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Advancing the Law Against Knock-Offs

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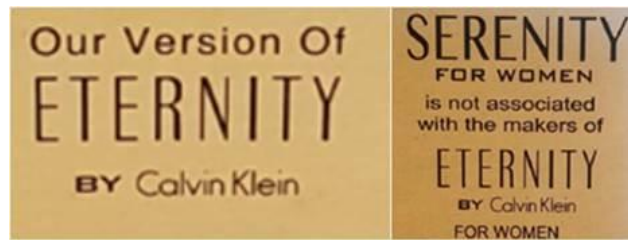
Retail & Consumer Goods

Advancing the Law Against Knock-Offs

Background and Overview: In September 2015, Coty, along with its licensors Calvin Klein, Vera Wang, and Lady Gaga, filed a lawsuit in U.S. District Court for Southern District of New York against Excell Brands, LLC, a manufacturer of so-called “alternative fragrances” marketed as “versions” of genuine Coty fragrances. See *Coty Inc. v. Excell Brands, LLC*, No. 15-cv-7029 (JMF), 2017 WL 4155402 (S.D.N.Y. Sept. 18, 2017). Excell offered “versions” of popular Coty fragrances in packaging that closely resembled Plaintiffs’ packaging, bearing names that evoked the product names of the originals, as shown in the representative examples below:



In addition, Excell used Plaintiffs’ house and product marks prominently in purported disclaimers on the front and back of its packaging. The legend on the front of the boxes identified the Excell fragrance as “Our Version of” the Coty fragrance, while the legend on the back stated that that the Excell fragrance “is not associated with the makers of” the Coty fragrance, as by the example below:



The lawsuit targeted 21 specific knock-off fragrances offered by Excell as “versions” of various Calvin Klein, Vera Wang, Lady Gaga, and JOOP! fragrances. Plaintiffs asserted claims for trademark infringement, unfair competition, trademark dilution, and false advertising. Excell raised defenses of nominative fair use (claiming that its use of Plaintiffs’ marks in its legends was a legitimate form of comparative advertising) and laches. The case proceeded to trial in March of this year before Judge Furman in the U.S. District Court for the Southern District of New York. On September 18, Judge Furman issued a 67-page opinion and order.

The Court’s Decision: Judge Furman found Excell liable on each of Plaintiffs’ claims and soundly rejected Excell’s fair use defense. He awarded Plaintiffs both permanent injunctive relief as well as Excell’s gross revenue on its sales of the relevant fragrances, totaling more than \$6.5 million. The court’s decision includes numerous findings and conclusions that help to advance the law in this area, and provides brand owners with new ammunition to rein in the alternative fragrance and similar parasitic industries going forward. Highlights include:

- Every one of Excell’s 21 fragrances at issue was found to “blatantly copy” and infringe the corresponding Coty original. This includes certain Excell fragrances with names and/or packaging less similar to Coty’s originals than others, and so provides a basis to pursue knock-off fragrances that do not mimic the original fragrances so closely.
- Excell’s “disclaimers” were ineffective, and actually made confusion more likely because “Coty’s marks are more prominent and accentuated on Excell’s fragrances than both the supposedly disclamatory language (‘Our Version Of’ and ‘Not Associated With’) and Excell’s own marks.”
- Excell’s use of Plaintiffs’ marks in its purported “disclaimers” dilutes those marks both by “blurring” (weakening their distinctiveness) and by “tarnishing” (associating them with inferior goods) under both federal and state law. This holding provides a strong basis to pursue other knock-off manufacturers using similar legends.
- “Our Version Of” implies to consumers that the products are “similar, if not equivalent”, and constitutes false advertising when the products are not close substitutes. This holding should also prove extremely helpful in pursuing other knock-off companies using similar language.
- The court categorically rejected Excell’s fair use defense: “Excell’s fair use argument would be on firmer ground if it sold its fragrances in generic bottles and cartons, picked fragrance names that were unrelated to any of Coty’s, included its disclaimers without prominently displaying Coty’s typesetting or marks, and marketed its own brand on the packaging in a noticeable manner.” This puts those in the alternative fragrance industry on notice that if they wish to rely on fair use, they had better significantly minimize their use of the branding indicia of the original products.

The decision also establishes a number of other points that will be helpful to brand owners in future enforcement efforts, such as inferring actual confusion and bad faith from copying, and applying the concepts of initial-interest and post-sale confusion, which are useful to reach knock-off products sold at lower price points and through different channels than the originals.

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