focus of its analysis to unfair

⁴⁸ *Id.*; see also Farah Bhatti & Jessi Reider, *Red-Sole Shoes: Walking a Fine Line*, APPAREL NEWS (September 30, 2011), <http://www.apparelnews.net/news/international/093011-Red-Sole-Shoes-Walking-a-Fine-Line>.

⁴⁹ *Id.* (referencing *Louis Vuitton Malletier v. Dooney & Bourke, Inc.*, 454 F.3d 108, 116 (2d Cir. 2006) and *Burberry Ltd. v. Euro Moda, Inc.*, No. 08 Civ. 5781, 2009 WL 1675080, at *5 (S.D.N.Y. June 10, 2009)).

⁵⁰ *Id.*

⁵¹ *Id.* at 451-52.

⁵² *Louboutin*, 778 F. Supp. 2d at 452.

⁵³ *Id.*

⁵⁴ *Id.*

competition, finding that Louboutin may not have a monopoly on the color red because painters like Monet and Picasso, and the fashion industry as a whole, need artistic freedom to promote fair competition.⁵⁵ Specifically, the court opined that, “[t]he law should not countenance restraints that would interfere with creativity and stifle competition by one designer, while granting another a monopoly invested with the right to exclude use of an ornamental or functional medium necessary for freest and most productive artistic expression by all engaged in same enterprise.”⁵⁶

Bolstering the idea that single color trademark in the fashion industry promotes unfair competition, the court then directly addressed the question of whether color is *functional*, relying greatly in part on the aesthetic functionality doctrine. The functionality doctrine, as applied by the court, “forbids the use of a product’s feature as a trademark where doing so will put a competitor at a significant disadvantage because the feature is ‘essential to use or purpose of article’ or ‘affects [its] cost or quality.’”⁵⁷

To support the idea that color in the fashion industry is functional and thus not protectable under the Lanham Act, the court relied on case law from the previously distinguished industrial context.⁵⁸ Through reliance on industrial case law, the court opined that aesthetic appeal can be functional because society values products for their looks.⁵⁹ In applying this concept, the court focused on the fact that Louboutin himself acknowledged nontrademark functions for choosing red for his outsoles.⁶⁰ Because Louboutin chose red to give the shoes “energy” and sexiness, and because the “pedestrian” outsole becomes an object of beauty through red lacquered decoration, the court held nontrademark functions of color in fashion are present and trademark protection is unwarranted.⁶¹

Also, the court found the red outsole affected the cost of the shoe.⁶² Although a higher cost of production is associated with the red outsole, the red is desirable because it makes the final creation that

⁵⁵ *Id.*

⁵⁶ *Id.* at 453.

⁵⁷ *Id.* (quoting *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 169 (1995)).

⁵⁸ *Id.* Black was functional for a marine outboard engine. *Brunswick Corp. v. British Seagull Ltd.*, 35 F.3d 1527, 1533 (Fed. Cir. 1994). Green was functional for farm equipment because farmers “prefer to match their loaders to their tractor.” *Deere & Co. v. Farmhand, Inc.*, 560 F. Supp. 85, 98 (S.D. Iowa 1982).

⁵⁹ *Louboutin*, 788 F. Supp. 2d at 453 (citing *Eco Mfg. LLC v. Honeywell Int’l Inc.*, 357 F.3d 649, 653 (7th Cir. 2003)).

⁶⁰ *Id.*

⁶¹ *Id.* at 453-54.

⁶² *Id.* at 454.

much more exclusive and costly, an opportunity which competitors would be deprived of if the red outsole was protected by trademark.⁶³

As applied here, the court found that YSL was seeking to create a monochromatic color scheme with its challenged shoes.⁶⁴ If Louboutin's claim were to succeed, then YSL and other designers would be prohibited from achieving such design and stylistic goals.⁶⁵ The court also feared that a "slippery slope" could occur with a limitation on the color red to only one party because designers of other articles, such as gloves, bags and dresses, could stake claims on other colors.⁶⁶ Because the fashion industry is "ground[ed] on the creative elements," and "dependent on colors" which change with the season, the court found such monopoly unworkable.⁶⁷ Thus, the court held that the claim to the color red is "without some limitation overly broad and inconsistent with the scheme of trademark registration established by the Lanham Act."⁶⁸

Lastly, the court dismissed Louboutin's argument that it only wished to protect the mark of a specific shade of red—"Chinese Red" as listed on its registration⁶⁹—and not the reference to the color red in the general sense, thereby leaving other shades of red available to competitors.⁷⁰ The court found protecting Louboutin's mark based on the specific shade depicted in its trademark registration did not provide adequate guidance as to what specific shade was actually applied to the shoe due to "varying absorption and reflection qualities of materials on which color could be applied."⁷¹

Therefore, the court found it would actually be granting protection over a range of hues, a move that is outside the scope of the Lanham Act.⁷² The court similarly found no reason for validating the mark on grounds that Louboutin's red is a lacquered red and not just a flat red, because this would cause a court to "pass judgment" on the "degree of buffing a competitor may give to a Chinese Red outsole before it begins to infringe on Louboutin's rights."⁷³ Because the lower court

⁶³ *Id.*

⁶⁴ *Id.*

⁶⁵ *Id.*

⁶⁶ *Id.* at 457.

⁶⁷ *Id.*

⁶⁸ *Id.*

⁶⁹ *Id.* at 455 n.5. "Chinese Red" is part of the Pantone Textile color system, a system that assists designers in selecting and specifying color to be used in manufacture of textiles and apparel, as Pantone No. 18-1663 TP. *Id.* at 455.

⁷⁰ *Id.*

⁷¹ *Id.*

⁷² *Id.* at 455-56.

⁷³ *Id.* at 456.

could not agree that the Lanham Act served as a source of protection for such a “broad spectrum” mark, it found Louboutin could not establish a likelihood that it would succeed on its trademark infringement and unfair competition claims; therefore, no injunctive relief was granted on those claims.⁷⁴

III. REVIEWING THE FIGHT: WILL THE SECOND CIRCUIT FIND THE LOWER COURT MADE THE RIGHT CALL?

Louboutin wasted no time in appealing the lower court’s decision because of the significant ramifications within the fashion industry should the Second Circuit adopt the rule that color alone is an unprotectable trademark. In fact, because of the pressing nature of the Second Circuit’s decision, oral arguments were heard in January 2012.⁷⁵ Whether the lower court’s holding is affirmed or denied, the Second Circuit’s decision will shape trademark law within the fashion industry. The appellate decision will undoubtedly affect the application of the aesthetic functionality defense in future cases. Specifically, the court’s holding will likely implicate the factors of the defense, such as branding efforts by designers and how courts are to measure the cost of production for fashion industry goods when faced with a trademark infringement case for alleged use of a protected color.

A. Aesthetic Appeal and the Functionality Doctrine

1. *Branding Implications and Effect on Precedent*

First, the Second Circuit’s ruling will likely affect fashion designer’s branding and marketing efforts. If the Second Circuit affirms the lower court’s decision, then it will be setting the precedent that a single color is inherently functional and therefore never protectable as a trademark. Because everything in the fashion industry from shapes to colors to fabrics can be framed as having origins in “aesthetics,” designers will be unable to claim that a colorful mark is actually an indication of source and thus protectable.⁷⁶ Therefore, if

⁷⁴ *Id.* at 457.

⁷⁵ See APPROVED CALENDAR for the week January 23 through January 27, 2012, <http://www.ca2.uscourts.gov/Docs/Calendar/jan/jan23.pdf>.

⁷⁶ Indeed, this is the exact argument YSL reiterated throughout its original Brief in Opposition to Louboutin’s Motion for Preliminary Injunction (“in the fashion industry, color is inherently functional because essence of fashion is few elements — only color, texture and material give life to design concept.”). Defendants’ Memorandum in Opposition to Motion for Preliminary Injunction at 12, Christian
continued . . .

affirmed, companies like Tiffany's run the risk of having their single colored trademarks invalidated by courts despite the fact the trademarks were registered with the U.S. Patent and Trademark Office ("USPTO"). Much like Louboutin's registered "Chinese Red," Tiffany's robin's egg blue could be held to be an unprotectable trademark by courts based on the Second Circuit's precedent, should they affirm the lower court.

Essentially, if the court affirms, designers in the fashion industry will be facing an uphill battle if arguing their trademarked color is protectable because it allows customers to identify the source of the good. Such a precedent would reshape branding and marketing within the fashion industry. Fashion brands could no longer trademark a specific color to signify origin or brand. Instead, competitors would be allowed to employ Chinese Red on stiletto outsoles and robin's egg blue on gift packaging, thus shifting the focus on trademark law within the fashion industry from protecting creativity and ingenuity to a new stronger focus on promoting competition.

If the Second Circuit reverses, however, the court's holding will more closely fall in line with an array of precedent in the trademark law landscape, which holds that aesthetically appealing marks may still serve as an indicator of source and thus invoke trademark protection under the Lanham Act. Specifically, if reversed, the Second Circuit will reaffirm the common sense argument that an infinite number of colors exist for other's use as to not hinder competition, a notion previously stated by the U.S. Supreme Court, a binding authority upon the Second Circuit.

In the Supreme Court case *Qualitex Co. v. Jacobson Products Co.*, the plaintiff Qualitex used green-gold color for pads which it sold to dry cleaners to use in dry cleaning presses.⁷⁷ The defendant Jacobson was a competitor of Qualitex and began selling its own pads, which utilized a similar color to those used by Qualitex.⁷⁸ Because Qualitex had registered the color of its pads with the USPTO, it sued Jacobson for trademark infringement.⁷⁹ The district court found for Qualitex,⁸⁰ but the Ninth Circuit set aside the judgment, finding that a color alone could not be registered as a trademark.⁸¹ The Supreme Court in a unanimous decision by Justice Breyer, overturned the Ninth Circuit's

Louboutin S.A. v. Yves Saint Laurent Am., Inc., 778 F. Supp. 2d 445 (S.D.N.Y. 2011) (No. 11 Civ. 2381).

⁷⁷ *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 161 (1995).

⁷⁸ *Id.*

⁷⁹ *Id.*

⁸⁰ *Id.*

⁸¹ *Id.*

decision, holding that the Lanham Act was very broad in its definition of “trademark.”⁸² Specifically, the Court stated that, “when a color serves as a mark, normally alternative colors will likely be available for similar use by others.”⁸³ Therefore, the *Qualitex* Court refused to believe the law accepted a “blanket prohibition” on a color as a trademark.⁸⁴ Further, the Court made clear that, “[i]f a shape, a sound, and a fragrance can act as symbols why, one might ask, can a color not do the same?”⁸⁵ In fact, the U.S. Supreme Court in *Qualitex* reversed the Ninth Circuit’s prohibition on “color alone” as a trademark, explaining that “customers may come to treat a particular color on a product . . . as signifying a brand,”⁸⁶ and therefore to act as a mark.⁸⁷

Therefore, if the Second Circuit affirms the lower court’s “blanket prohibition” on a single color as a trademark, it would be carving out a niche for the fashion industry for which the U.S. Supreme Court has not previously created. Because the *Qualitex* Court reasoned there was little worry of customer confusion because a single color may act as a protected trademark to signify a brand, the lower court’s reasoning is unlikely to be upheld on appeal. Also, if affirmed, the court would be making a sharp distinction between the fashion industry and all other industries in terms of a trademark’s effect on a company’s branding efforts. Essentially, the court would be suggesting that desirability of a product renders it unprotectable, a notion strictly prohibited by the Fifth, Seventh, and Ninth Circuits, and—to some extent—the Second Circuit itself.⁸⁸

The Fifth Circuit has previously held that school colors on apparel were not functional, and thus protectable under the Lanham Act.⁸⁹ In *Board of Supervisors for Louisiana State University v. Smack Apparel Co.*, four universities and their licensing agent brought action against a manufacturer of sportswear, alleging trademark infringement when the manufacturer sold t-shirts with the schools’ color schemes, logos and designs.⁹⁰ The manufacturer argued the universities’ colors performed

⁸² *Id.* at 162.

⁸³ *Id.* at 168.

⁸⁴ *Id.*

⁸⁵ *Id.* at 162.

⁸⁶ *Id.* at 163.

⁸⁷ *Id.* at 166.

⁸⁸ See *Villeroy & Boch Keramische Werke K.G. v. THC Sys., Inc.*, 999 F.2d 619 (2d Cir. 1993).

⁸⁹ *Bd. of Supervisors for La. State Univ. Agric. & Mech. Coll. v. Smash Apparel Co.*, 550 F.3d 465, 486 (5th Cir. 2008).

⁹⁰ *Id.* at 471-72 (noting each university had a two-color scheme as its school colors—purple/gold for Louisiana State University, crimson/creme for University of
continued . . .

functions unrelated to trademark, specifically through student life programs where the colors were not used solely to identify the universities as a source of the goods.⁹¹ The Fifth Circuit disagreed, however, finding that the universities' colors "when used on merchandise create[] secondary meaning tending to identify the Universities in the minds of consumers as the producers, sponsors, or endorsers of the product."⁹²

Relying upon *Qualitex*, the Fifth Circuit found the only "alleged competitive disadvantage" in selling game day gear with the protected colors "relates solely to an inability to take advantage of the Universities' reputation," and "[t]his is not an advantage to which it is entitled under the rubric of legitimate competition."⁹³ Perhaps most applicable to Louboutin's plight, the Fifth Circuit also held that because "a trademark is desirable does not . . . render it unprotectable."⁹⁴

Similarly, the Ninth Circuit rejected the argument that use of Volkswagen and Audi trademarks on key chains and related items was aesthetically functional because trademarks themselves were "the actual benefit that the consumer wishes to purchase."⁹⁵ In addressing the competition hindrance aspect of color trademarking, the Ninth Circuit found that if "a competitor could adopt the distinctive Mercedes circle and tri-point star or the well-known golden arches of McDonalds, all under the rubric of aesthetic functionality," simply because a consumer likes a trademark or finds it aesthetically pleasing, then this would lead to the "death knell for trademark protection."⁹⁶

Likewise, the Seventh Circuit, through the opinion of Judge Richard Posner, has spoken explicitly on the functionality doctrine and aesthetic appeal's effects, holding "the fact that a design feature is attractive does not, to repeat, preclude its being trademarked."⁹⁷ Thus, the Seventh Circuit has found that if an item is aesthetically pleasing, it does not undermine its validity as a trademark, because "an infinity of [colors and patterns] would remain open to competitors"⁹⁸ In summing up the importance of trademark protection and emphasizing

Oklahoma, scarlet/gray for Ohio State University, and cardinal/gold for University of Southern California).

⁹¹ *Id.* at 486.

⁹² *Id.*

⁹³ *Id.* at 488.

⁹⁴ *Id.*

⁹⁵ *Au-Tomotive Gold, Inc. v. Volkswagen of Am., Inc.*, 457 F.3d 1062, 1064 (9th Cir. 2006).

⁹⁶ *Id.*

⁹⁷ *W.T. Rogers Co. v. Keene*, 778 F.2d 334, 343 (7th Cir. 1985).

⁹⁸ *Id.*

the narrow defense of functionality, Judge Posner warned that if aesthetic appeal alone is functional, then “functionality would swallow up much, perhaps all, of trademark law.”⁹⁹

Lastly, the Second Circuit itself in *Villeroy & Boch Keramische Werek K.G. v. THC Systems, Inc.*, has previously found that aesthetically appealing and attractive design on high quality china is capable of serving as an indicator of source, and thus a protectable trademark.¹⁰⁰ In *Villeroy*, a manufacturer (“V&B”) sold high quality china for use in homes and restaurants.¹⁰¹ V&B had a valued pattern on its chinaware known as “Basket.”¹⁰² THC, V&B’s competitor, created an alleged knock-off pattern of “Basket,” named “Bountiful,” where the only difference was an underglaze marking on the back of THC’s china to indicate source—an industry custom.¹⁰³

V&B sued under the Lanham Act for several claims, but the district court found that the “Basket” design was functional as a matter of law and therefore the unregistered mark was not eligible for protection.¹⁰⁴ However, the Second Circuit rejected THC’s argument and the district court’s holding that hotel china is functional as a matter of law, and therefore THC was allowed to copy V&B’s “Basket” design in order to compete in the hotel china supply industry.¹⁰⁵ Instead, the Second Circuit found as a matter of law that V&B’s china pattern was not functional and, even if hotels only purchased its china every seven years, this was not enough to show that THC had a competitive disadvantage. Thus, the court awarded V&B trademark protection over its unregistered china pattern mark.¹⁰⁶

Therefore, the Second Circuit has previously denied aesthetic functionality and protected an unregistered mark, even when doing so meant a competitor would be unable to solicit clients for seven years at a time. If the court follows its analysis in *Villeroy* and reverses the lower court, it will be following its precedent closely, especially considering that Louboutin’s mark is registered and YSL will not be out of the market for years at a time as was THC’s plight. Instead, YSL can adopt any other outsole color option, as long as it is not the registered Chinese Red shade. In reversing the lower court, the Second Circuit has an opportunity to heed Judge Posner’s warning in

⁹⁹ *Id.* at 340.

¹⁰⁰ 999 F.2d 619, 621 (2d Cir. 1993).

¹⁰¹ *Id.* at 620.

¹⁰² *Id.*

¹⁰³ *Id.*

¹⁰⁴ *Id.*

¹⁰⁵ *Id.* at 621.

¹⁰⁶ *Id.*

not allowing the narrow defense of functionality to “swallow up much, perhaps all, of trademark law” simply because a good is aesthetically pleasing.¹⁰⁷

2. *If Affirmed: Arbitrary Distinction of Fashion Industry Consumers?*

Lastly, the Second Circuit’s ruling could affect branding and marketing efforts directed toward high-end fashion consumers. If the Second Circuit affirms the lower court’s decision, it would be drawing a sharp line between the consumers of high-end fashion and other industrial products, for example. Indeed, the court would essentially be stating that in the fashion industry, consumers of such high-end luxury goods are *less likely* to suffer likelihood of confusion because of the customer’s sophistication and care they put into such high-end purchases.

Therefore, such a precedent would find trademark protection unwarranted under the Lanham Act for color at this high price point within the context of the fashion industry. Thus, the Court would make the statement that YSL could use red on its outsoles because a high-end fashion consumer does her research and knows the difference between YSL’s monochromatic aesthetic and Louboutin’s lacquered red outsole aesthetic. Characterizing and placing such an emphasis on the consumer in this way is unprecedented, and it would allow courts to draw sharp distinctions between consumers in the high-end context of the fashion industry versus all other industries. High-end fashion designers would be forced to create powerful and unprecedented marketing campaigns to ensure that customers were able to successfully distinguish their products.

B. The Cost of Production’s Influence on Functionality

Secondly, the Second Circuit’s ruling could have an implicit effect in applying the functionality doctrine, especially when cost of production is a factor to be weighed. The lower court found that although a higher cost of production is associated with the red outsole, “the higher cost of production is desirable because it makes the final creation that much more exclusive, and costly.”¹⁰⁸ If affirmed, the Second Circuit will step outside the majority rule set forth in case law on the subject, and find that a *higher* cost of production yields a functional, unprotectable mark because of its hindrance on fair competition. The current legal landscape is in favor of the opposite

¹⁰⁷ See *W.T. Rogers Co. v. Keene*, 778 F.2d 334, 340 (7th Cir. 1985).

¹⁰⁸ *Christian Louboutin S.A. v. Yves Saint Laurent Am., Inc.*, 778 F. Supp. 2d 445, 454 (S.D.N.Y. 2011).

finding: a design is non-functional and thus protectable if it complicates and increases the cost of manufacture.

In *Adidas-Salomon AG v. Target Corp.*, the U.S. District Court for the District of Oregon found that toe and sole designs for athletic shoes were non-functional because they increased production costs.¹⁰⁹ Similarly, in *Asics Corp. v. Wanted Shoes, Inc.*, the U.S. District Court for the Central District of California granted a preliminary injunction for Asics, a shoe manufacturer, finding that Asics's Stripe Design mark was non-functional. That court applied four factors of functionality previously adopted by the Ninth Circuit, including (1) whether the design yields a utilitarian advantage, (2) whether alternative designs are available, (3) whether advertising touts the utilitarian advantages of the design, and (4) whether the particular design results from a comparatively simple or inexpensive method of manufacture.¹¹⁰

Although no one factor is dispositive, the *Asics* court found that the stripes were non-functional and thus protectable under the Lanham Act for several reasons which included the fact that: innumerable alternative designs are available for shoes not involving the Stripe; no utilitarian advantage came from using the Stripe design; and *the stripes complicated and added to the cost of manufacture.*¹¹¹ As such, because of the high costs associated with the stripe, the court found the stripe did not hinder competition because utilizing the infringing stripe would cost competitors *more* to produce than a shoe without such stripe.¹¹²

Like *Adidas* and *Asics*, Louboutin's registered, lacquered and Chinese Red outsole only causes competitors to spend *more* to copy this aesthetic. If the Second Circuit reverses the lower court, it will adopt the common sense stance that competition can never be hindered when it costs a competitor *more* to compete, especially since an infinite number of colors remain available for all luxury shoe manufacturers. Thus, the Second Circuit has the opportunity to declare that Louboutin's red outsole is not functional, and does indeed warrant protection under the Lanham Act since the outsole allows YSL and other competitors to spend *less* on their products when marketing to the same clientele as Louboutin.

¹⁰⁹ *Adidas-Salomon AG v. Target Corp.*, 228 F. Supp. 2d 1192, 1195 (D. Or. 2002).

¹¹⁰ *Asics Corp. v. Wanted Shoes, Inc.*, No. SA CV 04-1261, 2005 WL 1691587, at *5 (C.D. Cal. 2005) (citing *Disc Golf Ass'n v. Champion Discs, Inc.*, 158 F.3d 1002, 1006 (9th Cir. 1998)).

¹¹¹ *Id.* at *5.

¹¹² *Id.*

IV. CONCLUSION: LOUBOUTIN REFUSES TO BE KNOCKED OUT

The glitz and glam of this high profile and high-fashion litigation is no doubt a headline-grabber for many reasons. First, lawsuits between such luxury companies are rare because the press is normally relied upon to point out when one high-end designer copies another. Thus, lawsuits are rarely worth the trouble since "the fashion community has already delivered a reputational slap on the wrist."¹¹³ Second, the fashion industry is about much more than making women beautiful—it is about making money. This is especially true for a company like Louboutin whose revenue is forecasted to reach \$135 million for 2011.¹¹⁴ What remains to be seen, however, is whether the flash of the Louboutin red sole—on runways or from an Oscar winner emerging from a limousine—will continue to be the *only* high-end fashion footwear, which broadcasts "chic" through this medium of color.¹¹⁵

¹¹³ Charlotte Cowles, *Don't Step on My Red-Soled Shoes!*, N.Y. MAG. (Aug. 14, 2011), <http://nymag.com/fashion/11/fall/christian-louboutin-red-soles/>.

¹¹⁴ *Lay off my red-soled shoes: Can a colour be a trademark?* THE ECONOMIST (Aug. 20, 2011), <http://www.economist.com/node/21526357>.

¹¹⁵ Esther Lee, *Louboutin vs. Yves Saint Laurent: A hue and cry over pricey red-soled shoes*, PHILLY.COM (Aug. 16, 2011), http://www.philly.com/philly/style/20110816_Louboutin_vs__Yves_Saint_Laurent_.html.