



Intellectual Property Law Section

State Bar of Texas

Winter 2012

Inside this newsletter...

Update From The Chair	1
Mark Your Calendar	2
In The Section	3
Public Relations Committee Plans to Bring IP to “Everyman”	3
Call for Submissions	3
2011 State Bar of Texas Annual Meeting CLE Report	4
2011 SBOT IP Law Section Inventors of the Year	8
2011 IP Law Section Annual Meeting Photos	8
Practice Points	9
Immediate Effect on Issued Patents of the Leahy-Smith America Invents Act	9
Louboutin’s Trademark Red Soles...Not a Trademark?	10

Update From The Chair

By Steve Malin

The 2011-2012 activities are well underway for the Intellectual Property Law Section of the State Bar of Texas.



Steve Malin

Under the leadership of Past Chair Craig Lundell, we enjoyed a very successful and well attended Advanced Patent Litigation Program in San Antonio in July. This followed another successful State Bar of Texas Annual Meeting Intellectual Property CLE program in June led by the Section Chair.

The Annual Meeting IP Section CLE was highlighted by our business lunch, which included the election of our new officers and Council members: Chair-elect Scott Breedlove; Vice Chair Paul Morico; Secretary Carey Jordan; Treasurer Marcella Watkins; Newsletter Officer Kristin Jordan Harkins; Website Officer Matthew Jennings;

and new Council members Kirby Drake, Al Riddle, and Elizabeth Brown Fore.

Paul Morico and Scott Breedlove have already begun the topic and speaker selection process for our Section’s Advanced Intellectual Property CLE program in March 2012, and our Section’s Intellectual Property CLE program at the State Bar’s 2012 Annual Meeting. The topics and speakers look excellent and we look forward to a substantial amount of guidance in reference to the America Invents Act, and other important legislative and judicial enactments.

Another initiative being undertaken by the Section this year is to improve and enhance our website, which will be overseen by our Website Officer Matt Jennings. One of the best means of communicating to our members is through our Section newsletter, and our Newsletter Officer Kristin Jordan Harkins is leading the effort to bring you relevant articles covering current topics and practice points.

Committees are the foundation of our

Section, and our committees include: Alternative Dispute Resolution, Antitrust, Copyright, Diversity Task Force, Electronic & Computer Law, Ethics and Unauthorized Practice, International Law, Inventors' Recognition, Litigation, Membership, Newsletter, Opinions, Patent Legislation/PTO Practice, Pro Bono Task Force, Public Relations, Section Website, Trademark Legislation/PTO Practice, Unfair Competition and Trade Secrets, and Women in IP Task Force.

I encourage you to join a committee or two and get involved. Please contact any of the committee chairs or me to join a committee.

On behalf of our Council, we invite you to join us at an upcoming CLE event and enjoy the other benefits of membership of the Section, including the outstanding *Texas Intellectual Property Law Journal*. If you have any suggestions for improving the Section or how we can better serve our members, please contact me or any other officer or Council member.



Mark Your Calendar

State Bar of Texas Intellectual Property Law Section.

- The Annual March Advanced Intellectual Property Law CLE will be held at the Four Seasons Hotel in Houston on March 22 -23, 2012. Prior to the two day CLE, a half day CLE for “Patent Workshop: Practicing Under the New Patent Laws” will be held on March 21, 2012.

- The SBOT IP Law Section Annual Meeting will be held in Houston on June 14-15, 2012, in conjunction with the State Bar of Texas annual meeting.
- The Advance Patent Litigation CLE will be held in the Four Seasons Hotel in Los Colinas on August 2-3, 2012.

For more information regarding the SBOT IP Law Section CLE events, go to www.texasbarcle.com.

Austin Intellectual Property Law Association.

- The Annual Business Meeting and January CLE lunch will be held at the Westwood Country Club in Austin on January 31, 2012 beginning at 11:30 a.m., featuring Deborah Cohn, the Commissioner for Trademarks at the United States Patent and Trademark Office.
- The February CLE lunch will be held at the Westwood Country Club in Austin on February 21, 2012 beginning at 11:30 a.m.
- The March CLE lunch will be held at the Westwood Country Club in Austin on March 20, 2012 beginning at 11:30 a.m.

For more information, go to www.austin-ipla.org.

Dallas Intellectual Property Law Section

will host its January monthly lunchtime CLE seminar on January 27, 2012 at the Belo Mansion, 2101 Ross Avenue in Dallas, featuring Robert Kantner from Jones Day who will be speaking on “International Trade Secret Protection.” For more information, go to www.dbaip.com.

Houston Intellectual Property Law Association

will host its Annual Dinner Honoring the Federal Judiciary at The Four Seasons in Houston on February 10, 2012 beginning at 6:30 p.m., featuring the Honorable Mayor Annise Parker. For more information, go to www.hipla.org.

American Intellectual Property Law Association will host its 2012 Spring meeting in Austin, May 10-12, 2012. For more information, go to www.aipla.org.

The International Trademark Association will host its annual meeting at the Walter E. Washington Convention Center in Washington, D.C. May 5-9, 2012. For more information, go to www.inta.org.



In The Section

Public Relations Committee Plans to Bring IP to “Everyman”

The SBOT IP Section Public Relations committee is soliciting members to assist in making IP information assessable to the public. The committee has reached out to the Texas Young Lawyers Association (TYLA), which already has the infrastructure in place to disseminate educational materials to the public. TYLA uses both printed publications and its website to publicize and distribute materials to the public on various aspects of law. Coincidentally, TYLA has plans to put its efforts into providing IP resources this year. TYLA Chair-elect Alyssa Long and Genie Hansen, Former IP Section Chair and current Chair of the SBOT IP Public Relations committee, recently conferred. Ms. Long shared TYLA’s desire to publish an “Everyman’s” guide on IP and to produce an

educational, web-accessible video concerning music, copyright and artist’s rights. TYLA is very receptive to collaborating with our Section members with respect to these efforts.

The SBOT IP Public Relations committee also has the goal of putting together a speaker’s bureau that can deliver standardized presentations on IP law to general lawyers, business groups, schools, and other members of the public. The committee has the long-term goal of developing slideshow presentations on basic IP topics, recruiting a list of speakers and publicizing availability of speakers in Dallas, Houston, San Antonio, Austin, and Lubbock.

The major challenge of the Public Relations committee over the past several years is membership. If you are interested in participating in this committee, please sign up on the committee sign up list, or email Genie Hansen at ghansen@hh-iplaw.com.

Call for Submissions

The IP Section Newsletter is a great way to get published! The Newsletter Committee welcomes the submission of articles for potential publication in upcoming editions of the IP Law Section Newsletter, as well as any information regarding IP-related meetings and CLE events. If you are interested in submitting an article to be considered for publication or to calendar an event, please email your submission to Newsletter@texasbariplaw.org.

Article Submission Guidelines:

STYLE: Journalistic, such as a magazine article, in contrast to scholarly, such as a law review article. We want articles that are current, interesting, enjoyable to read, and based on your opinion or analysis.

LENGTH: 1-5 pages, single spaced.

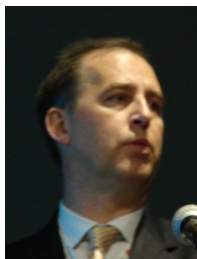
PERSONAL INFO: Please provide a one paragraph bio and a photograph, or approval to use a photo from your company or firm website.

If you have any questions, please contact our Newsletter Officer, Kristin Jordan Harkins, at kharkins@dfw.conleyrose.com.

2011 State Bar of Texas Annual Meeting CLE Report

The State Bar of Texas Annual Meeting was held June 23 – 24, 2011 in San Antonio at the Grand Hyatt San Antonio and Henry B. Gonzalez Convention Center. We were fortunate to have solid CLE sessions from which to choose. Below is a sampling of a few of the CLE presentations.

The Intellectual Property Law Section started the CLE session with the presentation **Patent Case Law Update** by Mark Nelson of SNR Denton's Dallas office and Leisa Talbert Peschel of Vinson & Elkins LLP's Houston office.



Mark Nelson

Nelson's and Peschel's presentation focused primarily on three recent U.S. Supreme Court decisions: *Global Tech. Appliances Inc. v. SEB S.A.*, which clarified the knowledge requirement for inducement of infringement; *Microsoft v. i4i Ltd.*, 131 S.Ct. 647 (2011), which reaffirmed that the clear-and-convincing evidence standard was the correct standard to be applied for invalidating a patent; and *Bd. of Trustees of the Leland Stanford Jr. University v. Roche*



Leisa Peschel

Molecular Sys., Inc., addressing invention ownership by employees of federal contractors under the Bayh-Dole Act. Nelson and Peschel also provided an analysis of the Federal Circuit's recent *en banc* opinion in *Therasense v. Becton, Dickinson & Co.*, which substantially revamped the law of inequitable conduct. They briefly discussed several other recent Federal Circuit decisions dealing with joint infringement, false marking, patent misuse, false marking, and damages.

Their paper, *Patent Case Law Update*, included in the Annual Meeting materials summarizes recent patent law developments over the past year.

Paul Herman, of Halliburton Energy Services, gave a presentation titled **Licensing Do's and Don'ts**. Attendees were reminded of the wide range of topics that need to be considered when supporting a client's licensing business. Many of those topics arise, and must be considered, before the actual drafting of the text of the agreement.



Paul Herman

For example, licensing attorneys should start by thinking who the "Big Dog" in the deal might be. Your client may be the smaller party, perhaps even an individual inventor, but if the subject matter is key to the larger party's business plans, that smaller party may be the "Big Dog" in the deal and thus have an ability to drive the direction of the transaction. On the other hand, if your client has inherent limitations — whether technical, such as a lack of an ability to provide the support the other party may want, or business-driven, such as a need to complete the transaction with a specified scope of terms or in a specific time frame — then the negotiating position of the parties may not be driven as much by the

nature of the licensed subject matter.

Herman reminded attendees that transactional attorneys should always keep in mind certain tips that are particularly important in a license. Clear, simple, straightforward drafting of the royalty clause can avoid payment issues during the life of the agreement. Tight drafting of the rights granted clause can equally ensure a minimum likelihood of debate regarding the rights granted to or reserved by the parties. Finally, if the license extends to foreign jurisdictions, do the parties understand the rights that can be granted? For example, not all jurisdictions allow co-owners to practice separately from each other — if the license extends to such a jurisdiction does your client have the ability to agree to the terms that are being negotiated?

Many of Herman's tips may individually sound simplistic and not requiring detailed consideration by a skilled attorney. But his message that licensing transactions can succeed or fail on the basis of such simple sounding tips is a message that all attorneys should keep in mind.

Paul R. Morico of Baker Botts, LLP's Dallas office began his presentation titled ***Patent Infringement Willfulness and the Viability of the Opinion Letter*** by noting that while *In re Seagate Tech., LLC*, 497 F.3d 1360 (Fed. Cir.



Paul Morico

2007) had a quelling effect on findings of willful infringement, such findings are still a risk in patent infringement litigation. A review of cases that issued after *Seagate* demonstrate that there was a willful infringement finding in 35 – 40% of those cases. Yet, despite the continuing risk of willful infringement, attorneys in patent infringement cases often spend 90-95% of their time on the infringement portion of the

case, while ignoring the fact that victory can be achieved in the damages portion of the case as well. In fact, Morico noted that an accused infringer can prevail in two-thirds of its case by winning the willfulness battle because, upon a finding of willfulness, the damages value can be multiplied by three. 35 U.S.C. §284.

With the stakes summarized, Morico went on to examine the standard for willfulness established by *Seagate*, which held that willful infringement requires a showing of objective recklessness. Morico described six factors, starting with reliance on opinions of counsel, that have been considered by district courts when making the objectively reckless determination. With respect to opinions of counsel, *Seagate* made it clear that opinions are not always required to avoid a finding of willfulness. But Morico noted that there are still reasons to obtain an opinion of counsel. First, an opinion of counsel has jury appeal by, among other things, making the alleged infringer look like a good corporate citizen. In addition, the attorney who issued the opinion of counsel or an in-house attorney can be called as a witness at the end of trial to provide a summary of law and facts providing a favorable conclusion on issues of non-infringement and invalidity. As a note of caution, however, Morico stressed that the opinion must be a competent opinion and should be consistent with the party's non-infringement positions at trial.

The remaining five factors courts have considered when making the willfulness determination post-*Seagate* are: diligent behavior by the alleged infringer; attempts to design around the patent; closeness of the case; prior adjudication and reexamination; and timing of notice. With respect to diligent behavior, courts look to whether or not the accused infringer has been dismissive of the infringement claim. Actively reviewing and

analyzing the claims of infringement can demonstrate diligence. Attempts to design around the patent may be helpful in avoiding a finding of willfulness. Morico stated that the design around process should, however, be undertaken with the assistance of counsel to ensure that the process is protected from discovery. The closeness of a case or legitimate defenses to infringement, even if ultimately unsuccessful, may also assist in fighting a willfulness allegation. Similarly, prior adjudications or reexaminations that are favorable to the defendant will also argue against a willfulness finding. Finally, the timing of the allegedly willful conduct is taken into consideration. Everyone was encouraged to read *Krippez v. Ford Motor Co.*, 670 F. Supp. 2d 806 (N.D. Ill. 2009), in which the district court divided the case into four time periods, finding willful infringement during only three of the four time periods.

Paul Hashim of Huawei Technologies, Thad Watt of Research in Motion and Scott Simmons participated in a panel presentation titled ***What To Do in the First 45 Days After You've Been Sued***. The panel focused on key procedures that outside counsel should follow in initiating contact with both preexisting and potential clients, and, in addition, addressed traps to avoid as the unwary practitioner.



Scott Simmons, Paul Hashim, and Thad Watt.

Emphasis was placed on an effective flow of information both within the defendant corporation between the client and litigation counsel. Based on useful tips and advice presented by this blue ribbon panel, the audience gained valuable insight into getting

a newly filed case on the right track from the defense viewpoint.

Shannon T. Vale of Pirkey Barber, LLP in Austin gave a lively and fascinating presentation titled, ***Copyright Topic: Fair Use***, which covered recent developments in the doctrine of copyright fair use, a leading area of client inquiry. Fair use is intended to balance the objectives of copyright protection with First Amendment free speech rights, Vale explained, and was codified in § 107 of the Copyright Act in 1976. Following the Supreme Court's dictates in *Acuff-Rose v. Campbell*, 510 U.S. 569 (1994), each case must be decided on its facts, applying the four factors laid out in § 107.



In recent years, whether a use is “transformative” has become a very important component of the fair use analysis. Parody may qualify as a transformative fair use, Vale noted, but satire is less transformative and may favor a finding of infringement.

Vale explored several recent fair use opinions in the fields of visual art, literature, politics, television, and film, including most recently a suit brought by a tattoo artist over the depiction of a copy of boxer Mike Tyson's facial tattoo in the movie *The Hangover Part II*, *Whitmill v. Warner Bros. Entertainment Inc.*, 4:11-cv-00752 (E.D. Mo., settled June 2011). Vale concluded by summarizing recent decisions involving plaintiff Righthaven LLC, an IP enforcement firm which has filed hundreds of copyright infringement suits in the past two years against website owners, bloggers, and message-board members who re-posted newspaper articles without authorization. This leads to accusations that they are

acting as a “copyright troll.” While many defendants have quickly settled, a few have won due to findings of fair use (or lack of standing by Righthaven).

The Federal Courts’ recently developing willfulness jurisprudence is considered by many to be a positive trend for patent practitioners. However, Professor Paul Janicke, of University of Houston Law Center, gave a presentation on ***The New (Scary) Federal Jurisdiction over Patent and Trademark Malpractice Cases*** that may well indicate a separate avenue of concern for those same patent practitioners.



Paul Janicke

Historically, the interpretation of “arising under” with respect to claims being litigated allowed state courts to resolve issues that arose peripherally to such claims. There was long-standing Supreme Court authority for that interpretation, and thus patent malpractice claims were typically litigated in state court. In 1988, however, the Supreme Court created an alternative basis for federal jurisdiction in such cases, and in 2007 the Court of Appeals for the Federal Circuit opened the door to new approaches for handling patent malpractice claims in federal courts.

As Professor Janicke’s paper and presentation indicates, many questions remain as to the federal jurisdiction in these cases, both with respect to the Supreme Court’s intent in its 1988 holding, and with respect to other Federal Court holdings thereafter. Those questions are not likely to be answered until the Supreme Court takes the opportunity to do so. But in the interim, practitioners should read and study Professor Janicke’s fine paper.

A special thanks to our contributing writers who shared their summaries for this edition of the SBOT IP Law Section Newsletter:



Elizabeth Brown Fore is an attorney with Sprinkle IP Law Group in Austin. Ms. Fore concentrates her practice on patent infringement litigation and has represented clients in patent matters relating to semiconductor, computer hardware and computer software technologies in various jurisdictions in the United States.



Herbert J. Hammond is a partner at Thompson & Knight LLP in Dallas. Mr. Hammond focuses his practice on litigation, licensing, and counseling in patent, trademark, copyright, trade secret, computer, and entertainment matters. Mr. Hammond also acts as an arbitrator, mediator, and expert witness in intellectual property and high-tech cases.



Susan J. Hightower is a partner with Pirkey Barber, LLP in Austin. Ms. Hightower specializes in trademark law with a primary focus on litigation. She practiced for five years at Fulbright & Jaworski L.L.P. before the formation of Pirkey Barber, gaining experience in trademark disputes as well as a variety of other litigation matters.



Steve Malin with Sidley Austin, LLP in Dallas is a seasoned commercial litigator in the area of patents and other intellectual property rights, with successful first chair jury trials in 2008 and 2009. Mr. Malin’s patent experience encompasses all phases of litigation and many diverse technologies, from semiconductor fabrication and packaging to process flows, from computer systems and software applications to plastic bottling designs.

The above article expresses the views of the authors and not necessarily those of the State Bar of Texas IP Law Section.

2011 SBOT IP Law Section Inventors of the Year

By Michelle LeCointe

The 2011 SBOT IP Section Inventors of the Year were Drs. Richard Gomer and Darrell Pilling. The award was presented for their inventions relating to the treatment of fibrosing diseases. Fibrosing diseases occur when scar tissue forms in the wrong place at the wrong time. This can be debilitating or even life-threatening and most of these diseases were previously considered untreatable. Drs. Gomer and Pilling's invention is based on the discovery that administering an excess of a blood protein to a patient can prevent and treat these diseases without harmful side-effects.

Drs. Gomer and Pilling developed this invention at Rice University, using funds from the Howard Hughes Medical Institute. They have since moved their research to the Interdisciplinary Life Sciences Building at Texas A&M. The invention has been licensed by Promedior, Inc. and is currently in several clinical trials.



Drs. Richard Gomer and Derrell Pilling accepting the Inventor of the Year award from Michelle LeCointe.

2011 IP Law Section Annual Meeting Photos



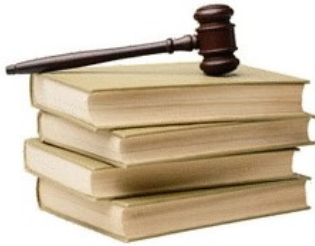
Eugeina (Genie) Hansen after receiving the Chair Award from Shannon Bates.



Shannon Bates passes the Section Chair gavel to Steve Malin.



Juanita DeLoach accepts one of the scholarship awards from Indranil Chowdhury.



Practice Points

Immediate Effect on Issued Patents of the Leahy-Smith America Invents Act

by Indranil Chowdhury

On September 16, 2011 President Obama signed into law the Leahy-Smith America Invents Act. This article will describe some provisions of the act which went into effect immediately on September 16, 2011 and affect already issued patents. Future editions of this newsletter will describe the provisions of the act, which will continue to take effect throughout 2012 and 2013.

Effective September 16, 2011, for issued patents, review of *ex parte* reexamination decisions from the Board of Patent Appeals and Interferences and its successor, the Patent Trial and Appeal Board (PTAB), are limited to the Court of Appeals for the Federal Circuit (CAFC). According to the prior version of 35 U.S.C. § 306, “[t]he patent owner involved in [an *ex parte*] reexamination proceeding . . . may appeal [to the Board of Patent Appeals and Interferences] under the provisions of section 134 . . . , and may seek court review under the provisions of [35 U.S.C.] sections 141 to 145, with respect to any decision adverse to the patentability of any original or

proposed amended or new claim of the patent.” Thus, under 35 U.S.C. § 145, the patent owner in an *ex parte* reexamination had a right to a trial *de novo* in the District Court for the District of Columbia, after which either the patent owner or the Director could appeal to the CAFC. Section 6(h)(2) of the AIA removes the right to a trial *de novo* by stating that “Section 306 of title 35, United States Code, is amended by striking ‘145’ and inserting ‘144’.” 35 U.S.C. § 144 states that an appeal of a decision of the U.S. Patent & Trademark Office shall be reviewed by the CAFC.

Another change that took effect upon enactment of the AIA for issued patents was the establishment of a new threshold for the Director to grant an *inter partes* reexamination. The Director may now grant an *inter partes* reexamination if the Director believes that a reasonable likelihood exists

On September 16, 2011 President Obama signed into law the Leahy-Smith American Invents Act... some provisions of the act went into effect immediately...

that the requestor would prevail with respect to at least one of the claims challenged in the request. This threshold replaces the old threshold recited in the first sentence of 35 U.S.C. § 312(a), namely, “whether a substantial new question of patentability affecting any claim of the patent

concerned is raised by the request.” However, *inter partes* reexamination will be replaced by *inter partes* review one year from the date of enactment of the AIA (that is, on September 16, 2012). Thus, this amendment applies to any *inter partes* reexamination request filed as of the date of enactment up until the effective date of *inter partes* review.

A further change that took effect on September 16, 2011 for issued patents was that 35 U.S.C. § 282(3) was amended to

eliminate best mode as a basis on which any claim of a patent may be canceled or held invalid or otherwise unenforceable. It should be noted that the requirement under 35 U.S.C. § 112 to disclose best mode in the specification of a patent application remains in force.

Yet another change that took effect upon enactment of the AIA was that most currently active false marking litigations involving issued patents are dismissed under the revised *qui tam* statute 35 U.S.C. § 292(b) of the AIA. The text of revised 35 U.S.C. § 292(b) reads as follows:

A person who has suffered a competitive injury as a result of a violation of this section may file a civil action in a district court of the United States for recovery of damages adequate to compensate for the injury. *America Invents Act*, § 16(b)(2)

Revised 35 U.S.C. § 292(a) recites, “Only the United States may sue for the penalty authorized by this subsection.” (*America Invents Act*, § 16[b][1]). Thus, private *qui tam* litigants who are not competitors and have not suffered a competitive injury may not sue under the *qui tam* statute.

A special subsection of 35 U.S.C. § 292(c) adds that, “The marking of a product, in a manner described in [35 U.S.C. § 292](a), with matter relating to a patent that covered that product but has expired is not a violation of this section.” (*America Invents Act*, § 16[b][3]). This section of the statute effectively eliminates ongoing *qui tam* false marking actions for expired patents.

As recited in the AIA, § 16(b)(4), “The amendments made by this subsection shall apply to all cases, without exception, that

are pending on, or commenced on or after, the date of the enactment of this Act.” Thus, the changes to 35 U.S.C. § 292 relating to false markings are made retroactive even for *qui tam* false marking suits which are presently pending or decided cases where the period for an appeal has not expired.

Finally, the AIA provides that, the venue for any actions for issued patents under 35 U.S.C. §§ 146, 154(b)(4)(A), and 293 arising out of the USPTO brought on or after that date is changed from the District Court for the District of

Columbia to the District Court for the Eastern District of Virginia.

The above article expresses the view of the author and not necessarily those of the State Bar of Texas IP Law Section or any of its affiliates.



Indranil Chowdhury is a principal in the Houston office of Chowdhury & Georgakis, P.C. Chowdhury has a comprehensive intellectual property practice that includes patent preparation and prosecution, counseling, licensing, and contingency fee litigation in high-technology matters.

Louboutin’s Trademark Red Soles...Not a Trademark?

By Dyan M. House

Millions of women know that a shiny red sole on a peek-toe pump means that it’s a Louboutin. But despite the fame of the red sole, substantially exclusive use, secondary meaning, and a federal registration, the district court said that the lacquered red sole is not entitled to trademark protection under the Lanham Act. *Christian Louboutin S.A. et*

A further change that took effect...upon enactment of the AIA was that most currently active false marking litigations involving issued patents are dismissed under the revised qui tam statute...

al v. Yves Saint Laurent America, Inc. et al, 778 F.Supp.2d 445 (S.D.N.Y. 2011). Louboutin filed suit alleging trademark infringement by Yves Saint Laurent (YSL) because of its use of a red sole on the red shoes from its 2011 cruise collection. In its counterclaim, YSL sought to cancel Louboutin's federal registration for the red outsole. Louboutin sought a preliminary injunction against YSL, which the court denied.

On October 17, 2011, Louboutin filed its appeal with the Second Circuit. A week later, Tiffany & Co. filed its amicus brief with the Second Circuit arguing that the district court erred in its adoption of a blanket rule against granting trademark protection to any

single color that is used on any fashion item, even if the color has achieved secondary meaning and is associated with a single brand. The International Trademark Association also weighed in, filing its amicus brief arguing that the district court erred in its analysis. While the court's rejection of Louboutin's mark was

only with regard to a preliminary injunction, if the Second Circuit agrees with the lower court, it could open the door to challenges of the presumption of validity of a trademark conferred by a federal registration and the limits of the doctrine of aesthetic functionality.

It is well established that a color that performs a utilitarian function cannot function as a trademark. That is, if a color is essential to the use or purpose of a product, or if it affects the cost or quality of a product, it may not be protectable as a trademark. See *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 161 (1995). But color may be

protectable as a trademark "where the color has attained 'secondary meaning' and therefore identifies and distinguishes a particular brand (and thus indicates its 'source')." *Id.*

The district court acknowledged that courts have upheld trademark rights in a single color with regard to a variety of industrial products. The court went on to say that color has been a registrable trademark in connection with fashion, but such marks are in combinations of shades or patterns. Thus, the district court asked the narrow question of whether a single color used in connection with fashion is a protectable trademark. After a lengthy comparison to fine art and painting, the court answered in the negative.

The court said that allowing one artist or designer to protect a single color as a trademark would "unduly hinder not just commerce and competition, but art as well." 778 F.Supp.2d at 453.

With regard to cost, Louboutin's red lacquered outsoles actually increase the cost of production, a

factor the court found to be important in its analysis. The court's interpretation regarding cost, however, was applied in a manner seemingly unintended by *Qualitex. Id.* at 454. Courts tend to take the position that if a color makes production less expensive, the color is functional. But this court said that the increased cost of production was functional because it resulted in a more expensive product, which is desirable in high fashion. *Id.*

Tiffany & Co. filed its amicus brief arguing that the district court "adopted a sweeping and unprecedented *per se* rule against

...a color that performs a utilitarian function cannot function as a trademark. That is, if a color is essential to the use or purpose of a product, or if it affects the cost or quality of a product, it may not be protectable as a trademark.

granting trademark protection to *any* single color that is used on *any* ‘fashion item,’ even where the color has achieved ‘secondary meaning’ and is associated with a single brand.” Brief of Tiffany (NJ) LLC and Tiffany and Company as Amicus Curiae Supporting Appellants at 3, *Christian Louboutin S.A. v. Yves Saint Laurent America Holding, Inc.*, 778 F. Supp.2d 445 (S.D.N.Y. 2011) (No. 11-3303). As Tiffany notes, despite the court’s acknowledgement of Louboutin’s federal registration for the red outsole mark and secondary meaning, the court rejects Louboutin’s position because there is “something unique about the fashion world that militates against extending trademark protection to a single color.” *Id.* at 8. In short, Tiffany argues, that the court’s analysis is misplaced because the court looks at color in relation to the fashion industry rather than looking at the particular mark at issue in the case.

The International Trademark Association’s (INTA) brief focuses on two issues: 1) that the district court erred in rejecting the presumption of validity of Louboutin’s federal trademark registration; and 2) the court’s erroneous application of the doctrine of aesthetic functionality. As INTA notes, “[t]he registration certificate defines what the mark is and the goods and/or services it covers.” Brief of International Trademark Association as Amicus Curiae in Support of Vacatur and Remand at 8, *Christian Louboutin S.A. v. Yves Saint Laurent America Holding, Inc.*, 778 F. Supp.2d 445 (S.D.N.Y. 2011) (No. 11-3303). The court, however, seemed to disregard the description of the mark and the goods in Louboutin’s registration. INTA points out that the court “repeatedly

mischaracterized the mark as if it were a broad claim to the color red alone for shoes.” *Id.* at 10. Turning to the issue of aesthetic functionality, INTA asserts that the court’s functionality analysis is wrong because it “actually applied the doctrine of aesthetic functionality, which is among the most controversial of trademark defenses.” *Id.* at 16. The court failed to use the Second

...color may be protectable as a trademark “where the color has attained ‘secondary meaning’ and therefore identifies and distinguishes a particular brand (and thus indicates its ‘source’).”

Circuit’s test for aesthetic functionality. The court failed to base its analysis on “a showing of market foreclosure, i.e., ‘limiting the range of adequate alternative designs.’” *Id.* at 24.

Whether or not Louboutin prevails in its appeal is certainly of interest to

fashionistas. But for trademark lawyers the concern is whether the courts are applying the proper tests in trademark analyses.

The above article expresses the view of the author and not necessarily those of the State Bar of Texas IP Law Section or any of its affiliates.



Dyan House is a Partner at Carter, Stafford, Arnett, Hamada & Mockler, PLLC and is a member of the Firm’s Intellectual Property section concentrating her practice in the areas of trademark, copyright and licensing. Ms. House represents clients before the U.S. Patent and Trademark Office and the Trademark Trial and Appeal Board. Ms. House also advises clients on franchise regulatory matters as well as assists in the structure of franchise systems and related agreements.