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# **Christian Louboutin S.A. v. Yves Saint Laurent American Holdings 696 F.3d 206 (2d Cir. 2012)**

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## **BACKGROUND**

Plaintiff Christian Louboutin (“Louboutin”) is a well-known fashion house selling women’s high fashion footwear. Since 1992, Louboutin’s shoes, which are characterized by “a bright, lacquered red outsole, which nearly always contrasts sharply with the color of the rest of the shoe,” have grown in popularity in the media and social circles. In fact, due to Louboutin’s substantial investment in building and protecting its reputation, good will, and exclusive ownership of its signature mark, those in the fashion industry have come to associate the “flash of a red sole” with Louboutin’s work. On March 27, 2007, Louboutin filed an application with the US Patent and Trademark Office to protect its “Red Sole Mark,” and in 2008 was granted trademark protection for a mark consisting of “lacquered red sole on footwear,” with the color red being a claimed feature of the mark.

Defendant Yves Saint Laurent (“YSL”) is a famous French fashion institution. In 2011, YSL prepared to market a monochromatic footwear line using the colors purple, green, yellow, and red. The shoes in this line of monochromatic footwear featured the same color on the entire shoe, including the insole, heel, upper, and outsole. YSL has designed monochromatic footwear, including a line of footwear with red soles since the 1970’s.

In 2011, Louboutin learned about YSL’s marketing and selling of a monochromatic red shoe with a red sole and filed suit against YSL in the United States District Court for the Southern District of New York claiming trademark infringement, unfair competition and trademark dilution under federal law, and trademark infringement, dilution, unfair competition, and unlawful deceptive acts under New York state law. Additionally, Louboutin sought a preliminary injunction preventing YSL from marketing any shoes, including red monochromatic shoes, which resembled Louboutin’s Red Sole Mark. YSL counterclaimed and asserted that the Red Sole Mark should be cancelled on the grounds of ornamentality and functionality. Further YSL sought damages for unfair competition and tortious inference with business relations.

In determining a finding of non-infringement, the district court relied

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on the Supreme Court's holding in *Qualitex Co. v. Jacobson Products Co., Inc.*, 514 U.S. 159 (1995) that a color is a protectable trademark only if it identifies a product's source, "without serving any other significant function." More controversially, it ruled that the commercial purposes of extending trademark protection to industrial goods do not easily apply to the fashion world where taste and creativity often change. Based on this reasoning, the court denied Louboutin's motion for a preliminary injunction and held that the use of single-color marks in the fashion industry is inherently functional. The court thus held that Louboutin's Red Sole Mark was not enforceable because a single color cannot receive trademark protection in the fashion industry.

### ISSUE

The United States Court of Appeals for the Second Circuit considered three issues. First, whether a single color is protectable as a trademark generally, and in the fashion industry. Second, whether the doctrine of "aesthetic functionality" applies to Louboutin's Red Sole Mark and whether a single-color mark is necessarily functional in the context of the fashion industry. Finally, whether Christian Louboutin's "Red Sole Mark" is a valid trademark entitled to protection under the Federal Lanham Act.

### DECISION

The U.S. Court of Appeal affirmed the district court's decision to decline the preliminary injunction against Yves Saint Laurent for the use of a red lacquered sole as applied to a monochromatic shoe, and reversed the district court's denial of trademark protection to Louboutin's Red Sole Mark.

The court first determined that under *Qualitex*, a single color may serve as a trademark in the fashion industry, as long as it develops secondary meaning. Second, the court applied the threefold aesthetic functionality test and found that a single color is not necessarily functional in the context of the fashion industry. Finally, it held that Louboutin's use of the Red Sole Mark has developed "secondary meaning" in the public eye and is therefore a valid and enforceable trademark.

### REASONING

The court began its analysis with a discussion of general trademark law and its overall purpose of protecting consumer's interest against deceit as to product source, as well as ensuring that producers reap the financial benefits of their investments in the good will and reputation of their brand.

The court then laid out the two stages of trademark infringement analysis. As to the first stage, the court noted that in order to merit trademark protection, a trademark must be inherently distinctive, meaning that its use serves to identify a particular source. However, trademark

protection can also be extended to a mark that is not inherently distinctive, but has acquired secondary meaning, when in the public mind, the “primary significance of a product feature is to identify the source of the product rather than the product itself.”

The court stated that once the trademark is deemed distinctive, then they look at whether the defendant’s use of a similar trademark is likely to cause consumer confusion. However, despite the plaintiff’s showing of the validity of their mark, the defendant may assert that the plaintiff’s mark is functional, and therefore cannot be protected. The court addressed the issue of whether a color is protectable as a trademark by citing to the Supreme Court’s decision in *Qualitex*, where the Court held that there is no objection to the use of color alone as a trademark, when that color has attained a secondary meaning and therefore identifies and distinguishes a particular brand.

Next, the court discussed the issue of functionality by first stating that the functionality doctrine prevents trademark law from inhibiting healthy competition by granting monopoly rights to producers that make useful products. The court stated that functional features are instead protected by patent law, which grants a monopoly over such features for an amount of time before releasing them into the public domain. The court laid out a threefold test for aesthetic functionality.

First, it looked at the Supreme Court’s decision in *Inwood Laboratories v. Ives Laboratories*, 456 U.S. 844 (1982), which stated that traditional functionality is found where a product feature is “essential to the use or purpose of the article” or if “it affects the cost or quality of the article. . . where it permits the article to be manufactured at a lower cost [or] constitutes an improvement in the operation of the goods.” The court concluded that once a product is found to be functional under this test, it is considered ineligible for trademark protection,

Second, the court explained that even if a mark passes the two prongs of the *Inwood* test, the inquiry as to whether a trademark is functional is not complete. The court introduced the third prong of the aesthetic functionality test by referencing *Qualitex* and *TrafFix Devices, Inc. v. Marketing Displays, Inc.*, 532 U.S. 23 (2001), which further held that when a mark’s product design is the protected mark, it may be deemed functional if its exclusive use would have a significant non-reputational related effect on competition or where protection of the mark greatly affects competitors’ ability to compete in the market. The court stated that this is a fact intensive test requiring the courts to weigh the “competitive benefits of protecting the source-identifying aspects of a mark” against the “competitive costs of precluding competitors from using the feature.” Thus, under this test, in order for a trademark to receive protection, it must first have a design feature that is non-functional under the *Inwood* test, and it must be shown not to put competitors at a significant non-reputation related disadvantage under the *Qualitex* test.

The court then applied this aesthetic functionality test to the fashion

industry and found inappropriate the District Court's creation of a *per se* rule that denied trademark protection to a single color in a fashion apparel item, despite the theory that the uniqueness of the fashion world militates against granting a single color trademark protection. The court stated that *Qualitex's* ruling that a single color can serve as a trademark does not allow the establishment of such a *per se* rule in a particular industrial context. The court explained that the purpose of the functionality defense is not to guarantee that a competitor will have the greatest range for creativity but rather to prevent a trademark owner's monopoly of a functional design to encourage fair competition and creation of useful design features.

Applying the threefold test for aesthetic functionality to Louboutin's Red Sole Mark, the court first addressed whether the Red Sole Mark was distinctive and therefore protectable. The court stated that while a single color, standing alone, is almost never inherently distinctive, it is capable of acquiring secondary meaning. The court cited *Qualitex*, which reasoned that customers, over time, may treat a particular color on a product as signifying a brand and identifying the source of a good. Thus, the court stated that for single-color marks, distinctiveness must be proven by a showing of secondary meaning.

In deciding whether Louboutin's Red Sole Mark has acquired secondary meaning, the court looked at several factors such as "advertising expenditures, consumer studies linking the mark to a source, unsolicited media coverage of the product, sales success, attempts to plagiarize the mark, and the length and exclusivity of the mark's use." The court reviewed the record presented before the District Court and found extensive evidence pointing to a finding of secondary meaning. First, the court found that Louboutin started using its Red Sole Mark in commerce over twenty years ago. Furthermore, it found undisputed evidence that Louboutin "invested substantial amounts of capital building a reputation and good will, as well as promoting and protecting Louboutin's claim to exclusive ownership of the mark as its signature in women's high fashion footwear." The court also pointed to the recognition that Louboutin's Red Sole Mark has gained prominence in high-stakes commercial markets and social circles, including acknowledgment of the brand's distinctive signature by YSL's parent corporation Chief Executive Officer, Francois-Henri Pinault. The court also considered evidence of extensive consumer surveys submitted by the parties during preliminary proceedings. Finally, it considered the District Court's finding that Louboutin's efforts have created a worldwide recognized brand.

The appellate court determined that the undisputed facts in this case – including Louboutin's massive expenditures, length of use of the mark, sales success, and media and social coverage - compelled a conclusion that Louboutin's Red Sole Mark, as applied to a shoe with a contrasting upper color, has come to signify the Louboutin brand, has developed secondary meaning in the public mind, and therefore merits trademark protection.

However, the court also held that since the record did not establish

secondary meaning in the application of red soles used on a monochromatic red shoe, the trademark protection for the Red Sole Mark only extended to use in which the use of the red sole contrasted with the upper. The court *limited* the registration of the Red Sole Mark to only those situations where the red sole *contrasted* with the upper shoe, rather than its original color red sole claim.

Thus, the court found that YSL's use in commerce of a monochromatic red shoe with a red lacquer sole did not infringe on Louboutin's Red Sole Mark. The court did not address issues of likelihood of confusion and functionality because of this determination. The court remanded YSL's counterclaims.