Vantress Law Group

Case Study

Trademark and Trade-Dress Infringement: Knock-Off Imitation Shoes

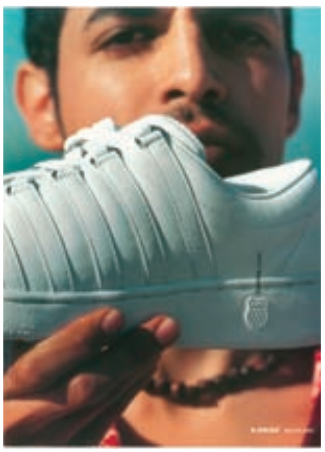
Payless pays K-Swiss $30 million in 2008 settlement agreement and stops copying "Classic" athletic shoe

"Payless failed to understand rights under trade-dress, which could be used to provide protection to the look and feel, and overall product appearance."

– Robert M. Vantress

About K-Swiss

Since 1966, K-Swiss has represented innovation, quality, performance and style. Its signature shoe the Classic, which made its debut at Wimbledon in 1966, was the first leather tennis shoe; and more than 40 years later, is still a style staple both on and off the court. Today, the K-Swiss premium sports heritage has expanded from tennis footwear, to also lifestyle, running, training, nautical, and free-running footwear and has built strong brand with athletes, hip hop, preppies and even soccer moms.



The Classic is a white leather tennis shoe, often worn as a casual shoe, and is known for its five subtle stripes, silver d-shaped shoelace rings and toe box design. It has consistently been the company's most popular shoe and the basis for the majority of the company's product line.

The Problem

K-Swiss has strong consumer recognition and identity largely because of its trademarks and trade-dress for its line of shoes. The Classic is protected by two registered trademarks for the toe box design of two side-by-side rectangular stitched pattern, and five diagonal stripes on each side of the shoes.

Over a three-year period beginning in 2002, Payless Shoe Source, Inc. sold many shoes that copied the Classic trade-dress (look and feel), in eight styles, and they did not stop even after the lawsuit began. Payless painstakingly copied the Classic brand with the intent to confuse the consumer but made certain differences that are hard to identify that it hoped could be used to differentiate the shoe if a dispute arose, such as only four stripes, detaching the d-rings from the stripes, and adding flair in part of the toe box stitching design. The differences were subtle enough that people were likely to believe that the Payless was a licensed reseller for K-Swiss.

"Payless claimed innocence stating that no patents or copyright had been infringed and that K-Swiss was trying to obtain protection for the features which could not be legally protected," said Robert M. Vantress, co-counsel for K-Swiss. "But Payless failed to understand rights under trade-dress, which could be used to provide protection to the look and feel, and overall product appearance."

Payless was in breach of a prior settlement agreement between the plaintiff and defendant. This was the third time in two decades that Payless was caught knocking off K-Swiss shoes and it was obvious that Payless followed the same strategy with other shoe companies. K-Swiss argued in public filings that the Payless business model appeared from the evidence to be dependent upon copying other manufacturer's shoes, aggressively litigating any claim of infringement and then settling the case on the eve of the trial for a lesser amount, so that it still profited from its actions.

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"Rob Vantress is a top-drawer litigator; I have never seen anyone take a better deposition. He has tried more cases than most litigators, so his trial light is always on as he evaluates and re-evaluates evidence and builds the trial in his head. Ironically, this is precisely the kind of thinking that brings to settlement those cases that should never go to trial. I don't think I have ever worked with anyone who can outwork Rob or who has ever been better prepared for a hearing, a deposition, or trial. His experience and skills were critical to K-Swiss in our long trademark and trade dress litigation against Payless ShoeSource and our very successful settlement of that case."

– Lee Green, General Counsel at K-Swiss

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"The law protects the owner of trademarks and trade-dress when an appreciable number of people are likely to be confused by the defendant's product or packaging."

– Robert M. Vantress

The Solution

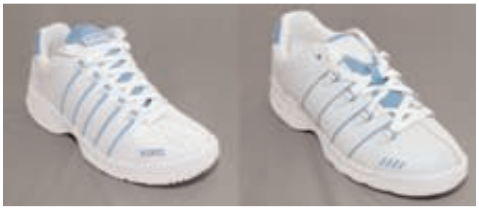
Because the corporate identity was closely tied to the Classic look and feel, K-Swiss could not afford to allow anyone to take advantage of its reputation in the marketplace. Furthermore, if K-Swiss was perceived as allowing Payless to sell the knock-offs, other infringers will quickly follow suit and K-Swiss would lose its cache with consumers.

During investigation and discovery, Mr. Vantress:

- Took the key depositions of Payless' witnesses, including the deposition of the Payless former Chairman and CEO, who declared that Payless does not "copy" shoes.
- Obtained Payless evidence that store sales personnel tell customers that the knock-offs are just like K-Swiss shoes.
- Oversaw the intent and damages issues in the case and gathered evidence to support a theory of damage in which consumers complained that the knock-offs hurt their feet and were not durable; leather cracked, soles gaped, loops tore and fabric shredded so that K-Swiss argued that the poor quality imitations were likely to cause confusion in a damaging way which had to be stopped.

Trademark is a word, name, symbol, or device, or a combination of them, that indicates the source of goods.

"As the Goliath in this industry, Payless figured they could get away with it by gambling that small companies would not be able to afford the cost of litigation and the lengthy process of going to trial," noted Mr. Vantress. "Payless wanted customers to believe that it sells nationally branded shoes and used K-Swiss' Classic's overall design and style in addition to other brands."



Can you tell which is the K-Swiss shoe and which is the copy?"

The Results

"K-Swiss was founded by two brothers who built the Classic style around one distinctive look and it has appealed to consumers for more than 40 years," said Vantress. "Payless, with 5,000 stores, thought it could get away with a predatory strategy of infringing on the brand of small manufacturers and then settling with little more than a hand slap."

The primary issue in the case was whether Payless' conduct was likely to cause confusion, whether it was intentional or willful infringement, what the amount of appropriate damages and other relief should be, and whether Payless had the right to sell what it claimed were "generic" low-cost imitations because consumers could tell the difference and wanted lower cost alternatives to the genuine brand.

Trade-dress is a product's total image and overall appearance, and may include features such as size, shape, color, color combinations, texture or graphics

In the summer of 2008, K-Swiss' legal team was ready to prove before a jury that Payless infringed on K-Swiss's Trade Dress by repeatedly knocking off K-Swiss's Classic model athletic shoe and family of shoes.

The $30 million settlement in 2008, which represented 10% of the K-Swiss annual revenue stream, compensated K-Swiss for the profits that Payless realized from the copycats. Most importantly, Payless is prevented by judicial order from selling a shoe that too closely resembles the Classic product family look and feel.

"Payless intentionally copied my client's shoes and the knock-offs caused consumer confusion," said Mr. Vantress. "The law protects the owner of trademarks and trade-dress when an appreciable number of people are likely to be confused by the defendant's product or packaging."

About Robert M. Vantress

Robert Vantress has 27 years of intellectual property and complex commercial litigation experience. After leaving Baker & McKenzie in 1994, he co-founded Silicon Valley Law Group in 1994. In 2004 and 2005, he was selected as one of Northern California's Super Lawyers, by *San Francisco Magazine* and *Law & Politics Media,* based on the top 3% of lawyers based on a peer rated survey. Vantress has tried numerous commercial cases in federal and state court and arbitration tribunals, is admitted to practice before all California state and federal trial and appellate courts, and regularly practices before private forums such as JAMs and the American Arbitration Association.

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