

OPINION

Trade Marks: Single Colours Can Be Protected (and Competitors See Red)

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According to an authentic interpretation of the doctrine of aesthetic functionality, a single colour can be legally entitled to trade mark protection in the fashion industry, as long as it proves to have developed a secondary meaning for the consumers and such registration does not harm competition in the relevant market.

Facts

The appeal arises out of an action for injunctive relief and enforcement of a trade mark brought by the fashion designer Christian Louboutin against the competing fashion house Yves Saint Laurent (YSL) in front of the US District Court for the Southern District of New York.¹ In 2011, YSL had in fact prepared to market a pair of red monochrome shoes. Having learned of this, Louboutin requested the removal of the shoes from the market, on the ground that in 2008 he had been granted the trade mark consisting of a lacquered red sole on footwear. Negotiations having failed, the designer decided to file his action against YSL.

In its judgment, the District Court found that Louboutin's trade mark was likely not to be enforceable and declined to enter a preliminary injunction against YSL's use of the trade mark. Louboutin filed an appeal.

Legal context

The judgment addresses three questions, namely: (1) whether a single colour is protectable as a trade mark; (2) whether it is necessarily functional in the context of the fashion industry; and (3) whether such a mark can be entitled to the protection of the relevant trade mark legislation.

To do so, the US Court of Appeals for the Second Circuit recalled the Supreme Court's decision in *Qualitex*,² which established that in principle there is no objection to the use of colour as a mark.

According to the *Qualitex* doctrine, whenever the aesthetic design of a product itself constitutes the mark for which protection is sought, the mark may also be deemed functional, if giving the mark holder the right to use it exclusively would significantly hinder competition by putting competitors at "a significant non-reputation-related disadvantage".

Consequently, the so-established functionality doctrine recognises that a mark is ineligible for protection only in the case where it significantly undermines competitors' ability to compete in the relevant market.

Analysis

Here, as often happens for intellectual property, the legal and the economic reasoning are deeply intertwined. Therefore an integrated approach is necessary to build an appropriate analysis of the case. First, the theoretical background is discussed. Then, then the analysis moves to the economic framework related to competition law issues.

The protectability of a single-colour mark constitutes the logical antecedent to be addressed at a theoretical level. In pervasive opinion, a mark can be protected whenever it is distinctive, either by its nature or by the acquisition of a secondary meaning, with the aim that the feature of the product leads to the identification of the source of the product as it happened for Burberry's plaid or Tiffany's blue box. The enactment of the Lanham Act first (1946), and the subsequent decisions in *Owens-Corning*³ (1985) and the already referred-to *Qualitex* (1995), affirmed such a possibility, putting an end to this debate.

In particular, in the case under examination extensive evidence of the fact that Louboutin's red sole has become a source indicator for consumers was provided and even acknowledged by the defendant himself. The court found instead that the plaintiff had not established a secondary meaning in an application of a red sole to an entirely red shoe, and therefore did not grant protection to such a use of the mark.

Also, the argument related to colour depletion theory, used in front of the District Court, which posits that since the number of colours is limited to grant exclusive rights

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¹ *Christian Louboutin SA v Yves Saint Laurent America Inc* 11-3303, US Court of Appeals for the Second Circuit (Manhattan), Judgment of September 5, 2012.

² *Qualitex Co v Jacobson Products Co, Inc* 514 U.S. 159 (1995).

³ *In re Owens-Corning Fiberglas Corp* 774 F. 2d 1116 (Fed. Cir. 1985).

in colours would soon deplete the available stock, has correctly been dismissed on the ground that the placement on the shoe is an extremely unnatural one.

However, according to the well-known functionality doctrine—and here we come to the second issue—a trade mark cannot be registered if a feature gives a producer a competitive advantage which is not entirely related to its function (either under an utilitarian or an aesthetic perspective) as a brand identifier, regardless of the efforts provided to merchandise and advertise the product.

But in this case the role played by the colour in the appearance of the shoe is clear-cut: rather than creating *à la page* products, it is a way of signalling the brand which created them. It does not stand for the painting, but rather for the signature of its painter. Its uniqueness has therefore sufficient juridical ground for being protected.

Purely functional features can instead be safeguarded through the granting of a limited monopoly and therefore protecting innovators' investments, which is not the scope of trade mark law but rather of patent law. This serves to encourage competition by preserving a vigorously competitive market to the benefit of economic efficiency and protection of consumers.

In particular, trade mark protection assures the implementation of correct incentives for manufacturers to improve the quality of their products, fostering an economically efficient race to the top.

It also reduces consumer search costs by unequivocally and reliably identifying the source of the product, by way of protecting the element they value most in it.

In the present dispute it is clear that it is not the shoe itself, but the fact that it has a lacquered sole, which attracts buyers and gives to the product its fashionable appeal.

Therefore it does not undermine any competitor's ability to compete in the market, working instead as an element of differentiation among the marks, which enables each of them to define their own style, thus being evaluated and (eventually) rewarded for their personal aesthetic sense.

Practical significance

The decision taken by the court shapes trade mark and competition law within the entire fashion industry by, on the one side, rejecting the implementation of a *per se* rule which denies protection for the use of a single colour as a trade mark and by, on the other side, reaffirming the principle that a mark may acquire distinctiveness by developing a secondary meaning, as long as it does not hinder competition in the relevant market.

The alternative decision would have led to denying the enforceability of many already registered trade marks, bringing uncertainty to the entire fashion circus.

This judgment also shows that at a global level a clear expansion of the application of legislations is taking place, in a manner consistent with an original function of protecting producers from the free-riding of imitating competitors by granting the former the possibility of reaping the rewards of financial and reputational investments and protecting consumers from confusion and deception in their purchases. In this light, the case is likely to be a driver for discussions on the adequacy of European legislation and a point of reference for the present and future legal disputes related to competition law issues which are incidental to intellectual property.