

How They Won It: McCarter Saves Louboutin's Soles

By **Scott Flaherty**

Law360, New York (October 23, 2012, 5:21 PM ET) -- Facing an injunction ruling that threatened Christian Louboutin SA's business, McCarter & English LLP attorneys representing the shoe designer made a tough call to appeal the interim order to the Second Circuit, an ultimately successful move that protected a trademark on Louboutin's iconic red-soled shoes.

In August 2011, U.S. District Judge Victor Marrero not only shot down Louboutin's bid for a preliminary injunction blocking Yves Saint Laurent SAS from selling allegedly infringing red-soled shoes, but made it clear that he would likely invalidate the red-sole trademark held by Louboutin, a company that takes its name from founder and French shoe designer Christian Louboutin.

That left McCarter's attorneys with a choice, said Harley Lewin, who headed the effort for Louboutin. They could wait for Judge Marrero to strike down the trademark in a summary judgment, potentially opening the door for counterfeiters to flood the market with cheap red-soled shoes; or they could appeal right away, knowing that circuit courts don't tend to look favorably on challenges of interim rulings.

Though either decision was risky, Lewin said the possibility of the trademark's dissolution posed the greater threat.

"Mr. Louboutin's business was at stake," Lewin said.

The choice proved critical. In the months after Louboutin lodged the appeal with the Second Circuit, U.S. Customs and Border Patrol saw an influx of inexpensive red-soled shoes shipped into the country. If McCarter had chosen to wait until Judge Marrero issued a final ruling in favor of YSL and invalidating the Louboutin mark, Customs may not have had the impetus to block those shoes from entering the U.S. market, Lewin said.

Bringing the case to the Second Circuit also served another purpose. Lewin argued that the trademark covering Louboutin's red-soled shoes was indeed valid and, after carving out an exception for shoes that were red all over, the appeals court agreed, upholding the mark and overturning part of Judge Marrero's ruling.

Aside from the important choice regarding the timing of the appeal, Lewin said he and his team made a "series of key strategic decisions" on the way to the eventual Second Circuit win, starting before the district court case was ever filed.

The first of those decisions involved selecting the right jurisdiction. To do that, Louboutin's counsel from several different countries convened in Paris. At the meeting, which McCarter attorneys attended, the decision was made to bring the trademark case against YSL in the U.S.

"It was felt that the law was better and more settled here," Lewin said.

Because the case would involve complex legal issues, Lewin said it was also important to put in place a top quality legal team. Lewin called on another McCarter partner, Lee Bromberg, who eventually took the lead on certain aspects of the case.

"I was the tip of the iceberg," said Lewin, "And the iceberg was a really good group of lawyers."

Louboutin then filed its complaint in April 2011, alleging that YSL had begun selling shoes that infringed the red-sole mark. A few months later, Louboutin filed the preliminary injunction motion that would eventually set the case on a different course.

Louboutin requested the sales ban in June 2011, and after a response from YSL, the two sides went before Judge Marrero for a hearing that Lewin described as a precursor of things to come from the district judge.

"Judge Marrero challenged me in court," Lewin said. "Which was extremely unusual and we had a pretty hot hearing as a result."

On Aug. 10, 2011, the judge issued a 32-page order denying the injunction bid. Though he conceded that Louboutin's red soles had taken on a secondary meaning during the nearly two decades they had been in use on high end shoes, Judge Marrero ruled that in the fashion business, color served a functional purpose and therefore didn't deserve trademark protection.

"Because in the fashion industry color serves ornamental and aesthetic functions vital to robust competition, the court finds 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," the judge said in his opinion.

The ruling upset the Louboutin legal team on a "personal and professional level," Lewin said, and it changed the whole tone of the case. It was no longer about proving infringement on the part of YSL, it became about protecting the "20 some odd years of recognition" Louboutin had built with its red-soled shoes.

"He changed the case into life or death for Louboutin," Lewin said, referring to Judge Marrero.

The district judge's decision prompted what became a crucial decision in the future of the proceedings. Lewin said it was clear from the ruling that Judge Marrero would likely issue summary judgment to YSL, and the legal team was worried that waiting for the ruling to come down would give counterfeiters more time to make and try to import knockoffs that leached off Louboutin's reputation.

So Lewin started work on an appeal while Bromberg worked to persuade Judge Marrero to put the district court case on hold during the challenge. On Aug. 19, 2011, Louboutin secured the stay from the judge, who, Lewin said, might have anticipated an appeal regardless of whether he had ruled in favor of YSL or Louboutin.

“I think he knew one way or the other that one of us would take him up on appeal, because this was really cutting edge stuff,” Lewin said.

Before the Second Circuit, McCarter requested and received expedited treatment — a move Lewin also attributed to the threat of counterfeits making their way into the U.S. while the case was pending — and the case was fully briefed by early January.

Louboutin made a two-pronged argument, saying Judge Marrero had failed to properly analyze the issue of whether a single color could serve as a trademark, and contending that the evidence on the record did not support the district judge's finding.

Meanwhile, Lewin prepared to argue before the Second Circuit, and the legal team engaged in a series of mock hearings. By the time oral arguments came around on Jan. 24, the McCarter attorney was locked in.

“I was about as ready as you could be. I was primed,” he said.

Instead of the typical five to eight minutes per side, attorneys representing Louboutin and YSL engaged in a back and forth that lasted more than an hour, according to Lewin. Though the McCarter legal team left feeling confident, they had to sweat it out in the months that passed before the Second Circuit issued its ruling on Sept. 5.

That ruling reversed the district court's order in part, finding that Louboutin's red-sole mark was valid, with the exception of monochromatic shoes that are red all over, including the sole.

“We see no reason why a single-color mark in the specific context of the fashion industry could not acquire secondary meaning — and therefore serve as a brand or source identifier — if it is used so consistently and prominently by a particular designer that it becomes a symbol,” the circuit court said.

The Second Circuit entered judgment according to its findings, and instructed the U.S. Patent and Trademark Office to modify Louboutin's mark so that it would only cover red-soled shoes that contrast with the upper portion of the footwear. Though the case is still pending in district court with respect to a set of counterclaims brought against Louboutin, YSL has indicated recently that it would withdraw those claims and Lewin expects the entire dispute to be resolved soon.

Throughout the proceedings, both in front of the Second Circuit and in district court, the case attracted a flurry of attention, something that Lewin said likely speaks to the importance it held not only for his client, but for the fashion industry and beyond.

“Everything that happened in this case went around the world in seven seconds,” said Lewin. “I've never seen anything like it.”

Lewin said he and his team strove to succeed both in the courtroom and in the court of public opinion.

“I honestly think we won in both courts,” he said.

Louboutin is represented by Harley I. Lewin and Lee C. Bromberg of McCarter & English LLP.

YSL is represented by David H. Bernstein, Jyotin Hamid and Rayna S. Feldman of Debevoise & Plimpton LLP.

The appeals case is *Christian Louboutin SA v. Yves Saint Laurent America Holding Inc.*, case number 11-3303, in the U.S. Court of Appeals for the Second Circuit.

The lower court case is Christian Louboutin SA et al. v. Yves Saint Laurent America Inc. et al., case number 1:11-cv-02381, in the U.S. District Court for the Southern District of New York.

--Editing by John Quinn.

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