Winners And Losers In ITC's Chuck Taylor Trademark Ruling

By Bill Donahue

Law360, New York (June 27, 2016, 10:09 PM ET) -- If imitation is truly the sincerest form of flattery, Converse really doesn't know how to take a compliment.

In October 2014, the Nike Inc. subsidiary sued more than two dozen companies for selling shoes that it said mimicked the look of its flagship Chuck Taylor sneaker, arguing that key elements of the shoe's design were so distinctive that they were protected by trademark law. At the time, Converse said it had seen an "explosion" in such knockoffs as the decades-old Chuck became increasingly trendy in recent years.

The suits, filed in both federal court and the U.S. International Trade Commission, didn't target just no-name companies: Defendants included big-box stores like Wal-Mart and K-Mart, major footwear rivals like Skechers and Fila, and well-known apparel brands like Ralph Lauren.

But on Thursday, after nearly three years of litigation, the ITC handed Converse a major defeat in the campaign, ruling that the shoemaker did not hold valid trademark rights in the key design elements it had asserted in the case.

Converse has already vowed to take the decision to the Federal Circuit, saying it is "confident our rights will be vindicated on appeal." But until then, here's a quick guide to who won and who lost in Thursday's big ruling.

Loser 1: Converse

No surprise here.

Though the commission upheld Converse's trademark rights in the Chuck Taylor "outsole," or bottom of the sole, it invalidated the company's rights in the more important "midsole" elements — a rubber "bumper" on the front of the shoe, a "toe cap" above that and stripes running around the sides.

It was the midsole that formed the heart of Converse's accusations against Skechers and the other major defendants, and an administrative law judge had issued a preliminary ruling in November that those elements, which are registered with the U.S. Patent and Trademark Office, amounted to a valid trademark.

On Thursday, the commission reversed that ruling, doing far more damage to Converse than a ruling
that the defendants had merely not infringed the design.

"Converse not only lost the case, but they lost their mark itself," said Harley Lewin, a partner at McCarter & English LLP who represented Christian Louboutin in his high-profile lawsuit over footwear trade dress.

"Every time you take a trademark case to court, there's a risk that a judge will say, 'You don't have a trademark.'" Lewin said. "Not that the defendant didn't infringe but that you don't have any valid rights. That's what happened here."

**Winner 1: Wal-Mart, Skechers and New Balance**

The vast majority of the 31 companies sued by Converse simply settled with the shoemaker, but Wal-Mart, Skechers and a smaller firm called Highline United chose to keep fighting. New Balance, which produces the similar-looking PF Flyer sneaker, wasn't targeted by Converse but voluntarily jumped in to fight against Converse's supposed exclusive rights to the design.

The defendants didn't mince words in doing so: In one brief, Wal-Mart called the litigation an effort "to extort monetary settlements" and stifle competition by monopolizing design elements that had been used on sneakers "for decades by a large number of different entities."

On Thursday, those kinds of arguments paid off big time, resulting in a ruling that not only cleared Wal-Mart, Skechers and New Balance of liability for the particular shoes at issue, but also for any shoes that mimic the Chuck midsole elements in the future.

"The hard truth is that these elements were used by both Converse and by many others by many years," Lewin said. "These companies believed it was important to defend their ability to use these elements in their own footwear."

**Loser 2: The Companies That Settled**

Thursday's ruling is a huge win for Wal-Mart and the others that stuck it out, but it doesn't do much for Ralph Lauren, Fila and the many other defendants who already reached settlement deals with Converse to drop the litigation.

The terms of the settlements were private, and it's unclear if the settling companies paid Converse to escape the litigation. But at the very least, the agreements required them to stop selling the footwear at issue because of a set of intellectual property rights that the ITC just largely invalidated.

**Winner 2: Fast-Fashion Retailers**

Aside from the actual companies that won, the other major winner in Thursday's ruling are the so-called fast-fashion retailers like H&M, Forever 21 and TopShop, companies that produce apparel and footwear that approximate the look of more expensive designs.

Before the current case, some of those fast-fashion brands might have been scared away from making faux Chucks by the looming threat of trouble from Converse. In Thursday's ruling, the ITC cleared up those concerns.
"There are going to be a whole bunch of people who may no longer be reluctant to copy these elements, and there's going to be very little Converse can do about it," Lewin said.

**Loser 3: Supporters of Stronger IP Protections for Fashion**

It's hard to not view Converse's case — both its decision to bring suit and Thursday's ruling — in the broader context of how U.S. intellectual property laws protect apparel.

The U.S. lacks the kind of "design right" that protects garment designs in many jurisdictions, and neither copyright nor patent law is a particularly good fit for the fashion industry. That's left companies like Converse to stretch trademark law when they feel they're being unfairly imitated.

One way to look at Thursday's ruling, then, is that the ITC declined to endorse the kind of creative interpretation that might beef up protections for apparel and footwear, and instead simply apply the fairly limited law as it currently stands.

"I continue to think that trademark and trade dress protection for truly source-identifying aspects of apparel and footwear provides an appropriate enforcement method," said Karen Artz Ash, the head of the trademark practice at Katten Muchin Rosenman LLP and an expert in fashion IP.

"In this case, and I believe other similar circumstances, certain features might lose their source-identifying capability over time as the particular features or similar types of features become more common," Ash added. "When that happens ... it is probable that those particular elements will lose their protectability."

--Editing by Christine Chun and Catherine Sum.

All Content © 2003-2016, Portfolio Media, Inc.