

# Adidas Am., Inc. v. Skechers USA, Inc. 890 F.3d 747 (9th Cir. 2018)

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## BACKGROUND

Appellee Adidas America, Inc. (“Adidas”) is a leading manufacturer of athletic shoes and apparel. Appellant Skechers USA, Inc. (“Skechers”) competes with Adidas in the market for athletic shoes and apparel.

The “Stan Smith” shoe is one of Adidas’ most successful shoes, selling more than 40 million pairs worldwide since its release in 1970.<sup>1</sup> Most of the shoe’s success is due to Adidas’ promotion efforts through social media and targeted advertisements, which earned it the title of “Shoe of the Year” by *Footwear News* in 2014.<sup>2</sup>

Adidas’ popularity is attributed primarily to its “Three-Stripe” mark, which they feature on their products and own federal trademarks registrations for. Products made by Adidas that bear the Three-Stripe mark have generated hundreds of millions of dollars in domestic sales for the company.

Prior trademark litigation between Adidas and Skechers led to an agreement in which Skechers acknowledged that the Three-Stripe mark belonged to Adidas. As part of the agreement, Skechers agreed not to use the mark. However, Adidas has subsequently sued Skechers several times alleging the competitor infringed on Adidas’ Three-Stripe mark.

## PROCEDURAL HISTORY

In September 2015, Adidas filed a lawsuit alleging the Skechers’ Onix shoe infringed on and diluted the unregistered trade dress of Adidas’ Stan Smith shoe. Adidas also alleged that its Three-Stripe trademark was infringed on and diluted by Skechers’ Relaxed Fit Cross Court TR shoe, which allegedly displayed three stripes similar to Adidas’ protected mark.

Adidas moved for a preliminary injunction to prohibit the manufacture and sale of Skechers’ Onix and Cross Court shoes. The district court granted Adidas’ motion, finding that it successfully established a likelihood of success on the merits and that it was likely to suffer irreparable harm without a preliminary injunction on both shoes. Skechers appealed the district court’s decision granting the preliminary injunction to the United States Court of Appeals for the Ninth Circuit.

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1. Adidas Am., Inc. v. Skechers USA, Inc., 890 F.3d 747, 752 (9th Cir. 2018).

2. *Id.*

## ISSUE

The Ninth Circuit considered whether Adidas showed a likelihood of success on its claim against Skechers for infringement and dilution of Adidas' Three-Stripe mark and Stan Smith shoe, and whether Adidas would suffer irreparable harm if Skechers was not prohibited from manufacturing its Onix and Cross Court shoes.

## DECISION

The Ninth Circuit affirmed in part and reversed in part. The court found that Skechers' Onix shoe likely infringed upon and harmed Adidas' Stan Smith trade dress, and affirmed the preliminary injunction regarding the Onix shoe. However, the court found no evidence of irreparable harm to Adidas' Three-Stripe mark and reversed the preliminary injunction as it pertained to the Cross Court shoe.

## REASONING

The court first examined whether Adidas would succeed on its claim that Skechers' Onix shoe infringed on Adidas' unregistered Stan Smith trade dress. In considering infringement of an unregistered trade dress, the court noted Adidas must demonstrate that: (1) the trade dress was nonfunctional; (2) the trade dress acquired secondary meaning; and (3) there was a substantial likelihood of confusion between Adidas' product and Skechers' product.<sup>3</sup> Since Skechers did not dispute the first element, the court only analyzed the latter two elements.

A trade dress acquires secondary meaning when consumers associate the design features to a certain producer. Some factors that are considered when determining secondary meaning are: exclusivity; length of time the trade has been put into use; amount and manner of advertising; amount of sales; and proof of intentional copying.<sup>4</sup> With respect to the Onix shoe, the court found there was evidence to support that Stan Smith acquired a secondary meaning. The Stan Smith trade dress was exclusive to Adidas since its release in the 1970s, and there was a considerable amount of advertising and capital used to promote the shoe. The court further determined that Skechers' copying supported a secondary meaning inference for the Stan Smith shoe. According to the court, Skechers engaged in copying Adidas' trademark by using metadata tags on its website to divert consumers to its Onix shoe webpage anytime they searched "Adidas Stan Smith," which suggested Skechers intentionally copied Adidas' Stan Smith.

The court next considered the likelihood of consumers confusing Adidas as the producer of the Onix, finding that the similarity between the shoes was substantial for a consumer to mistakenly believe that the Onix was affiliated

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3. *Id.* at 754.

4. *Id.*

with Adidas. Both shoes shared a white leather base, a green mustache-shaped heel, angled perforated stripes, and a flat white rubber outsole.<sup>5</sup> Despite the Onix bearing a Skechers' logo, the overall similar impressions between the two shoes were sufficient for a likelihood of consumer confusion.

In determining the likelihood of irreparable harm Stan Smith would suffer without a preliminary injunction, the court found there was enough evidence revealing the release of the Onix shoe damaging the reputation and brand of Stan Smith. Adidas demonstrated that it enjoyed a high degree of recognition for its Stan Smith trade dress, built from years of extensive advertising. The shoe also attracted unsolicited media coverage and praise from several sources that further enhanced its reputation. Additionally, customer surveys showed that twenty percent of consumers thought Adidas was the producer of the Onix. It was clear Adidas created a distinct brand for its Stan Smith shoe meriting "intangible benefits" that warranted protection. It was also clear the Stan Smith trade dress would be damaged if there was no preliminary injunction to prohibit the manufacturing of the Onix shoe.<sup>6</sup>

In a separate analysis, the court considered Adidas' likelihood of success on the merits for a trademark infringement claim regarding Skechers' Cross Court shoe and dilution of Adidas' Three-Stripe mark. To establish trademark infringement, Adidas must show 1) ownership of the protected mark and 2) the likelihood of consumers confusing Adidas as the producer of the Cross Court shoe. Cross Court displays three stripes similar to Adidas' protected mark with a few differences in the appearance. The 9<sup>th</sup> Circuit determined the district court was allowed to discount these differences when analyzing the similarities between the shoes, especially given the close relationship between the goods associated with both marks.

The 9<sup>th</sup> Circuit also agreed with the district court's determination that the Three-Stripe mark was conceptually and commercially strong. Commercially, the extensive advertising and marketplace recognition of the mark's association with Adidas made it strong.<sup>7</sup> Conceptually, the mark had distinctive features that accorded it a greater degree of protection. Additionally, since Skechers had knowledge of Adidas' Three-Stripe mark, there was a stronger presumption that Skechers intended to mislead the public into believing the Cross Court shoe was affiliated with Adidas.

Trademark dilution is the "lessening of capacity of a famous mark to identify and distinguish goods or services" regardless of competition or the likelihood of confusion.<sup>8</sup> The court considers various factors to determine dilution such as the degree of the famous mark's recognition, or the degree of similarity between the mark at issue and the famous mark.<sup>9</sup> Since the Three-Stripe mark enjoyed a high degree of recognition from the public due to its association with Adidas and its products, there was sufficient evidence

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5. *Id*

6. *Id* at 757.

7. *Id* at 758.

8. *Id* at 759.

9. *Id*

to conclude that the Cross Court infringed and diluted the Three-Stripe mark.

Even though the 9<sup>th</sup> Circuit agreed with the district court about Skechers's Cross Court shoe infringing and diluting Adidas' Three-Stripe mark, it found that the district court abused its discretion in issuing the preliminary injunction because Adidas did not show that it would be irreparably harmed. The court determined that there was no evidence that consumers would associate Skechers' lesser-quality products with Adidas and even if consumers were confused about the maker of the Cross Court shoe, the court noted that Adidas failed to provide evidence to show such confusion would cause Adidas irreparable harm.

#### DISSENT: JUDGE CLIFTON

Circuit Judge Clifton concurred in part and dissented in part, finding that the preliminary injunction should be affirmed in full. Specifically, the partial dissent argued that the preliminary injunction should extend to the Cross Court shoe because Adidas would suffer irreparable harm. If consumers associate the lower quality Cross Court shoes with Adidas' famous Three-Stripe mark, Adidas will suffer a loss of sales diverted to Skechers. Additionally, the value of Adidas' mark, as well as the company's efforts to invest in the mark and control the quality of its products, supported a finding of irreparable harm to Adidas.