



Trademark Infringement Only When Customer Confusion is Not Beneficial

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On March 29, 2021, Nike sought a temporary restraining order and preliminary injunction against MSCHF, an art collective that collaborated with rapper, Lil Nas X, to create a pair of sneakers labeled as “Satan Shoes.” Nike filed a complaint alleging trademark infringement in violation of 15 U.S.C. 1114, false designation of origin/unfair competition in violation of 15 U.S.C. 1125(a), trademark dilution in violation of 15 USC 1125, and common law trademark infringement and unfair competition.

MSCHF customized a Nike Air Max 97 shoe by adding red ink and a drop of human blood to the midsole, red embroidered stitching of the Bible passage Luke 10:18, a bronze pentagram to the laces, and a new sock liner. MSCHF produced 666 pairs of the shoes priced at \$1,018 each. The shoes sold out in under a minute. Nike quickly released a statement in response that it did not authorize the release of these shoes and did not endorse them after several individuals voiced their disapproval. Nike claimed that this unauthorized use is likely to cause consumer confusion and the belief that it endorses Satanism.

However, in 2019, MSCHF created and released the “Jesus Shoes”, which also were a customization of another Nike Air Max 97. The Jesus Shoes brought Nike press and customers as various celebrities purchased and advertised the shoe, and it was the most Googled shoe of 2019. Despite all of this attention Nike never released a statement denying its endorsement or commenced a lawsuit for trademark infringement. Therefore, the consumer confusion caused by a negative perception was the main motivator in commencing this action against MSCHF with respect to the Satan Shoes.

On April 2, 2021, Judge Komitee of the United States District Court for the Eastern District of New York, granted Nike’s request for a temporary restraining order against MSCHF. The parties eventually settled, in which MSCHF issued a voluntary recall for the Satan Shoes to buy them back for their original retail price in order to remove the shoes out of circulation.

In the event that this lawsuit proceeded, it is likely that MSCHF would have defended its “Satan Shoes” under the First Sale doctrine. The sneaker reselling industry, which is at an all-time high, has benefited from the First Sale doctrine. The First Sale Doctrine allows the resale of items bearing a trademark after the trademark owner has sold those items. Therefore, under this doctrine, a person can buy an item protected by intellectual property laws and resell it without violating the Lanham Act, despite not having consent.

There are two exceptions to the First Sale Doctrine: (1) quality control, and (2) material difference. The quality control exception applies if goods do not conform to the trademark holder’s quality control standards. The material difference exception applies if the goods differ in a way that would likely be relevant to a consumer’s decision to purchase them. Thus, it is likely that Nike would have argued the material difference exception in opposition to the first sale doctrine as it alleges MSCHF made material alterations to its sneakers. The alterations that MSCHF made certainly influenced the consumer’s decision to purchase the “Satan Shoes” as they were priced at \$1,018, while the retail price for the Nike Air Max 97 is \$170. Therefore, it is improbable that MSCHF would have succeeded with a First Sale defense.

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If Nike's case against MSCHF did not settle, a final decision on the merits could have had tremendous precedential impact on those who customize and upcycle branded clothes and shoes. With reselling, including customized and upcycled items, at an all-time high, Judge Kimotee's temporary restraining order in favor of Nike still gives Nike and other similar high sought out after brands the grounds to actively seek out creatives who have customized their items and allege trademark infringement violations. The risk of legal action may prevent creatives from customizing items, which in turn could destroy this market. However, the customization market has proven to be beneficial for Nike in other instances, such as with the "Jesus Shoes." As we see here with MSCHF, the negative perception of items promoting Satanism fueled Nike to take legal action. Therefore, the lesson for creatives is: as long as the customized item promotes "good" press, it is less likely that Nike will take action against creatives in the customization market, which obviously cuts against freedom of expression. It will be interesting to see if anyone is willing to take on this challenge.

The attorneys in RMF's Intellectual Property & Technology practice group have the unique expertise of representing trademark holders in trademark and patent infringement litigation and in proceedings before the Trademark Trial and Appeal Board, as well as defending those alleged of trademark and patent infringement. Additionally, our practice group has expertise in prosecuting trademark applications in the U.S. Patent and Trademark Office on behalf of foreign and domestic clients. Our dual-perspective of prosecuting and defending clients' trademark related issues is invaluable to creatives and small businesses who are in the reselling and customization market.

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