

Gucci America, Inc. v. Guess?, Inc. 868 F. Supp. 2d 207 (S.D.N.Y. 2012)

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BACKGROUND

Gucci America, Inc. (“Gucci”) claimed Guess?, Inc. (“Guess”) attempted to “Gucci-fy” their product line by infringing four of Gucci’s trademarks and one trade dress on over one thousand stock keeping units. Gucci alleged that Guess and its licensees intentionally copied the famous Green-Red-Green (“GRG”) Stripe appearing on many Gucci accessories, Gucci’s Repeating GG Pattern set at the corners of the Diamond Motif Trade Dress, the Stylized G often used on the interior of Gucci handbags and the Script Gucci modeled after the signature of founder Guccio Gucci.

Gucci is a high-end Italian luxury goods and fashion brand. Established in 1921, it has since become one of the largest fashion companies in the world with approximately \$1.3 billion in sales between 2004 and 2009. Gucci spends millions of dollars annually on advertising and receives valuable unpaid editorial coverage from the fashion press and celebrity exposure. Gucci considers the marks at issue to be among the “icons” of the brand. The vast majority of Gucci products contain at least one of these marks and Gucci believes that these marks convey the sense of exclusive membership that the brand signifies.

Guess was founded in 1981 and it too has grown into an internationally recognized brand. Guess sells branded apparel and accessories making frequent use of vibrant colors, embellishments and overstated fabric designs. Guess has established itself as a mid-market brand, somewhere below the “haute couture” fashion houses and above the low-end retail discounters.

Guess is a “trend follower,” constantly researching fashion trends and incorporating them into their designs. Its licensees use the trend design materials to create a product that Guess reviews for visual appeal and brand cohesion. However, in 2003 Guess began experimenting with the then popular all-over logo patterns, including a Quattro G Pattern. Guess modeled the look on Gucci’s pattern and fabric swatches, and although several Guess executives noted that the pattern was similar to Gucci’s pattern, the Quattro G Pattern nevertheless became a success and was used for several seasons. In 2008, Guess went beyond trend inspired designs and explicitly asked its licensees to create Guess branded shoes incorporating Gucci’s designs.

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ISSUE

The primary issues addressed by the United States District Court for the Southern District of New York were Gucci's claims against Guess and its licensees for trademark infringement and trademark dilution under New York common law and the federal Lanham Act.

DECISION

The district court found that defendants' use of the GRG Stripe, the Repeating GG Pattern and the Diamond Motif Trade Dress on certain stock keeping units presented a likelihood of confusion and therefore infringed Gucci's trademarks. Furthermore, the court determined that these marks were likely to suffer dilution by blurring due to Guess's products bearing nearly identical designs.

Likewise, Guess's use of the Stylized Square G was held to infringe on Gucci's Stylized G. However, Guess began using the Square G several years before Gucci's Stylized G became famous, thus as a matter of law, the Square G could not dilute Gucci's mark. Similarly, Gucci's claims regarding the Script Guess were dismissed. The court found that the Script Guess was visually dissimilar to the Script Gucci and did not infringe nor dilute the Gucci trademark. Guess and its licensees were directed to pay Gucci all profits from the infringing stock keeping units and Guess was permanently enjoined from using the Quattro G Pattern, the Green-Red-Green Stripe and the Square G marks.

REASONING

All four of Gucci's trademarks at issue had been registered since at least 2006 and were incontestably valid. Likewise, the Diamond Motif Trade Dress was found to possess such strong secondary meaning with consumers and within the fashion industry that it too was entitled to protection.

Having established the enforceability of the trademarks, U.S. District Judge Scheindlin turned to the infringement claim and whether defendants' use of the marks was likely to cause consumer confusion as to the origin of the allegedly infringing goods. Gucci based its infringement claim solely on post-sale confusion. That is, confusion occurring when a consumer purchases an infringing product at a lower-cost knowing that the public is likely to be confused into regarding the infringing product with the same esteem as the genuine product.

As a guide to determining post-sale confusion, Second Circuit courts looks to eight factors set forth in *Polaroid Corp. v. Polarad Electronics Corp.*¹ These factors weigh the strength of plaintiff's mark as measured by its distinctiveness, the similarity of plaintiff's mark and defendant's mark,

1. *Polaroid Corp. v. Polarad Electronics Corp.*, 287 F.2d 492 (2d Cir. 1961).

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the competitive proximity of the products, the direct competition of the two companies, the actual confusion, the defendant's intent to capitalize on this confusion, the quality of defendants products, and the sophistication of casual observers of the products.

The court considered each mark separately when weighing the *Polaroid* factors. However, three factors had the same outcome for each mark. Among those, a factor favoring neither Gucci nor Guess, was the absence of direct competition between the companies. With the exception of the young, aspirational consumer who purchases Gucci's more popularly priced articles, Guess and Gucci do not target the same markets. In Guess' favor, Gucci did not meet its burden of presenting evidence of the sophistication of the observers. Likewise, the quality of Guess's products was sufficiently high so as not to detract from Gucci's reputation in the eyes of the post-sale observer.

Nevertheless, the court found the conduct of Guess and its licensees, in intentionally and in bad faith copying the GRG Stripe, so egregious that a *Polaroid* analysis was unnecessary to conclude that Guess had infringed upon the Gucci mark. Guess also copied, intentionally and in bad faith, the Repeating GG Pattern and Diamond Motif. Due to this conduct, the court presumed actual confusion in the post-sale context. However, this applied only to renderings of the pattern in the brown/beige colorway.

In regards to the Stylized G, no factor weighed in favor of Gucci. No evidence showed that Guess referenced Gucci in developing the Square G. Guess's Square G was not similar to Gucci's Stylized G and Gucci produced no evidence of actual confusion. Nevertheless, the court concluded that the G infringed on Gucci's mark. In contrast, the Script Guess did not infringe because it was not similar to the Script Gucci and caused no confusion.

Once concluding the infringement analysis, the court turned to the discussion of the trademark dilution claims. Dilution, as governed by the federal Lanham Act protects famous marks and places the burden on the plaintiff to prove that the defendant used the allegedly diluting designs in commerce, after plaintiff's designs became famous and that this use was likely to cause dilution of the authentic mark by blurring. Blurring is determined by considering factors such as similarity in the marks, distinctiveness and exclusiveness of the mark, the mark's degree of recognition, intent to create association with the mark, and actual association. After reviewing the marks at issue, the court held that only the defendants' use of the GRG stripe and their creation of the Quattro G Pattern in the brown/beige colorway were likely to cause dilution by blurring.

Gucci's Repeating GG Pattern and the Diamond Trade Dress, as well as the GRG Stripe, were found to be strong, distinct marks of Gucci. Gucci had created a high degree of recognition of these marks through millions of dollars in advertising and billions of dollars in sales. As noted above, Guess and its licensees intentionally copied the Diamond Trade Motif when

designing the Quattro G pattern and were even more blatant in their copying of the GRG Stripe. The court inferred from the intentional copying of these marks that Guess intended to create an association with the marks in the eyes of consumers and in fact did create such an association. After weighing these factors and the substantial similarities in the appearances of the marks, the court concluded that there was a strong threat of dilution by blurring.

Conversely, Gucci's claims with respect to the Square G and the Script Guess failed. The Stylized G was not famous when Guess introduced its own Square G and was therefore not entitled to Lanham Act dilution protection. Similarly, the Script Guess was so visually distinct from the Script Gucci mark that it created a different commercial impression and as such was unlikely to dilute the Gucci mark by blurring.

Having established that Guess and its licensees infringed and diluted certain Gucci trademarks, Judge Scheindlin turned to damages. Gucci sought actual damages in the form of lost profits and harm to the brand, totaling over \$120 million. However, Gucci failed to present anything other than highly speculative calculations of actual damages. Therefore, Scheindlin held that Gucci was entitled to an accounting of the profits that the defendant had made from the infringing products. Accordingly, defendants were directed to pay Gucci all profits made on the infringing stock keeping units; a sum of \$4,613,478. Furthermore, Guess was permanently enjoined from using its Quattro G Pattern, the Green-Red-Green Stripe and the Square G marks.