

Letter from the Editor

Welcome to the second issue of *The Katten Kattwalk*, our quarterly newsletter that discusses relevant legal issues within the fashion industry. As summer is just around the corner, the fashion industry is in its high season, with a number of new trends and styles popping up around the globe. Whether you're a fashion maven, a number cruncher, a CEO or even a model, the decisions handed down from the courts in recent months can have a major impact on your business and the strategies you need to employ to protect your assets. Our world is constantly shifting, and it's one of the most exciting times we've seen in fashion law.

In this edition of *The Kattwalk*, we bring some of these issues to the forefront, and offer our insights on what you can expect as a result of these landmark rulings. To keep you on your toes, we also have a bunch of events, book launches and other notables from our Fashion and Intellectual Property attorneys. It's all in a day's work here at Katten.

Enjoy!

Karen Artz Ash

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Questions Left Unanswered by Louboutin Case

by Karen Artz Ash and Bret J. Danow

The most highly anticipated case in the fashion world in 2012 was *Christian Louboutin v. Yves Saint Laurent*, in which footwear designer Christian Louboutin sued design house Yves Saint Laurent over footwear incorporating a red sole, claiming that it infringed Louboutin's trademark registration covering a lacquered red sole on footwear.

An April ruling by the USPTO finally put an end to this case, the net impact of which may be more noteworthy not for the questions it answered but for the questions that it left open.

As part of its ruling, the US Court of Appeals for the Second Circuit ordered the USPTO to modify Louboutin's trademark registration to narrow its scope. In April, the USPTO issued a corrected certificate of registration that revised the coverage from a "lacquered red sole of footwear" to a "red lacquered outsole on footwear that contrasts with the color of the adjoining ("upper") portion of the shoe." The revised scope of Louboutin's trademark had the dual result of preserving Louboutin's trademark rights while ensuring the shoes sold by Yves Saint Laurent did not infringe.

Therefore, the court's decision left both Louboutin and Yves Saint Laurent claiming victory. For Louboutin, victory was achieved through the court's recognition that its designs of a red lacquered outsole on footwear when such outsole contrasts with the upper portion of the shoe were deserving of trademark protection, protecting Louboutin's brand. For Yves Saint Laurent, victory can be claimed because its shoes were not deemed to be infringing since such shoes were red all over.

Similarly, while the court recognized that a fashion house, just like companies in other industries, can obtain exclusive rights to use a single color, its holding may not apply to future plaintiffs

seeking to establish exclusive rights in a color. Specifically, the court's narrowing of Louboutin's trademark eliminated the dispute but did not address the issue of whether Louboutin's mark was aesthetically functional or whether there was any likelihood of confusion.

While the court's decision can, on the one hand, be viewed as a victory for fashion designers since the ruling established that a single color can serve as a source identifier in the fashion industry, its holding was relatively fact-specific and does not provide any assurances to other third parties claiming exclusive rights in a single color.

Despite all the publicity and hype, Louboutin did not provide a road map for the next fashion designer who decides to become a plaintiff in a case involving claims of infringement in a single color mark. It will be interesting to see whether fashion designers are emboldened by the Louboutin holding. It may not be long before the issue of trademark protection for a fashion designer in a single color mark comes before the courts again.

Supreme Court Rules on Covenant Not to Sue

by Karen Artz Ash and Bret J. Danow

The US Supreme Court recently issued a decision in *Already v. Nike* which may have a large impact on how trademark owners handle enforcing their proprietary rights and how those accused of trademark infringement defend themselves.

In the summer of 2009, Nike filed a complaint against Already alleging that a line of shoes infringed Nike's federal trademark registration covering the trade dress of its Air Force 1 shoe. Already responded by filing a counterclaim seeking a declaration from the court that Nike's trademark registration was invalid. Following the counterclaim, Nike decided that the matter no longer warranted the time and expense associated with litigation and issued a unilateral covenant not to sue in an attempt to walk away from the matter. The covenant not to sue was broadly worded and promised that Nike would not make any trademark or unfair competition claims against Already or its affiliates based on any of Already's existing footwear designs or any future designs that constituted a "colorable imitation" of Already's current products.

Following the issuance of the covenant not to sue, Nike moved to dismiss its own claims with prejudice and to dismiss Already's declaratory judgment counterclaim on the grounds that the covenant not to sue rendered the matter moot. The District Court dismissed the case, finding that the issuance of the covenant not to sue meant that there was no longer a justifiable controversy, a holding that was affirmed by the US Court of Appeals for the Second Circuit.

However, even though Nike had completely backed down, Already continued to want a determination that the trademark registration was invalid and appealed the case to the Supreme Court.

The Supreme Court agreed with the lower courts, holding that the counterclaim was moot since the language of the covenant not to sue eliminated any scenario under which Nike would assert such claims of infringement against Already.

The Supreme Court's decision seems to support the ability of a trademark owner to avoid a declaratory judgment claim for invalidity and have both claims and counterclaims dismissed by unilaterally preparing and executing a broadly worded covenant not to sue.

The key component for the trademark owner is to ensure that the covenant eliminates any possibility of a future threat to the other party.

There are, however, several risks for a trademark owner to bear in mind when considering this strategy. Issuing a covenant not to sue may allow the party receiving such covenant a broader ability to use the trademark than the original use objected to by brand owner. Similarly, the covenant may potentially be deemed a naked license and result in the forfeiture or unenforceability of the trademark. Finally, there is a risk that the covenant may render the initial litigation abusive, creating liability for the accused party's attorney's fees. Moreover, while the issue of invalidity may no longer be heard by a court, it may not prevent the filing of a cancellation action before the Trademark Trial and Appeal Board. Accordingly, while a covenant not to sue would appear to provide a trademark owner with a convenient way out of litigation, consideration should be given to the risks and other possible consequences.

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An Eye for Fashion

New York Magazine Presents New York's Women Leaders in the Law

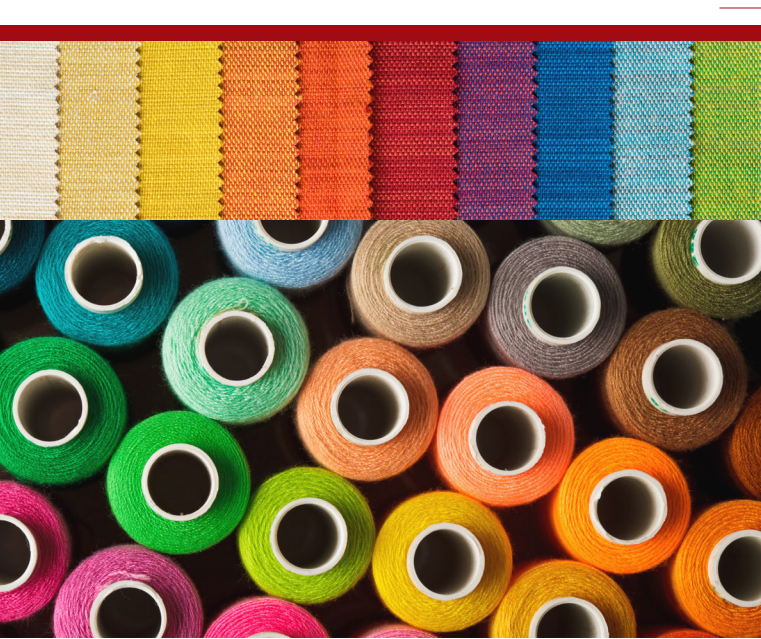
Karen Artz Ash, partner and national co-head of the Intellectual Property department at Katten, says that it is important to acknowledge that now, more than any time in the past, women attorneys hold positions of power and authority at companies and law firms, especially if the aforementioned statistics are to be counteracted. [<http://nymag.com/nymag/advertorial/womenleaders/2013/women-lawyers/>]

"Women attorneys are beginning to wield greater power over business, the direction that law firms take, and the manner in which law firms handle business," Artz Ash says.

"Also of interest is that with women in these stronger in-house legal positions, [they] will pave the way for many women attorneys to return to law firms later in their career[s] with the potential to bring in the business of their former employers. As such, I would expect that the 'trend' will slowly reverse itself."

As a partner of her firm, Artz Ash is proud to still love her work and values her strong client relationships. She maintains that her family is still her greatest source of satisfaction.

"I am most proud of the fact that I have accomplished having a strong career with balancing a wonderful family," she explains. Artz Ash believes that law firms have made tremendous advances in accommodating the responsibilities that families must juggle. Maternity leave, paternity leave and off-site work accommodations are now more commonplace. "Most large firms make efforts to encourage women in leadership positions and do not penalize them for the balancing act," she says. "This, of course, still needs to improve but frankly, whatever the number of women in leadership positions and partnership, there is no question that there are better opportunities for women in large law firms than ever before."



Katten's Intellectual Property Practice and Attorneys Recognized in Managing Intellectual Property's IP Handbook

Katten partners Kristin Achterhof, Karen Artz Ash, Robert Breisblatt, Eric Cohen, Roger Furey and Floyd Mandell were named as IP Stars in the 2013 edition of the Managing Intellectual Property IP Handbook...

In addition, Katten is listed in the Handbook as a "Highly Recommended" firm for intellectual property in Illinois. The Handbook cites the firm's "stellar trademark practice" and recent successes defending clients Microsoft, Motorola Mobility and McGraw-Hill...



Katten Recognized by The Legal 500 United States 2013

The firm was recommended in six practice areas, including Intellectual Property - Trademarks: Litigation, as part of The Legal 500 United States 2013. Twenty-four Katten attorneys were also recognized in the guide...

Anonymous Comments Allowed as Evidence of Confusion

by Karen Artz Ash and Bret J. Danow

The expansion of consumer review websites and social media has brought with it a broadened ability for individuals to express their thoughts and opinions while remaining anonymous.

The test for trademark infringement is whether there exists a likelihood of confusion between two marks. Although this test does not require evidence of actual confusion, the existence of actual confusion is a factor that courts consider as part of their likelihood of confusion analysis.

The owner of a chain of health clubs that operates under the mark YouFit filed a motion for preliminary injunction seeking to prevent a rival health club from using the name Fit U. In reaching its decision to issue the preliminary injunction the judge relied, in part, on an anonymous posting that was made on the website Yelp.com...

Yelp.com is a website that allows users to rate local businesses. Yelp.com does not require that users fully identify themselves when posting reviews and there is no process to verify that a user is, in fact, a real person.

In fact, some studies have estimated that as many as one third of online postings are fake.



Interestingly, the court did not address whether the online review at issue was real or that an actual person posted it. Nevertheless, the District Court decided to give weight to the Yelp.com posting as evidence of actual confusion.

The court also held that the online review did not constitute hearsay because it was not offered to prove the truth of the matter asserted in the review but only to demonstrate the reviewer's confusion and the then-existing state of mind of the reviewer.



The court did, however, acknowledge that the online review may not have been admissible evidence when considering whether to issue a permanent injunction but that consideration was appropriate given the character and objectives of the preliminary proceeding.

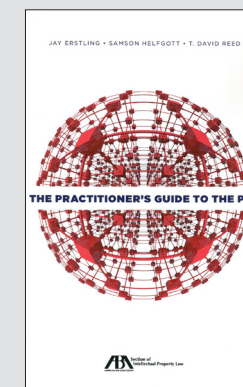
While it remains to be seen how the courts will treat the authenticity issue of online postings, this case demonstrates that courts are willing to consider such postings as part of the likelihood of confusion analysis. Therefore, when contemplating litigation asserting a claim of trademark infringement, trademark owners would be wise to keep records not only of instances of confusion which they hear directly from customers but also any examples of confusion that are posted on review sites such as Yelp.com...

Karen Artz Ash Profiled in Law360 Q&A

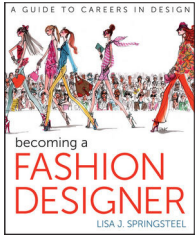
Karen Artz Ash, national co-head of Katten's Intellectual Property practice and co-head of the Trademarks Practice, was featured in a Law360 Q&A. She discussed the importance of always being courteous to adversaries and how her most challenging case required innovating a transaction structure that is now fairly commonplace.



Samson Helfgott Co-Authors Book on Patent Cooperation Treaty



Samson Helfgott, of counsel in Katten's Intellectual Property practice, has co-authored The Practitioner's Guide to the PCT. Published by the American Bar Association Section of Intellectual Property Law, the book provides a clear explanation of the PCT's framework and tools to effectively use this global, treaty-based system.



Becoming a Fashion Designer

Lisa Springsteel

ISBN: 978-1-1181-4382-7

Karen Artz Ash contributed the "Intellectual Property Checklist" to the chapter on "Launching Your Own Fashion Collection."

The complete guide to the fashion industry, featuring interviews with top designers who explain the intricacies of the world of fashion design

Anyone who has ever tried to launch a fashion design career knows how grueling it can be. The fashion industry is a highly prominent field, yielding a competitive environment that is greatly guarded, secretive and difficult to infiltrate. ***Becoming a Fashion Designer*** provides all the information, resources and tools you need to help you navigate these obstacles and successfully launch a career in fashion design.

Of the various job opportunities available in the fashion industry, the career path of a fashion designer consistently ranks as the most popular position in the field, making the competition even greater. The book pays special attention to this and demonstrates several ways in which an aspiring fashion designer can stand out from the competition. A dynamic and comprehensive career guide, this book imparts insider tips from top fashion designers and executives based around the world. Expert advice includes an introduction to a career in fashion design, educational requirements, career opportunities, the design process, portfolio creation, preparation for getting hired, and steps to start and run one's own fashion design business, as well as a forecast of the future of the fashion industry.

- Features original interviews from top designers and high-profile fashion executives, including Ralph Rucci, Reem Acra, Peter Som, Anna Sui, Nanette Lepore, Kay Unger, Stuart Weitzman, Dennis Basso, Randolph Duke, Zang Toi, Pamela Roland, Robert Verdi and Daymond John
- Provides cases in point and insider tips throughout
- Includes illustrations, drawings, sketches, and photographs demonstrating various aspects of working in fashion design, with special contributions from renowned illustrator Izak Zenou and legendary fashion photographer Nigel Barker
- Offers in-depth resources to assist you on your journey to becoming a fashion designer

Whether a student, recent college graduate, industry professional or career changer, you'll learn everything you need to know to successfully develop a fashion design career.

For more information, contact:

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Katten is a full-service law firm with one of the most comprehensive fashion law practices in the nation. We provide innovative advice on the legal and business issues faced by national and international manufacturers, designers, marketers, licensors, licensees and retailers of fashion items including a full range of apparel, footwear, jewelry, cosmetics and luxury goods.

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