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Counterfeit Corner

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ITC Blocks Converse Chuck Taylor Look-a-Likes for Certain Trademarks

In a wide-ranging investigation before the US International Trade Commission (ITC), Converse asserted four trademarks against 31 respondents in an alleged Chuck Taylor look-a-like industry. After 22 of those respondents settled and five more defaulted, the ITC ruled Converse's diamond patterned sole (*see* Exhibit 1) trademark was indeed infringed, but rejected Converse's cap-toe and sole-stripe trademarks (*see* Exhibit 2) to the iconic shoe. The ITC then issued a sweeping General Exclusion Order (GEO) preventing any competing shoes with the diamond sole from entering the United States. The GEO is the ITC's greatest tool against copycats as it allows an entity to block the import of any and all infringing items at the border, regardless of whether the importer was a named respondent.

Unfortunately for Converse, the GEO is only as powerful as the trademarks behind it. As such, the toe-cap and sole-stripe denial was a victory for the respondents—Wal-Mart, Skechers, New Balance, and Highline United—allowing them to continue importing their accused shoes so long as they do not include Converse's diamond sole. Still, the case demonstrates the ITC's viability as an arena for design and fashion protection, showcasing the versatility and breadth of GEOs. The ITC's ability to intercept all copycats at the border is critical for industries plagued by knock-offs of designer products from watches to handbags, especially when such industries do not know from where exactly the infringing products are coming. While the respondents in this case managed to side-step Converse's toe-cap and mid-sole trademark, the ITC proved it can help guard the multibillion dollar fashion industry—so long as it finds a valid trademark.

The Litigation

Converse filed its Complaint with the ITC against 31 companies in October 2014, asserting infringement of Converse's diamond-sole and signature cap-toe and striped-sole design. Between the start of the investigation and the hearing in August 2015, 22 of the respondents settled and five respondents defaulted, showing how the ITC can aid the fashion industry. Then, by November 2015, just 13 months after Converse filed its initial complaint, Judge Bullock published his initial determination concerning the four remaining respondents, demonstrating the ITC's ability to issue results expeditiously. US District courts average as much as three years from complaint-to-judgment.

Judge Bullock described his determination as a "close call" but ultimately found Converse's diamond-sole, toe-cap and sole-stripe trademarks to be valid and infringed. More impressive was Judge Bullock's recommendation for a GEO, as the ITC has only granted three such orders between 2014 and 2015 out of 46 remedial orders.

Exhibit 1

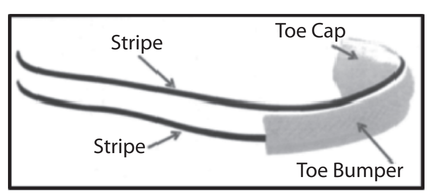
The ITC's Final Determination

Upon review, the ITC upheld Converse's trademarks to the diamond-sole, but reversed and invalidated the trademarks to the sole-stripe and toe-cap, based on a lack of secondary meaning and confusion. The resulting GEO was thus a mixed victory for Converse. While it now allowed the company to exclude products with the trademarked diamond-sole design from being imported into the United States, Converse lost the ability to stop sole-striped and toe-capped look-a-likes. Consequently, design-arounds that avoid the diamond sole but maintain the Chuck Taylor toe-cap and sole-stripe appearance remain a threat to Converse. Converse has indicated it will appeal the decision.

The Power of a General Exclusion Order

A crucial takeaway from the case is the granting of the GEO

Exhibit 2



as it is more sweeping than a Limited Exclusion Order (LEO). A GEO allows an entity to block any imported product with a certain characteristic, whereas an LEO only blocks specifically named entities from importing a specific product. For Converse to obtain such a valuable remedy it had to demonstrate (1) a widespread pattern of unauthorized use, and (2) business conditions which imply other foreign entities would also attempt to infringe or circumnavigate a LEO. Whereas the difference might be negligible for complex components and mechanisms hard to replicate, it is critical for products that are copied easily, such as printed designs or sewing patterns, as they tend to proliferate into the market at much higher rates.

Here, Converse demonstrated an abundance of infringing articles, as well as the difficulties the shoe manufacturer has had identifying the culprits. For these reasons the ITC found the only way to stop the rampant infringement of the Chuck Taylor design was to block any and all articles with the diamond sole from entering the country. As the US footwear industry in 2014 had a market value of $74 billion and an estimated $26 billion of wares crossing the border, Converse stands to save millions even with its limited victory. Remember also that Converse scored early settlements with 21 of the 30 respondents, and default judgments against five others.

Why Designers Should Care

This ruling is significant to the fashion and apparel industry as the ITC has reiterated it is willingness to defend creative designs (*e.g.*, fashion designs) through GEOs. These orders are imperative for industries whose products are easily copied and cheap to reproduce as the infringing entities can easily circumnavigate the standard LEO. By leveraging GEOs, other fashion and design firms from Rolex to Prada, can now follow in Converse's footsteps and seek similar relief, stopping copycats at the border. In essence, the ITC has proven its capacity to help the fashion world and creative industry stand against the $500 billion worldwide counterfeit trade—at least as to knock-offs imported into the United States.

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