2016-2497

United States Court of Appeals for the Federal Circuit

CONVERSE, INC.,

Appellant,

v.

INTERNATIONAL TRADE COMMISSION,

Appellee,

SKECHERS U.S.A., INC., WAL-MART STORES, INC.,
NEW BALANCE ATHLETICS, INC., fka New Balance Athletic Shoe, Inc.,
HU LIQUIDATION, LLC, fka Highline United LLC,

Intervenors.

Appeal from the United States International Trade Commission in Investigation No. 337-TA-936.

BRIEF OF 11 LAW PROFESSORS AS *AMICI CURIAE* IN SUPPORT OF APPELLANT

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February 3, 2017

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT
Converse, Inc. v. ITC, No. 2016-2497

CERTIFICATE OF INTEREST

Pursuant to Federal Circuit Rules 28(a)(1) and 47.4(a), counsel for *amici curiae* state the following:

1. The full name of every party or amicus represented by us is:

   Law Professors - See Appendix A

2. The names of the real party in interest represented by us is:

   Not applicable

3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the party or amicus curiae represented by me are:

   Not applicable

4. The names of all law firms and the partners or associates that appeared for the party or amici now represented by me in the trial court or agency or are expected to appear in this court are:

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INTEREST OF *AMICI CURIAE*[1]

The *amici curiae* are law professors who teach and write in intellectual property law, in trademark law, or both. As intellectual property scholars, they are concerned that trademark law properly promotes and secures legal protection for owners of trade dress and of the valuable goodwill created in their designs. They have no stake in the parties or in the outcome of the case. The names and affiliations of the members of the *amici* are set forth in the Appendix below.

[1] No party's counsel authored this brief in whole or part; no party or party's counsel contributed money intended to fund preparing or submitting the brief. Fed. R. App. P. 29(c)(5). The Center for the Protection of Intellectual Property, an academic center at the Antonin Scalia Law School at George Mason University, paid for the printing and filing fees. *Amici* are filing a Motion for Leave to File contemporaneously with this brief.

SUMMARY OF ARGUMENT

This case deals with one of the most iconic, long-lived brands in the footwear industry: the Chuck Taylor athletic shoe. As one of the first massively successful athletic shoe products—selling hundreds of millions of pairs over the past 80 years—the name and design of these athletic shoes is an exemplar of the successful commercial goodwill that trademark law is intended to promote and secure to innovative commercial enterprises like Converse. Unfortunately, the International Trade Commission (Commission) chose to ignore the fundamental importance of investment in goodwill—to trademark law generally and to the establishment of secondary meaning specifically.

The appellant addresses the numerous doctrinal and factual infirmities with the Commission's decision, and thus *amici* offer an additional legal and policy insight into this case that is necessary to understand the full scope of the Commission's error: the Commission contradicted a fundamental precept of modern trademark law that it secures the valuable goodwill created by companies like Converse through their productive labors in creating, manufacturing and marketing iconic, famous products like the Chuck Taylor athletic shoes. *See Qualitex v Jacobson*, 514 U.S. 159, 163-64 (1995) ("The law thereby encourages the production of quality products, and simultaneously discourages those who hope to sell inferior products by capitalizing on a consumer's inability quickly to evaluate the quality of an item offered for sale.”).

In addition to protecting consumers from significant costs and other harms imposed on them by commercial pirates, it is a longstanding, fundamental policy in trademark law to secure the valuable goodwill created by innovative commercial enterprises in selling products in the marketplace. *See, e.g.*, *Partridge v. Menck*, 5 N.Y. Ch. Ann. 572, 574 (1847) (stating a trademark owner “is entitled to protection against any other person who attempts to pirate upon [its] goodwill”). Courts recognize these two key, mutually reinforcing policies in trademark law—securing goodwill and protecting consumers—as two sides of the same coin. *See Groenveld Transport Efficiency v Lubecore Intern., Inc.*, 730 F.3d 494, 512 (6th Cir. 2013) (“Trademark law’s likelihood-of-confusion requirement . . . incentivizes manufacturers to create robust brand recognition by consistently offering good products and good services, which results in more consumer satisfaction. That is the virtuous cycle envisioned by trademark law, including its trade-dress branch.”). These two policies necessarily work together to ensure that trademark law functions properly.

In this case, the Commission disregarded the dual policies that animate trademark law by focusing solely on consumer issues while denying Converse its justly earned legal protection for its long-established and valuable goodwill. Thus, *amici* believe that the Commission's decision should be reversed solely on the grounds of this contradiction of fundamental trademark policy. This is a case in which commercial pirates have undoubtedly "tread closely on the heels of [a] very successful trademark," and thus are within the "long shadow which competitors must avoid" that is cast by Converse's valuable goodwill in its famous mark—the Chuck Taylor athletic shoe design. *Kenner Parker Toys Inc. v. Rose Art Industries, Inc.*, 963 F2d 350, 353-54 (Fed. Cir. 1992) (quotations and citations omitted).

ARGUMENT

I. Trademark Law Unites the Interests of Consumers and Producers by Securing the Valuable Goodwill Embodied in Trademarks and Trade Dress

The central importance of protecting the goodwill developed by a trademark owner, as embodied in a trademark, trade dress, or other form of trade identity, has long been axiomatic to American trademark law. *See, e.g.*, *Hannover Star Milling Co. v. Metcalf*, 240 U.S. 403, 412 (1916) ("Courts afford redress or relief upon the ground that a party has a valuable interest in the good will of his trade or business, and in the trademark adopted to maintain and extend it."): *United Drug Co. v. Rectanus Co.*, 248 U.S. 90, 97 (1918) ("There is no such thing as property in a trade-mark except as a right appurtenant to an established business or trade in connection with which the mark is employed."); *Sugar Busters L.L.C. v. Brennan*, 177 F.3d 258, 265 (5th Cir. 1999) ("A trademark is merely a symbol of goodwill and it has no independent significance apart from the goodwill it symbolizes."); *Avery & Sons v. Meikle & Co.*, 81 Ky. 73, 86 (1883) ("There is no abstract right in a trade-mark. It is property only when appropriated *and* used to indicate the origin or ownership of an article or goods.").

Although the test for liability for trademark or trade dress infringement is linguistically framed in terms of "likelihood of consumer confusion," it has never been the case that consumer confusion is the sole concern of trademark law. To the contrary, trademark law *both* secures commercial goodwill and prevents consumer confusion. As this court recognized in *Kenner Parker Toys Inc. v. Rose Art Industries, Inc.*, 963 F.2d 350, 353 (Fed. Cir. 1992), "[e]ven in their earliest common law origins, trademarks functioned to benefit both producers who invest their good will and capital in a trademark and consumers who rely on those symbols."

These two functions work in tandem, as the interests of consumers and trademark owners are united by goodwill. Producers' interests thus find their object in goodwill, while consumers' interests are the very subject of goodwill. Producers seek to earn and secure the "custom" or habitual patronage of their customers, while these customers—or, consumers—wish to get the actual product they paid for. The trademark owner seeks to prevent its goodwill from being wrongly diverted by confusion just as consumers wish not to be wrongly diverted from their intended purchase.

Courts often recognize that securing goodwill and protecting consumers are two sides of the same commercial coin, each reinforcing the other. The confidence and certainty that trademarks law provides in the marketplace fosters both consumers' confident patronage of particular products and manufacturers' investment to attract and maintain that patronage. As the Sixth Circuit recently explained:

> Trademark law's likelihood-of-confusion requirement . . . is designed to promote informational integrity in the marketplace. By ensuring that consumers are not confused about what they are buying, trademark law allows them to allocate their capital efficiently to the brands that they find most deserving. This, in turn, incentivizes manufacturers to create robust brand recognition by consistently offering good products and good services, which results in more consumer satisfaction. That is the virtuous cycle envisioned by trademark law, including its trade-dress branch.

Groenveld Transport Efficiency v Lubecore Intern., Inc., 730 F.3d 494, 512-13 (6th Cir. 2013). The Supreme Court set forth another prominent statement of this principle in its 1995 trade dress decision in *Qualitex v. Jacobson*: "The law thereby encourages the production of quality products, and simultaneously discourages those who hope to sell inferior products by capitalizing on a consumer's inability quickly to evaluate the quality of an item offered for sale." *Qualitex v Jacobson*, 514 U.S. 159, 163-64 (1995). Many other courts and commentators have recognized the reciprocal function of the two policies in trademark law—protecting the fruits of a company's productive labors in creating goodwill and protecting consumers from having their patronage diverted to knock-offs and commercial pirates. *See Virgin Enterprises Ltd. v. Nawab*, 335 F.3d 141, 147-48 (2d Cir. 2003); *Union Nat. Bank of Texas, Laredo, Tex. v. Union Nat. Bank of Texas, Austin, Tex.*, 909 F.2d 839, 843-44 (5th Cir. 1990); *James Burrough Ltd. v Sign of the Beefeater, Inc.*, 540 F.2d 266, 274, 276 (7th Cir. 1976); *Restatement (Third) of Unfair Competition* (1995) § 9 cmt c; *McCarthy on Trademarks and Unfair Competition* § 2:2 (4th ed. 2016); William M. Landes & Richard A. Posner, *The Economics of Trademark Law*, 78 Trademark Rep. 267, 271 (1988).

Trademark law's dual function of protecting both consumers' and producers' interests secured in goodwill is just as much a rationale for protecting a product's trade dress as other forms of trade identity. Both *Qualitex* and *Groenveld* were trade dress cases, which is notable if only because trade dress is a somewhat more recent application of the law and policy of trademark jurisprudence. Trade dress protection arose because courts recognized that the packaging or design features of products and services can embody valuable goodwill just as much as a word or image used in a logo, such as Nike's famous Swoosh. *See Nike, Inc. v. Just Did It Enterprises*, 6 F.3d 1225, 1226 (7th Cir. 1993) (holding that the Swoosh design represents valuable goodwill created by Nike through significant investments, resulting in "widespread public recognition and acceptance").

Because trademark law serves both consumers' and producers' interests by protecting the goodwill embodied in a trademark, it is essential that courts and commentators not make the mistake of unmooring the consumer's interest from goodwill and the producer's interest as the Commission did in this case. Trademark law is not a general law of consumer protection, but, rather, it protects only a particular, very important interest of consumers. This court described this fundamental, two-fold policy function of trademark law in 1992 as follows:

> Achieving fame for a mark in a marketplace where countless symbols clamor for public attention often requires a very distinct mark, enormous advertising investments, and a product of lasting value. After earning fame, a mark benefits not only its owner, but the consumers who rely on the symbol to identify the source of a desired product. Both the mark's fame and the consumer's trust in that symbol, however, are subject to exploitation by free riders.

Kenner Parker Toys Inc. v. Rose Art Industries, Inc., 963 F.2d 350, 353-54 (Fed. Cir. 1992). This court further "recognized that a mark's fame creates an incentive for competitors 'to tread closely on the heels of [a] very successful trademark." *Id.* (citation omitted). Thus, it concluded that "the threat to famous marks from free riders" required this court to provide a "strong mark . . . a long shadow which competitors must avoid." *Id.*

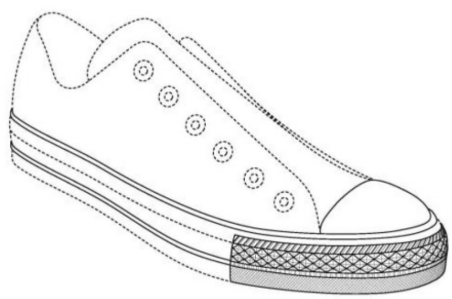
II. The Commission's Assessment of Secondary Meaning Wrongly Disregarded the Immensely Valuable Goodwill that Converse has Created in its Distinctive Trade Dress in its Famous Chuck Taylor Athletic Shoe

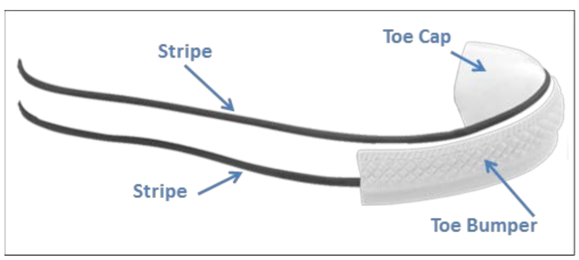
The Commission's decision below regarding secondary meaning undermines trademark law's dual function of protecting consumers' and producers' mutual interest in goodwill. The appellant addresses the many problems with the Commission's statement and application of the relevant doctrine. *Amici* will not retread that ground, except to point out a fundamental policy problem with the Commission's decision in this case and as precedent in future cases: Its assessment of the factors that serve as evidence for secondary meaning wrongly downplays the importance of the investment Converse made in building goodwill in its famous trade dress for the Chuck Taylor athletic shoe. By focusing solely on two factors—survey evidence and the fact that consumers have encountered knock-offs in the marketplace—the Commission would cut secondary meaning off from its roots in goodwill.

This court's *Kenner Parker Toys* decision justifying robust legal protection for significant, valuable goodwill represented in a "strong mark" is highly relevant and directly controlling precedent in this case. *Id.* Converse has established very strong goodwill in its famous trade dress in the Chuck Taylor athletic shoe. As a result, there are now many Johnny-come-lately competitors seeking to do more than just “tread closely on the heels of [this] very successful trademark,” *id.*, they are directly copying Converse’s famous athletic shoe in order to pirate this goodwill.

This court will rarely ever encounter goodwill as valuable, well established, and firmly associated with an item of trade dress as the goodwill embodied in the famous trade dress of the Chuck Taylor athletic shoe. The portion of the Chuck Taylor athletic shoe at issue in this case is known formally as the “Converse Dress Midsole Trade” (CMT):

Converse Midsole Trade Dress (“CMT”)





The valuable goodwill represented in this athletic shoe design has been known to every generation that has lived for the past century. The longevity of this venerable intellectual property represents an incalculable investment in creating and sustaining both its goodwill and its value as a business asset. At the same time, this trade dress benefits the public as a sterling symbol of consistent product quality guaranteed by the true source.

The Commission's findings in its Initial Decision confirm the universal renown of the CMT, representing decades of consistent commercial activity creating goodwill in this famous athletic shoe product. Converse has consistently and extensively used the CMT on all of its All Star shoes for more than 80 years (since 1932). ID at 36, 48. The CMT is visible on the shoe at virtually any angle, and it is a constant fixture in all the various styles of All Star shoes. *Id.*

Extensive advertising and marketing efforts over the past 80 years have made the All Star shoes bearing the CMT the best-selling shoe of all time. *Id.* at 49. The CMT is the most prominent and consistent aspect of the shoe. *Id.* Converse has also extensively promoted its All Star shoes featuring the CMT, including in "Basketball Yearbooks" that were published from 1922 to 1983. *Id.* More recently, Converse has marketed the CMT on the Internet and through social media, with its Facebook page receiving 40 million "likes." *Id.* As a result of Converse's extensive commercial and advertising efforts, the CMT is widely associated with Converse and shoes bearing the CMT have enjoyed unprecedented unsolicited publicity, including being worn by athletes, celebrities, and musicians, and being pictured in numerous movies, television shows and print media. *Id.* at 54.

The massive commercial sales over 80 years of the CMT and its widespread recognition as part of American pop culture has solidified its fame. There is no question that Converse's trade dress is better known than the "BVD" mark, which this court deemed in 1988 to be obviously famous based on its "universal notoriety." *B.V.D. Licensing Corp., v. Body Action Design, Inc.*, 846 F.2d 727, 728 (Fed. Cir. 1988) (Rich, J.) ("Courts may take judicial notice of facts of universal notoriety, which need not be proved, and of whatever is generally known within their jurisdictions."). The CMT is equally famous and distinctive as the red color on the soles of women's dress shoes recently held to be a valid and protectable trade dress representing valuable goodwill in *Christian Louboutin S.A. v. Yves Sant Laurent America Holdings, Inc.*, 696 F.3d 206, 226-27 (2d Cir. 2012).

By disregarding Converse's massive and successful investment in creating goodwill embodied in the famous CMT trade dress, the Commission would severely undermine the fundamental dual purposes of trademark law. The assessment of secondary meaning should not be reduced to two factors—cursorily reviewed survey evidence and the presence of knock-offs that a famous brand naturally attracts. Instead, in assessing secondary meaning, this Court should be mindful of trademark law's dual, but united and mutually reinforcing purposes. In a case such as this, a tremendous investment in goodwill, generating vast sales and enduring fame should not be disregarded.

In conclusion, the Supreme Court has consistently emphasized that trademark law has two equally important and fundamental purposes: (1) protect trademark owners, and (2) protect consumers. *See Park 'N Fly, Inc. v. Park and Fly, Inc.*, 469 U.S. 189, 193 (1985); *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 U.S. 844, 854 n.14 (1982). As Congressman Fritz G. Lanham, sponsor of the eponymously named Lanham Act, stated: "The purpose of [the Act] is to protect legitimate business and the consumers of the country." *Two Pesos. Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 781 (1992) (Stevens, J., concurring) (quoting 79th Congress 2d sess, Report No. 1333 (1946) at 3, *reprinted in* 1946 U.S. Code Cong. & Ad. News 1274 (1946)). Thus, the Lanham Act expressly states that its "intent" is both "to protect registered marks" and "to protect persons engaged in . . . commerce." 15 U.S.C. § 1127.

In failing to act in accord with this fundamental premise underlying trademark law and policy, as expressed consistently by courts, Congress, and commentators since the birth of trademark law in the nineteenth century, the Commission erred in failing to provide proper legal protection to the valuable goodwill in the famous trade dress created and maintained in the Chuck Taylor athletic shoe for more than 80 years.

CONCLUSION

Amici urge this Court to reverse the Commission's decision and hold as a matter of law that the CMT is a famous, distinctive trade dress.

Respectfully submitted,

Dated: February 3, 2017

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CERTIFICATE OF SERVICE

I hereby certify that, on this 3d day of February 2017, I filed the foregoing with the Clerk of the United States Court of Appeals for the Federal Circuit via the CM/ECF system, which will send notice of such filing to all registered CM/ECF users.

Dated: February 3, 2017

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CERTIFICATE OF COMPLIANCE

Pursuant to Fed. R. App. P. 32(a)(7)(C), the undersigned hereby certifies that this brief complies with the type-volume limitation of Fed. R. App. P. 29(d), 32(a)(7)(B) and Circuit Rule 32(b).

Exclusive of the exempted portions of the brief, as provided in Fed. R. App. P. 32(a)(7)(B), the brief contains 2,901 words.

The brief has been prepared in proportionally spaced typeface using Microsoft Word 2010 in 14 point Times New Roman font. As permitted by Fed. R. App. P. 32(a)(7)(C), the undersigned has relied upon the word count feature of this word processing system in preparing this certificate.

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