

LEGAL

## Of customizers and counterfeits: How genuine customized Nike sneakers can become counterfeits

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The artist Lil Nas X and the art collective MSCHF created a stir this past winter when they released a pair of "Satan Shoes" to promote the singer's new song.

Though the shoes infamously claimed to contain a drop of human blood, the real controversy surrounded a trademark infringement lawsuit initiated by Nike.

The shoes, an alteration of Nike's Air Max 97 sneakers, were made without Nike's approval or authorization. Though the shoes started out in life as genuine Nike sneakers, they are now claimed to have been transformed into counterfeit goods.

Usually a counterfeit good is an item made by somebody not authorized by the trademark owner which bears an identical or virtually identical copy of the trademark owner's mark on it. But this definition is not exhaustive.

Authentic goods, too, can turn into counterfeits as a matter of law, depending on how extensively they are altered.

Once a product has been altered substantially enough by customizers, the item is no longer the product of the original manufacturer. Replace enough components of a Nike sneaker and it ceases to become a genuine Nike product. Nike, after all, will have had no control over the creation and design of this new product.

Obviously, this spells trouble for companies like Nike which will be blamed for poor craftsmanship, unappealing design, or other issues that generate controversy.

This is precisely what happened with the Satan Shoes.

Almost immediately after these shoes which prominently displayed Nike's famous Swoosh design were released, Nike began receiving a slew of criticism from consumers who were horrified to learn Nike was supposedly endorsing satanism. Some even threatened never to patronize Nike again.

Though the Lil Nas X lawsuit settled, it is far from the only action Nike has taken this year against so-called "customizers."

More recently, Nike filed suit against two companies, Drip Creationz and KickRich in the federal courts sitting in Los Angeles and Portland, OR, respectively.

According to the complaint, these companies altered genuine Nike and Converse shoes to such a degree that they can no longer be meaningfully considered Nike or Converse shoes. Instead, Nike says they are new products over which Nike and Converse exercise no control.

Further, Nike alleged that Drip Creationz often used knockoff Nike shoes for its customization, despite claims that the shoes are "100% authentic."

While these cases are far from being decided, they help lay out how formerly authentic products can be transformed into knockoffs. They further present an opportunity for courts to weigh in on an important issue for luxury goods and fashion companies. After all, alterations by third parties to luxury goods can well be harmful to brands.

If the cases make it to a jury they could provide additional guidance to brand owners as to the legal recourse that may be available to them to stop customizers from altering their products and reselling them under the brand owner's marks.

#### Background: The *Drip Creationz* and *KickRich* Cases and post-sale confusion

Though the shoes at issue in both the *Drip Creationz* and *KickRich* cases still bear the Nike and Converse logos and use pieces from the original shoes they are not genuine Nike or Converse shoes, or so the footwear companies claim.

According to the complaint, Drip Creationz and KickRich create customized sneakers that combine genuine or purportedly genuine Nike or Converse shoe soles with an upper portion that is entirely the creation of these customization companies.

Some of the customized shoe designs sold by Drip Creationz and KickRich incorporate other brands, thereby falsely affiliating Nike with other companies.

One shoe by KickRich, for example, falsely affiliates Nike with Amazon by applying Amazon Prime marks in various places on the shoe, including next to Nike's iconic Swoosh design.

As Nike sees it, such unauthorized shoes "cause and are likely to cause confusion, mistake, and/or create an erroneous association as to the source, origin, affiliation, and/or sponsorship of the products."

In Nike's eyes, customizers like these two defendants are taking advantage of Nike's and Converse's commercial efforts by building businesses on the backs of these shoe companies' trademarks, and undermining the brands' value in the process.

Nike and Converse have stated that they have no desire to quell the creative expression of those artisans and creatives who seek to redesign the company's shoes. However, these footwear companies do not want customizers building a business on the back of the companies' intellectual property.

Nike and Converse fear that if the customization market is allowed to grow unchecked consumers will have an increasingly difficult time distinguishing between those products approved by Nike and Converse and unaffiliated products.

As the companies warn in their complaint, "eventually no one will know which products Nike and Converse have approved and which they have not."

\* \* \*

A fundamental part of any plaintiff's claim of trademark infringement is a showing of a likelihood of confusion. That is to say, a plaintiff must demonstrate that someone usually a consumer will be confused as to the origin of the product being sold. If, however, there is no confusion, there is no legal claim, even if an exact trademark is used.

Assuming that Drip Creationz and KickRich only "customized" authentic Nike and Converse products, how did they infringe upon Nike's and Converse's trademarks?

After all, assuming that these customizers only used authentic Nike and Converse products, they fully disclosed what

they were doing, never tried to pass off the shoes as entirely their own, but rather as customized versions of what were once totally original Nike and Converse footwear.

Enter the concept of "post-sale confusion." This legal doctrine was frequently used by courts in cases involving cheap counterfeits. A person who buys a \$15 "Louis Vuitton" handbag on a street corner has no reasonable belief that he or she is getting an original. That person is not confused.

But the person buying such a counterfeit handbag could be expected to carry it to impress their friends and people they meet. Those onlookers could well be misled into thinking the item is genuine. And, if the item is of poor workmanship or shoddy appearance, then such onlookers will attribute those qualities to the brand owner, not knowing they are viewing a counterfeit.

The legal doctrine of post-sale confusion also protects against another interest of trademark owners.

Many companies, certainly in the luxury goods field, cultivate an image of exclusivity and affluence which can be impaired when cheap counterfeits flood the market.

If the proverbial "every Tom, Dick and Harry" carries your brand, then upscale customers may well decide they don't want to buy it.

This is further the case with brand-affiliation. One of the key components of Nike's claims against KickRich is that their redesigns involving other brand logos such as the Amazon shoes described above will create confusion that Nike has collaborated with other brands.

According to Nike this likelihood of confusion is particularly pronounced here as Nike often creates limited release and collaboration shoes. Thus, the possibility of people confusing these KickRich creations with genuine Nike collaborations runs especially high.

In short, courts generally recognize the theory of post-sale confusion someone sees the item being worn or carried post-sale and is confused into believing the item is real. That resulting confusion qualifies the use of the mark as constituting trademark infringement.

Are customized shoes genuine goods? The counterfeit question

While the products sold by KickRich and Drip Creationz are (allegedly) made from genuine Nike shoes, Nike's position is that they are unauthorized and illegal knockoffs.

To understand why this well might be the case it is necessary to consider some legal history.

Back in 1947, the Supreme Court considered a case involving the resale of refurbished CHAMPION sparkplugs. Champion objected, not wanting its mark used on products it did not make and did not have a hand in refurbishing.

The Supreme Court, however, rejected Champion's complaint. As long as it was made clear, according to the Court, to the buyer that the items were refurbished which meant it had to be stamped right on the spark plug then there was no reason why the refurbisher could not legally resell the product.

This, however, was not the end of the story. The court went on to add that, "[c]ases may be imagined where the reconditioning or repair would be so extensive or so basic that it would be a misnomer to call the article by its original name, even though the words used' or repaired' were added."

It did not take long for such imagined cases to be litigated.

Beginning in 1964, courts began to recognize that with regard to watches, certain components a case, a dial, a bezel, a strap were so basic to its function, replacing them with a non-genuine part rendered the whole watch inauthentic. And, because the watch still bears the exact same trademark, it becomes, legally, a counterfeit.

In the 1964 *Bulova* watch case, the court of appeals sitting in Chicago said that a defendant who put a new casing on a Bulova watch was precluded from using the BULOVA mark on that watch.

According to the court, the watch case is a "necessary and integral" part of a complete watch. Thus, the substitution of one case for another results in an entirely different product.

In short, when a customizer does not just restore a product, but creates an entirely new design, the product has been transformed and the original trademark can no longer be used on the new product.

When parts that are "necessary and integral" to a product are changed, no matter how basic or extensive such

changes may be, as a matter of law, a different product results.

While there have been no decided cases regarding refurbished shoes, the principle remains the same. It could be argued that just as changing the case or dial on a watch may so fundamentally alter it as to make it a misnomer to retain its original brand designation, so too would replacing the tongue or the upper portion of a shoe create a legally similar change.

After all, just as the case of a watch is a "necessary and integral" part of the complete watch, so, too, is a sneaker's tongue and upper portion a "necessary and integral" part of the shoe.

In this way, Drip Creationz' and KickRich's products can be viewed as counterfeits comparable to the illegitimate Bulova watches. The shoes used by these customizers have been deconstructed and part of the material of the shoes has been replaced.

Take KickRich's Amazon shoe, for instance.

These shoes start off with a base pair of Air Jordan 1 shoes and are then altered with "full custom leather lined tongues made from Amazon Prime bubble mailer packaging," along with metal eyelets that are added to the eye-stays. Amazon's logo and other materials are painted on the side of the shoes. The result is arguably a materially altered shoe that has never been authorized by Nike.

All this said, a case concerning redesigned shoes has never been ruled upon by a judge. It remains to be seen just how courts will handle a redesign case when the product at issue are sneakers, and whether or not they will consider Drip Creationz and KickRich to be counterfeiters.

IT IS NOT just Nike that should be concerned by the outcome of these cases. Other fashion brands should keep a close eye as these cases progress. After all, a favorable outcome for Nike could make it easier for other luxury and fashion brands seeking to keep control over their image to go after customizers.

Keeping abreast of the developments in these cases will allow luxury brand owners to be aware of legal recourse that may be available to them to stop customizers and others from altering their products and reselling them under their marks.

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