

# THE DAILY RECORD

WESTERN NEW YORK'S SOURCE FOR LAW, REAL ESTATE, FINANCE AND GENERAL INTELLIGENCE SINCE 1908

## IP FRONTIERS

# Walking in these shoes could walk you right into court

Throughout the 2014 holiday shopping season, I noticed an uptick in news stories covering counterfeit, or “knock-off,” footwear. In particular, the Uggs brand convinced several news stations to run stories warning consumers about the prevalence of counterfeit Uggs on the market. Yes, everyone likes a deal, and this year it was all about the shoes.

Many consumers may not know this, but footwear is covered by a variety of different U.S. design law protections. These laws are in place to protect against counterfeit shoes. According to a 2014 article in 24/7 Wall St. (USA Today), footwear falls on the list of the “9 Most Counterfeited Products in the US,” with \$54.9 million worth of goods being seized at the border in 2013 (see <http://usat.ly/1oYgH9V>). According to this same article, although footwear came in at number six on the list in 2013, for many years before that it was the number one counterfeited product (MSRP of seized goods was over \$103 million in 2012).

So, what determines which knock-off products are seized at the border? The two most significant laws that protect against counterfeit shoes, and allow a company to sue counterfeiters or have products seized (or both), are those relating to design patents and trademarks.

U.S. trademark, or trade dress, law protects the overall appearance of a product, provided it signifies the source of the product to consumers. This may include a product's size, shape, color, design and texture. Trade dress is protected under common law or by registration with the U.S. Trademark Office, and it can be very powerful against knockoff footwear.

For example, in 2011, Christian Louboutin Ltd. successfully sued Yves Saint Laurent for selling red-soled shoes that allegedly infringed on Louboutin's iconic, trade dress — its lacquered red soles [see Figs. 1 and 2].

Design patents protect the ornamental features or visual appearance of a product, but not its function or structure. In order to qualify for a design patent, the article also must be novel (“new”) and nonobvious. The drawings alone define the scope of

the patent claims, not a written description.

Footwear is a frequent subject matter for design patents. For example, Crocs Inc. has over 60 design patents directed to “footwear.” Fig. 3 is an image of one of the first design patents for Crocs, which should look very familiar, see D517,789 (2006) [see Fig. 3].

Nike, whose footwear is frequently cited as the most counterfeited, was granted 300 patents for footwear related products in the year 2013 alone and, since the early 1980s, has been granted over 2,500 design patents for shoes. Nike's design patents frequently are directed to their unique soles, such as U.S. Design Patent No. D719,335 (issued 12/2014) [see Fig. 4].

Given the sheer volume of shoe-related design patents and the market value at issue, sellers of knock-off shoes frequently find themselves in court. For example, in 2014, Deckers sued J.C. Penney over the famous Ugg “Bailey Button” sheepskin and suede boots, see *Deckers Outdoor Corp. v. J.C. Penney Co., Inc.*, C.D. Cal., Case No. 2:14-cv-02565-ODW. The complaint included claims of design patent and trade dress infringement, and withstood a motion to dismiss.

A comparison of one of the boots at issue is shown in Figs. 5 and 6.

Crocs also sued several third parties for design patent and trade dress infringement in 2008 (see *Crocs, Inc. v. International Trade Commission*, 598 F.3d 1294 [Fed. Cir. 2010]). And, in 2013, a significant design patent case before the Federal Circuit dealt with footwear. This time, the footwear at issue was fuzzy slippers.

The case is *High Point Design LLC v. Buyer's Direct, Inc.*, No. 12-1455 (Fed. Cir. Sept. 11, 2013). Buyer's Direct Inc., the declaratory judgment defendant, is the owner of U.S. Design Patent No. D598,183 and manufacturer of Snoozies slippers. [Figs. 7 and 8]

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Fig. 1



Fig. 2

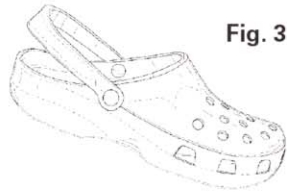


Fig. 3

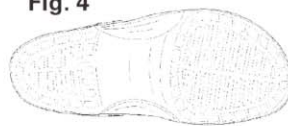


Fig. 4



Fig. 5

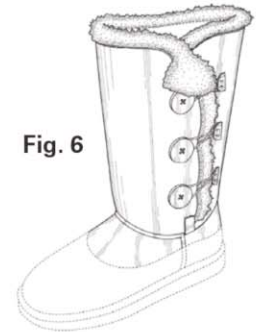


Fig. 6

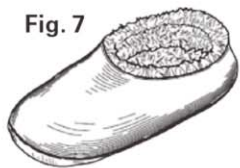


Fig. 7



Fig. 9



Fig. 11



Fig. 13



Fig. 8



Fig. 10



Fig. 12



Fig. 14

## Continued ...

High Point Design LLC, the declaratory judgment plaintiff, also manufactures and distributes a similar and competing fuzzy slipper called Fuzzy Babba slippers. Fuzzy Babbas are sold through several large retailers such as Meijer Inc., Sears Holdings Corporation and Wal-Mart Stores Inc., Macy's Inc. and Kohl's Inc., some of which were named as third party defendants in the case. Some images of the Fuzzy Babba slippers are shown in Figs. 9 and 10.

In 2012, the Southern District of N.Y. granted summary judgment in favor of the accused infringer and plaintiff, High Point, on the basis that Buyer's Direct patent for fuzzy slippers was "obvious" under Section 103 of the Patent Laws, and functional, and therefore invalid. In its obviousness analysis, the district court relied on two primary references, images of which are shown in Figs. 11 through 16.

In what is considered a pivotal case in design patent law, the Federal Circuit reversed the district court's grant of summary judgment of patent invalidity based on obviousness, inter alia, and remanded for further proceedings, *High Point Design LLC v. Buyer's Direct, Inc.*, No. 12-1455 (Fed. Cir. Sept. 11, 2013). In doing so, the Federal Circuit's decision cleared up some design

patent precedent, but made other precedent more confusing.

The court's decision clarified, albeit in a footnote, that the correct standard for obviousness was an "ordinary designer" standard, and not the "ordinary observer" standard applied by the lower court. This was significant because it clarified the uncertainty regarding which of these two standards should apply; a confusion created by an earlier case, *International Seaway Trading Corp. v. Walgreens Corp.*, 589 F.3d 1233, 1240 (Fed. Cir. 1990).

From a practical standpoint, by confirming the "ordinary designer" was the proper standard for invalidity based on obviousness, the Federal Circuit confirmed that expert testimony from skilled designers must be considered in an obviousness analysis, which the district court had failed to do in the *Highpoint* case. The ordinary designer standard makes it easier to invalidate a patent (i.e. the ordinary designer is more likely to bridge the gap between prior art and the patent design because he/she is more sophisticated), but harder to invalidate a design patent on summary judgment based on obviousness (too many issues of fact).

Surprisingly, however, the Federal Circuit also criticized the *Highpoint* district court for failing to translate the claimed design into a "verbal description" that "evokes a visual image conso-

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nant with [the patented] design” in undertaking its invalidity analysis. This is where the Federal Circuit’s decision seemed to contradict and confuse design patent precedent.

For example, in *Crocs, Inc. v. Int’l Trade Comm’n*, 598 F.3d 1294 (Fed. Cir. 2010), the Federal Circuit correctly applied the holding articulated in *Egyptian Goddess Inc. v. Swisa, Inc.* (en banc) (2008), which clearly instructed lower courts to rely on patent design figures, and not verbal claim construction, in their infringement analyses. In other words, courts were told to do a side-by-side comparison of the figures and the accused product, and to avoid the temptation to verbally describe the design. Now, in *Highpoint*, the Federal Circuit appears to be back-pedaling by requiring a verbal claim construct, at least for the invalidity analysis.

This past year, on remand, the *Highpoint* district court once again found the Snoozies patent to be invalid on summary judgment. However, this time, the lower court ruled the patent invalid because it was “anticipated” under Section 102 of the patent laws, relying on the very same Woolrich Laurel Hill and Penta slippers as prior art. The court avoided using the “ordinary designer” directive from the Federal Circuit by declining to revisit its prior decision on Section 103 obviousness.

Instead, the district court was able to apply the “ordinary observer” test it previously used by relying on Section 102 anticipation to invalidate the patent, thus avoiding the need for expert testimony and allowing for summary judgment.

In its analysis, the district court verbally described the ’183 patent as a “slipper with a formed body, a protrusion of fuzz or fluff, and a sole with some solidity.” The court then described the Woolrich Laurel Hill prior art slipper as having a “soft looking

fluff surrounding the opening” with a “sole that appears durable,” and noted that the Laurel Hill slipper actually appeared to be the commercial embodiment of the patented design.

The court also looked at the Woolrich Penta slipper, describing it as having a sole of “solidity but which has a protrusion of fluff or fuzz emanating from the foot opening.” Based on these two references, the district court concluded that the ’183 patent was anticipated and, thus, invalid.

In contrast, the district court verbally distinguished the accused Fuzzy Babba slipper as conveying the visual effect of “an entirely soft and malleable body with an indistinguishable sole.” In other words, a soft, gentle image, as compared to the ’183 Patent, which is “robust and durable”, conveying the visual effect of a “formed body and sole with some solidity” and a “body distinct from the sole.” The only similarity, according to the district court, is that both slippers have protruding “fluff,” and that is not enough.

In its decision, the district court made it no secret that it believes the ’183 patent should never have been granted, stating at one point, “for reasons the Court frankly cannot fathom, the Patent and Trademark Office (“PTO”) granted the application and issued the ’183 Patent for said slipper” and again, “How and why the ’183 Patent ever issued in the first instance given its lack of novelty is known only to the PTO.”

Buyer’s Direct has appealed to the Federal Circuit, which remains pending. The battle of the fuzzy slippers will once again be heard.

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