Department of: Business and Management

Chair of: Markets, Regulations and Law

The Luxury Counterfeit Market: Trademark Protection in the Online Ecosystem

Prof. Giuseppe Colangelo

Supervisor

Prof. Andrea Parziale
Prof. Ivan Coste-Manière

Co-Supervisor

Ludovica Cammarone
731861

Candidate

Academic Year: 2021-2022

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INTRODUCTION

Fashion meets people's fundamental needs, both physical and emotional. In combination with luxury, it allows customers to feel protected but also to express their identities and personalities. The size and scope of the world's fashion industry have increased dramatically since the turn of the 20th century to reach their current size. Today, the fashion business plays a huge role in the world economy. A robust economy has supported the luxury fashion industry by enticing consumers to spend more money. Luxury fashion companies in the US have expanded their global sales and sourcing strategies at the same time. Retailers from the US and Europe are increasingly attempting to attract customers from across the Atlantic. Luxury brands in the US are more and more dependent on China for their manufacturing requirements, putting them at risk of suffering losses if a trade war breaks out. Indeed, the fear of tariffs on Chinese imports is forcing fashion businesses relying on Chinese manufacturing to think about shifting their production elsewhere.

The way people approach luxury fashion has undergone a significant transition, especially in the last ten years. Online shopping, whether done on a computer, tablet, or mobile application, has gradually replaced the conventional brick-and-mortar retail experience (Bernstein, 2020). This includes buying products, that customers formerly wanted to touch and try on before purchasing, based purely on online photographs and descriptions. As a result, online-only businesses like Amazon and ASOS are putting pressure on department stores and main street merchants. Accordingly, the market for luxury products is expanding in a tremendous rapid way.

The luxury industry is an odd one. It is governed by laws that are rarely applicable to other commercial fields. The market for luxury goods is in fact tightly entwined with the protection of the trademark, a preference for the selective system of distribution, and a strong defense of the brand's commercial identity. In fact, when it comes to defining and understanding the specificities of this domain, all the streams flow in the same direction. As a result, the free-market competition may become severely constrained, causing every attempt to invade the brand's domain to be vigorously opposed with the ultimate goal of defending the rights that luxury enterprises have tenaciously established.

Although luxury industry is listed among the most popular and profitable industries, its Intellectual Property protection represents one of the main issues regarding world Trademark law. More specifically, the lack of protection characterizing luxury and fashion original work usually leads to a great exposure of decreasing power in protecting efficiently trademarks.

Therefore, consumption of counterfeit luxury goods has been a long-standing and intractable problem (Green, 2002). Such unqualified goods may lead the luxury market into a mess and negatively affect the prestige of luxury brand, violate intellectual property rights, and offend the development of innovation (Zaichkowsky, 2000). Relatively, industries have made incredible efforts trying to cut counterfeiting. The potential financial losses, intangible and tangible business resources, legal fees, and reputational damage make fashion businesses constantly aware of the need to outperform rivals. This is done through continuous innovation, operational efficiency, and brand enhancement, which is then translated into trademark protection applications. This explains why trademark applications by businesses and innovation levels are correlated: innovative businesses file more trademark applications than copycat businesses (Kapferer, 2010). Counterfeit is therefore an incredible issue that must be regulated, mainly using Trademark Law.

The main purpose of the below study is to explain how the counterfeit issue is related to the luxury market.

For this scope, the first chapter is going to provide a clear definition of the counterfeit market, mainly by comparing theorical background with actual worldwide data. Therefore, an academic description is provided. It starts with an explanation of what the counterfeit market is, giving a deep focus on the its variety of features. Then it goes further into the luxury market. It is firstly theoretically pictured and secondly differences among consumer’s attitudes are described. Giving the fact that customers have different purchasing habits, this first paragraph explains their willingness to buy counterfeit products, which varies according to different environment. Many scholars found that the main transmission channel of fake goods is through online platforms, which leads the reader to the last paragraph of the chapter. In order to provide a deeper understanding, a real lawsuit against an alleged online counterfeiter is provided: Facebook, Inc., and Gucci America, Inc. v. Natalia Kokthenko.

In Chapter 2 the study goes more in dept. A clear definition of the trademark law is presented, with its main types of violation. These are blurring, tarnishment and free riding, as well as the problem of double identity. Later, through the use of the before studied law, its application in the luxury market is presented. Colors play a crucial role in the management of brand marketing in the luxury trademark protection framework. Luxury designers heavily rely on the development of color-related secondary associations in consumers' minds to the point where their productions are branded by the relevant audience as the most appealing items. The development of every fashion line revolves around a color theme, thus color marks are essential for luxury and fashion designers. On the other hand, the fact that premium designers base their ideas on color predictions puts them in danger of being accused of infringing on color trademarks. Accordingly, the main case study of the thesis is presented: the Louboutin v. YSL case. In this sense, Louboutin's "Red Sole Mark" stands as the most illustrative example of color protection because nearly every woman in the world associates the color red with Louboutin. Since Christian Louboutin's red-sole high-heeled shoes were so popular, there have been ongoing trademark disputes over the last 20 years that have had a significant impact on both the European and American judicial systems. Despite trademark infringement, the fair use of trademark is another important topic in need of attention. Hence, the chapter continues analyzing whether the fair use of logos can be defended, both in the U.S. and the E.U. Lastly, the chapter terminates with a deep focus on the parody fair use defense, with the advocacy of the Louis Vuitton Malletier v. My Other Bag case.

Lastly, the thesis approaches the topic of the trademark protection in the online distribution. Accordingly, the DSA is presented. It is a new regulation on digital services providing them with a group of obligations trying to avoid illegal content. Therefore, an important topic is analyzed: trademark infringement versus secondary liability. The latter brings to the case study Louboutin v. Amazon.

1 ECONOMY OF COUNTERFEITING

1.1 THE LUXURY COUNTERFEIT MARKET

Product counterfeiting is a definite and clear form of consumer fraud. Hence, a product is produced and then sold, purporting to be something that it is not. The counterfeit trade has grown at an exponential rate over the years, posing a threat to global corporations and national economies (Santos and Ribeiro, 2006). Counterfeiting is widely recognized as an illegal and unethical conduct that involves illegally duplicating an artistic or literary work, as well as an industrial product, without the permission of the original author or inventor (de Matos et al., 2007). The distinctive feature is that counterfeit items are typically sold at a much lower price with a lower quality. Accordingly, those goods aren't just limited to high-end items with symbolic worth; they're also found in everyday items like personal care products, health supplements, and foods.

Counterfeiting is frequently depicted as a form of intellectual property theft, and it receives little sympathy when viewed through this lens. Many otherwise law-abiding consumers have no qualms about purchasing a knock-off designer item. Though many individuals are aware that a loss of income diminishes the incentives for innovation, the impact appears to be too remote and the victims too wealthy for many people to think about it.

Therefore, counterfeiting can be defined as the crime involving the theft of someone’s trademark. Thus, a fake item is a product that uses someone else’s trademark, obviously without their consent.

Defining what is a counterfeit market, and how it operates, has struggled many scholars throughout the past decades.

Counterfeiting can be defined as an infringement of the legal rights of a person owning some intellectual properties (OECD, 1998).What is important to underline is the slight difference between the action of counterfeit and the one of piracy. The Agreement on Trade-related Aspects on Intellectual Property Rights, mostly common as the TRIPs Agreement, states counterfeiting and piracy as follows:

- "Counterfeit trademark goods" refers to any products, including packaging, bearing a trademark without authorization that is identical to a trademark that has been lawfully registered in connection with the relevant goods or that cannot be distinguished from such a trademark in its fundamental characteristics, thereby violating the rights of the relevant trademark owner under the laws of the country of importation;

- "Pirated copyright goods" are any products that are copies made without the owner's consent or the consent of a person duly authorized by the owner in the country of production and that are made directly or indirectly from a product whose copying would have violated an owner's copyright or a related right under the law of the country of importation. For the sake of clarity of both scholars and audience, it is consequently more convenient to refer to counterfeiting, piracy, and related issues as a single phrase.

The term "counterfeiting" in English only applies to certain types of trademark infringement. In practice, however, the phrase can be used to describe any product that so closely resembles the appearance of another product that a consumer might believe it is the original one. As a result, it could also involve the unlicensed manufacturing and distribution of a product covered by other intellectual property rights, such as copyright and neighboring rights. This is similar to the German phrase "Produktpiraterie" and the French term "contrefaçon," both of which refer to infringements of intellectual property rights (Clark, 1997).

Accordingly, economists and policymakers have recently recognized that for managing the incredible power of technological change and market globalization, it is important to establish legal institutions. These features are important to promote the benefits of those developments while trying to restrain their excesses (Maskus, 2000). Thus, the main subjects to this challenge are the Intellectual Property Rights. In order to better understand the following discussion, it is important to provide an exhaustive definition of the IPRs.

According to the World Trade Organization, “Intellectual Property Rights are the rights given to persons over the creations of their minds. They usually give the creator an exclusive right over the use of his/her creation for a certain period of time”. IPRs can be divided into two main areas: copyright and rights related to trademark and industrial property. The first category relates all the rights owned by authors of literary and artistic works. These features, according to the legal framework, are protected by copyright for a minimum period of 50 years after the death of the author. Differently, the second one focuses on protecting distinctive signs, such as trademarks and geographical indication. Such distinguishing signals should be protected in order to promote and uphold fair competition, as well as to protect consumers by empowering them to make informed judgments regarding a variety of products and services. The protection might last forever if the symbol continues to be recognizable. The protection of other types of industrial property serves primarily as a catalyst for the advancement of technological design and development. This category includes commercial secrets, industrial designs, and patented inventions. In order to provide an incentive and a way to finance research and development activities, the social goal is to safeguard the results of investments in the creation of new technologies. A well-functioning intellectual property policy should also make it easier to transfer technology through foreign direct investments (FDI), joint ventures, and licensing. Protection is usually granted for a set period of time (typically 20 years in the case of patents). While the basic social objectives of intellectual property protection are outlined above, it should be noted that the exclusive rights granted are generally subject to a number of limitations and exceptions, which are designed to fine-tune the balance that must be struck between the legitimate interests of right holders and users.

Actually, several types of Intellectual Property Rights violations frequently overlap. For example, music piracy frequently infringes on copyright and trademark protection. Fake toys are frequently offered under a different brand, although they violate the toy's design protection. Therefore, Intellectual Property Rights are meant to shield the holders of these rights from their work being falsified and pirated. Counterfeit goods have taken on a major market segment and are continuing to develop, covering new markets and widening existing ones. It is a huge hazard to public health and safety, as well as to the rightful owners and to the entire economy. Even when there is no trademark infringement, the factual concerns that arise and the accompanying legal issues often resemble counterfeiting situations. Correspondingly, both counterfeiting and piracy are terms used to describe a range of illicit activities related to intellectual property rights (IPR) infringement.

Counterfeit goods have established themselves as a significant business segment and are continuing to expand, encompassing new markets and expanding existing ones. It poses a serious threat to public health and safety, as well as the rights of the legitimate owners and the economy as a whole. Accordingly, everyone who has a brand or wishes to preserve its production becomes a likely target of counterfeiters. Thanks to its intricate infrastructure and extensive supply systems, the entire industry exists. It has expanded and reached new heights in numerous industries, supplying infringements worldwide.

Indeed, counterfeiting of luxury goods is a growing worldwide problem, occurring both in developed as well as less developed or developing countries (de Matos et al., 2007; Geiger-Oneto et al., 2013; Yoo and Lee, 2012). Trademark counterfeiting is now considered as the most severe problem faced by many multinational corporations doing business in China, since it has been considered as the world’s largest source of counterfeit products (Chapa et al., 2006). Accordingly, in Fiscal Year 2020, the Department of Homeland Security seized over 26,000 shipments of counterfeit goods valued at over $1.3 billion at U.S. borders. Counterfeit goods trafficking is significantly larger and rising globally and mainly consumer demand contributes to its expansion. Buying and engaging with counterfeit things can not only backfire if you acquire a defective or harmful product, but it can also contribute to human rights violations and organized crime around the world.

To provide more data, it is important to underline that the International AntiCounterfeiting Coalition has reported that the global markets for counterfeit luxury products have surpassed $600bn a year, which accounted for about 5–7% of the annual value of world trade (Zampetakis, 2014).

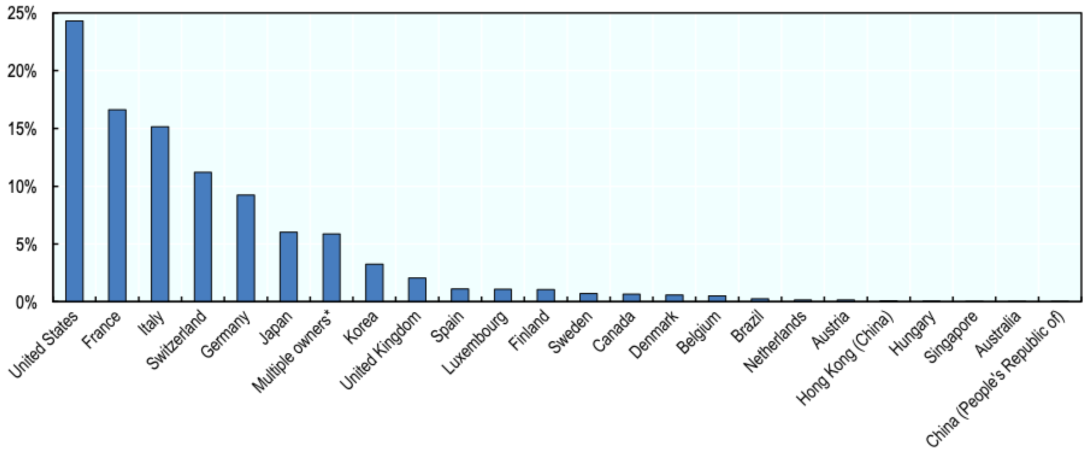
Because there are producers and transit sites, route mapping and locating counterfeit items for the global market is highly complicated. China and its mainland, Hong Kong, are the undisputed leaders in the counterfeit market, accounting for more than 80% of the market for producing and exporting counterfeit goods. However, economies with the potential to produce and transit counterfeit goods, such as India, Malaysia, Pakistan, Thailand, Turkey, and Vietnam, are given special attention. Their market share is substantially lower than China's, but the climate they've established is providing more and more opportunities for future growth. In recent years, the practice of counterfeiting has taken on new dimensions in the economic sector. Counterfeiting today employs the same legal methods, increasing variation and production. Industrial globalization has made it easier to produce counterfeit goods at the manufacturing and distribution levels, putting a wide range of industries around the world in jeopardy.

With the growth of the luxury industry, there has been an increase in luxury product counterfeiting, which is expected to reach USD 1.82 trillion by 2020, which includes all counterfeiting. According to a research conducted by the EUIPO[1] and the OECD in 2019, IPR infringement in international trade accounts for more than 3.3 percent of global trade. Fake goods account for up to 6.8% of EU imports, or USD 147 billion each year. Still focusing on numbers, the principal counterfeit product categories are: footwear (22%), clothing (16%), leather goods (13%), electrical equipment (12%), watches (7%), medical equipment (5%), perfumes and cosmetics (5%), toys (3%), jewelry (2%), pharmaceuticals (2%), other industries (12%). According to the OECD (2019), counterfeiting has reached epidemic proportions in the United States, damaging 24 percent of the country's brands and patents. According to the study,

[1] EUIPO stands for The European Union Intellectual Property Office, which is the European Union Agency responsible for the registration of the European Union trademark and the registered Community design, the two unitary intellectual property rights valid across the 28 Member States of the EU.

counterfeit products account for 2.5 percent of all imported items worldwide and 5% of imports into the European Union.

Picture 1: "Seizures of counterfeit and pirated goods: Top economies of origin of right holders whose IP rights are infringed, 2014-16"



Source: OECD (2019)

As Picture 1 shows, it is evident that the problem of counterfeit is a worldwide issue affecting the most countries. The scenario in Europe is as follows: France has a 17 percent share, Italy has a 15% share, Switzerland has an 11% share, and Germany has a 9% share. Furthermore, industrialized economies such as Singapore and Hong Kong, as well as developing economies such as Brazil and China, are victims of counterfeiting (OECD, 2019). Nevertheless, the United States hold the record for the greatest percentage (25%).

The counterfeit luxury market has grown exponentially within the last decades (Phau and Teah, 2009). Interestingly, some scholars have stated that with the ongoing global commercialization and technological development, for clients is not easy anymore to identify differences between a real and a fake luxury good (Liu et al., 2015).

What is important to underline is that customers' responses toward counterfeit luxury goods are greater for luxury products used in public rather than the ones used for private life (Chapa et al, 2006). This happens mainly because luxury products that are used in public are usually meant to impress others, specifically when the fake product is done so well that it's difficult to tell whether the products are authentic or fake (Kassim et al., 2020).

In the counterfeit sector, there are two types of customers: those who buy infringed goods with the belief that they are genuine, and those who buy counterfeits on purpose. Customers who fall into the first category will almost certainly be treated as duped; their claim will almost certainly be addressed by returning the item and receiving a refund, as customers in OECD nations are legally protected and considered the weaker party (European Parliament and Council, 2004). Consumers in the second category, on the other hand, are fully aware that what they buy is counterfeit, and a refund or other form of compensation may not be considered.

In order to provide a deep understanding of consumers intentions to buy luxury counterfeit goods, it is needed to state the regulatory focus theory.

The regulatory focus theory describes how people engage in self-regulation, which is the process of bringing themselves into alignment with their standards and goals (Higgins, 1997). Specifically, it addresses the motivations that people have in goal pursuit, particularly as those motivations address achievement of end-desired goods (Crowe & Higgins, 1997). Accordingly, there are two types of behavioral pattern, since the theory postulates that goals can be viewed as hopes, aspirations, and ideals, leading to the so-called "promotion-focused goals" or as responsibilities, duties, and obligations, thus "prevention-focused goals" (Higgins, Roney, Crowe, & Hymes, 1994). Therefore, Individuals with a dominant promotion focus tend to seek for gains, whereas those with a dominant prevention focus emphasize on avoiding risks in their decision making (Crowe & Higgins, 1997). For what concerns the main topic of this study, luxury goods, consumers buy counterfeit luxury brands to satisfy social motives (Wilcox, Kim, & Sen, 2009).

Related to functional theory, people with greater tendency towards promotion focus, have a deeper impulse to buy counterfeit luxury goods, since it induces higher social-adjustive function, whereas prevention focus induces higher value-expressive function of attitudes toward luxury goods (Wang et at., 2020). The functional theory of attitudes shows that individuals' salient social goals are attached to their social functions of attitudes, including social-adjustive function and value-expressive function. Social-adjustive function refers to realizing the identification of one's wealth and social status in social interactions by using luxury brands, thus strengthening the purpose of self-presentation, whereas value-expressive function refers to conveying one's own value recognition to others through the profound culture and design concept of luxury brands, thus emphasizing the purpose of self- expression (Wilcox et al., 2009).

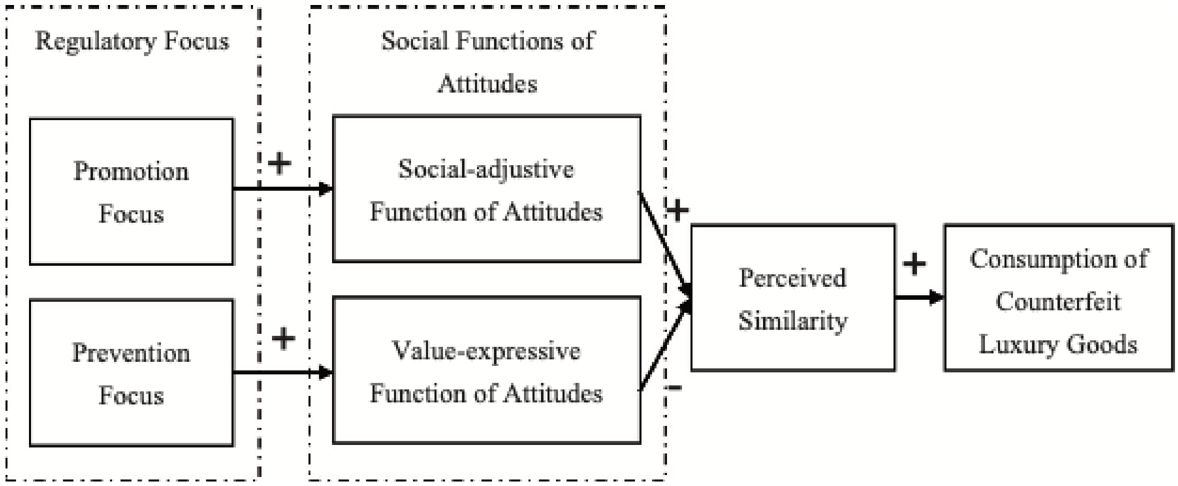
On one hand, increased social-adjustive function enhances perceived similarity between a counterfeit and its authentic counterpart. On the other one, increased value-expressive function decreases this correlation. As a result of the perceived likeness, people are more likely to buy the counterfeit. It is possible to show that contextual factors that emphasize the social-adjustive or value-expressive functions of attitudes might attenuate the impact of regulatory focus on counterfeit luxury goods consumption, thanks to the social functions of attitudes account.

However, when consumers' attitudes toward luxury goods are biased toward value expressive, they care more about appearing well-looking to others through the brand culture and design. Hence, counterfeit luxury goods do not carry the profound cultural and historical background of the brand to convey the intrinsic value of the one who uses it which means that counterfeit luxury goods are perceived to look quite different from the genuine ones because they cannot satisfy the salient goal of self-expression (Shukla & Purani, 2012). Thus, for consumers who are concerned with value-expressive function of luxury goods, counterfeits cannot be used as a substitute for expressing their unique tastes and values and are perceived as more different from genuine luxuries. Further studies keep on demonstrating that counterfeit luxury products and the original ones are positively related to customers' consumptions. In fact, in the field of marketing, it is commonly believed that two similar products will receive equal preference from consumers (Lefkoff- Hagius & Mason, 1993).

In the case of counterfeit luxury goods, if consumers find only negligible distinctions in appearance between the counterfeit and the genuine product, counterfeit consumption is likely to increase, because clients' social motivations can be equally satisfied by these two products. Differently, when the similarity between counterfeit luxury goods and their genuine counterparts is high, consumers who desire to use luxury brands to present themselves are more interested in the counterfeit ones and view these products containing "extra value". Because of that, counterfeit manufacturers often choose to imitate the appearance of genuine luxury brands as closely as possible and create identical-looking luxury items of logos (Bian & Moutinho, 2009).

As Picture 2 shows, higher perceived similarity between counterfeit luxury products and authentic ones leads to increased consumption of counterfeit luxury goods. In order to understand deeply this concept, it is important to make a step backward. Indeed, the social-adjustive function of attitudes reflects customers' need to obtain social benefits and rewards. Thus, as this function raises, the perceived similarity between two products raises as well since people aim only about achieving their desired social status. On the contrary, the value expressive function of attitudes takes into account the quality perceived by the person himself. Therefore, as this function goes down, buyers do not care about the intrinsic value of the object anymore, moving into an increased consumption of counterfeit luxury goods.

Picture 2: "Conceptual Framework: Effect of Regulatory Focus on Consumption of Counterfeit Luxury Goods"



Source: Li Wanga, Manhui Jina, Zhiyong Yangb (2020)

Although social status uncertainty may be a typical reason for customers to seek out counterfeit luxury goods, previous study has indicated that people with a high level of materialism appear to be more insecure than people with a low level of materialism (Rindfleisch et al., 2008). Furthermore, previous research has indicated that as people become wealthier, they prefer more materialistic goods (such as a bigger house, a better car brand, and so on) since these materialistic things add to their perceived personal fulfillment and social development.

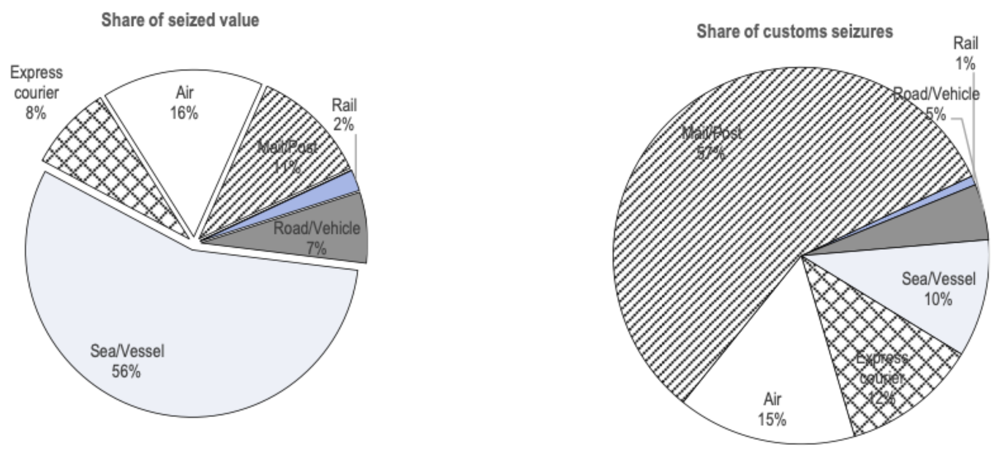
As already said, customers' intentions to buy counterfeit luxury products depend on the several factors, such as their attitudes towards counterfeit luxury products, their perception about the risk associated with the fake goods, whether they have purchased counterfeit luxury products before and their own personal gratification about the items (Matos et al, 2007).

A recent study carried out by Pahu et al. (2009) has pointed out that the counterfeit market is not seen as a greater offence. Specifically, buying and/or selling fake products are not considered as a serious violation compared with other stricter illegal acts. Accordingly, one third of customers would consciously buy counterfeit luxury stocks if their prices and quality were aligned. Since demand is always the key driver of a market, a number of researchers have argued that consumer demand for counterfeits is one of the leading causes of the existence and upsurge in growth of the counterfeiting phenomenon. Moreover, the only aspect affecting consumer attitude toward counterfeits is integrity, even though it does not diminish in any way their enthusiasm in purchasing fake luxury products. It was also claimed that the longer a counterfeit luxury product's lifespan, the more likely they are to buy it. Customers are more ready to buy counterfeit luxury products if their attitudes toward acquiring the products are positive. As a result, it has been discovered that a consumer's social influence had a significant impact on their purchasing decision. Even if a consumer's income is consistent, the price and perceived quality of counterfeit luxury products, when compared to real luxury products, provide an incentive for consumers to choose counterfeit luxury products. Personal characteristics such as self-interest and sense of adventure, moral justifications like denial of responsibility, operational aspects and relationship management were found to be four dark motives for sellers to sell counterfeit products, according to Quach and Thaichon (2018). As a result of the literature review, there are a variety of factors that drive buyers/sellers in various nations to buy and sell counterfeit luxury goods.

Purchasing counterfeit luxury goods is an important step for consumers, since allows them to be presented as savvy individuals who can optimize their resources, thus being able to fool others without getting caught.

In conclusion, it must be highlighted that postal parcels are the most popular way of shipping counterfeit and pirated goods, as Picture 3 points out.

Picture 3: Conveyance methods for counterfeit and pirated products, 2014-16



Source: *OECD (2019)*

According to the data above, worldwide, postal shipments accounts for about 57% of seizures, while express courier accounted for 12%. With little more than 15% and 10% of seizures, respectively, air and maritime transport came in second and third. Finally, nearly 5% of all seizures were related to vehicle transportation. Other forms of counterfeit goods' transportation, such as products carried by pedestrians or by train, have very low percentages.

1.2 ONLINE DISTRIBUTION OF COUNTERFEIT LUXURY GOODS

Shopping has become the most popular use of the Internet, with nearly 40% of users reporting shopping as their primary activity (GVU, 1998 in Donthu & Garcia, 1999). Consumers can quickly get and compare costs through price comparison sites and shopping agents, putting downward pressure on brand costs as lower price levels tend to become more transparent (Sinha, 2000). According to recent studies the Internet's ubiquitous availability of information about product prices, features, and competitors poses a danger to brands. In a similar vein, Sealy (1999) claims that brand management is no longer in use in today's marketplaces, where interactive marketing, for example, makes traditional brand management ineffective. As a justification for this viewpoint, it is stated that the increased choice and ability to compare products usually makes the information offered by brands obsolete, considering that the brand's primary job is to serve as a quality indicator or to distinguish a product or service from that of a rival (Chen, 2001). Moreover, consumers who have not used Internet to purchase products and services claim to have used it for information searches, which led to shopping through traditional channels.

Going more in depth with this analysis, what is important to highlight it that the typical Internet shopper differs from the normal Internet user. Nevertheless, when it comes to brand and pricing awareness, Internet shoppers are no different than non-shoppers

According to a survey by marketing consultants Greenfield, pricing was an extremely important factor in 60% of online clothes sales. Chen (2001) defines a brand's primary role as a quality indication or a feature that distinguishes a product or service from that of a rival. Through online databases with reviews and ratings, it is recognizable that Internet provides consumers with a lot of information about product quality, features, and reliability, allowing them to compare products. It is stated that this additional choice and ability to compare items keeps brand information redundant, and that some evidence in favor of this perspective relates price as a primary consideration in Internet buying.

Keeping an eye on the luxury context, it is truly important to state that luxury customers have little to no objection to luxury firms having websites that display their items, but they are less enthusiastic about the option of making purchases online. The premium products' recognizability is acknowledged and even appreciated, but there is apprehension about their widespread dissemination. The common shared sentiment is "myself and a few others, but not everyone."

Because of their high costs, low frequency of purchase, high value, and high differentiation characteristics, Peterson (1997) developed a typology showing that the Internet could be an effective transaction and communication tool for luxury goods; this would mean that counterfeit merchandise with high conspicuous and symbolic value could be sold online. However, because many luxury products are experienced rather than purchased, the use of ecommerce may be a better instrument for communication than for transaction. Considering the high reputation of luxury brands, more than any other brand category, have a lot to gain from the Internet, but also a lot to fear, according to Kapferer (2000). Potential clients who do not live near one of a luxury brand's few distribution sites or who are scared by accessing "such temples of luxury" will be able to purchase through the Internet.

Moreover, online retail has been increasing for the best part of a decade due to a shift in consumer behavior and even more so during the Covid-19 pandemic with high street and luxury brands forced to close their doors to comply with government restrictions. Naturally with the increase in online retail comes the inevitable risk of potentially purchasing counterfeit goods. Infringers will attempt to sell their counterfeit goods through well-respected and extremely popular online platforms, such as Amazon, eBay and Facebook, as third-party sellers.

In order to provide more accurate data about the online counterfeit distribution issue, it is needed to point out EUIPO's evidence. Accordingly, in 2019, imports of counterfeit and pirated goods reached the amount on 119 billion, representing almost the 6% of all goods entering Europe. The health crisis has offered new great opportunities for distribution of counterfeit goods; thus criminals have adjusted their business models to encounter this new worldwide demand.

Therefore, it is evident that counterfeit goods are distributed and sold both online and offline, just like any other product. Businesses and right holders can develop worldwide, frequently without being present in the region, improve engagement with current clients, and expand customer databases online thanks to an online presence. Only a platform (website, online store) and a delivery partner are required (couriers, post offices, logistical companies). However, while it is easier for businesses to expand their operations over the internet, it also allows for the global distribution of counterfeit goods, but always keeping the providers remain unknown. Accordingly, suppliers of counterfeit goods, like luxury corporations, have grasped the Internet's penetration power. With the ability to sell on the Internet, the practice of counterfeiting has exploded. Indeed, counterfeit merchandisers may reach consumers all over the world thanks to the Internet. Shipping is available all around the world, with quick delivery dates and far lower pricing than original products.

A Google search for 'Rolex watch' yields 17 900 000 results (December 3rd, 2011). Only a small percentage of the hits are for sites that sell legitimate goods. Online luxury counterfeiting isn't a new phenomenon, but with new sophisticated ways to contact consumers, it's on the rise. Copies, counterfeits, replicas, and other knockoffs of luxury brand items abound on the Internet. Still on the same day, on December 3rd, 2011, a Google search for the term "Louis Vuitton bags" yielded 777 000 000 results, the majority of which were providers selling counterfeit copies or replicas. Scholars have pointed out that price and discounts are important factors for online shopping, thus leading to a perfect argument for purchasing and selling counterfeits online.

To go further with this analysis, social media are another important subject dramatically involved in the spread of counterfeit luxury products. Though counterfeit goods have long been a problem for social networking sites, the pandemic has transformed the nature of business, and many luxury brands are now looking to sell their items online.

During Covid 19 pandemic, online sales of luxury items such as handbags, shoes, and clothing have soared. Thrilling data state that about 23% of luxury sales are made online in 2020, showing an increase of almost 12% from the previous year (Achille and Zipser, 2020). Because social media networks have less registration restrictions and listing fees than e-commerce platforms, counterfeit vendors are flocking to them, making it impossible to manage and measure a problem that is only going to get worse. According to a 2018 study, counterfeit items sold on the internet cost around 30.3 billion in losses to luxury brands every year, thus it becomes more prevalent than ever for social media platforms and, subsequently, brand owners to combat counterfeiting (ResearchAndMarkets.com, 2018). Furthermore, following a recent research, about 57,000 Instagram accounts are involved in counterfeiting activities. This demonstrates that Instagram is failing to prevent counterfeit vendors from abusing its platform. Moreover, researchers discovered that accounts dedicated to unlawful counterfeiting activities generated roughly 15% of postings for each luxury brand's hashtag. Many counterfeiters utilize hashtags and postings to drive potential purchasers to encrypted chat applications where they can contact them.

Related to this issue, a lawsuit against an alleged online counterfeiter has recently been jointly filed by Gucci and Facebook (2021). More specifically, the two actors filed the lawsuit against an alleged online counterfeiter since the luxury brand and the web giant are trying to crack down the above-described fraudulent practice. Therefore, a person was sued by Facebook, Inc. and Gucci America, Inc. in the United States District Court for the Northern District of California for violating the terms of Facebook and Instagram as well as Gucci's intellectual property rights. To be more specific, the defendant used different Facebook and Instagram identities to get around Facebook's enforcement measures and keep promoting the sale of fake Gucci goods. Since at least April 2020 until April 26 2021, the Defendant Natalia Kokhtenko has operated an international online business, trafficking in illegal counterfeit goods. In fact, the defendant has persisted in using Facebook and Instagram to advertise her sales of knockoff Gucci goods, including fake branded handbags, shoes, clothing and accessories, everything in violation of the social media's terms and policies[2].

To provide a more detailed description of the parties, in this lawsuit the actors were GUCCI America, Inc. (New York corporation) and Facebook, Inc. (Delaware corporation), both plaintiffs, and Natalia Nonhtenko, a Russian citizen resident in Moscow. What is dramatic is that she used multiple aliases and online nicknames, such as "AgentRomanova," "Brends-MSK," "gucci_sumo4kina_," "Luxprime," "Luxprimer," "Luxprimes," "luxprime_gucci," "Natalia Sumochkina," "Natalya Romanova," "Romanova," "Sumo4kina," and "sumo4kina_shop1." in order to spread her counterfeiting goods. Additionally, she created online store to promote her international fake business (brends-msk.ru, luxprimer.ru1, and agentromanova.ru). For example, Picture 4 shows the account bio, including the link to the website in which the Defendant sold his fake products.

Picture 4: Defendant's Counterfeit Gucci Handbag and Instagram Account Bio

Source: *Facebook, Inc., and Gucci America, Inc. v. Natalia Kokthenko*, 21-cv-03036-YGR (N.D. Cal., 2021)

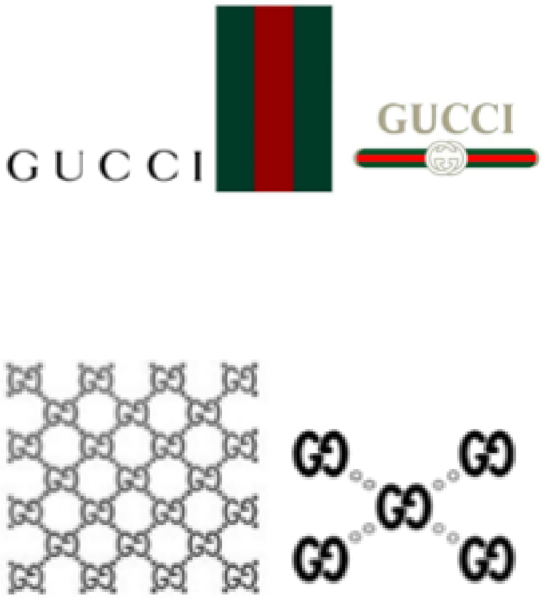
[2] *Facebook, Inc., and Gucci America, Inc. v. Natalia Kokthenko*, 21-cv-03036-YGR (N.D. Cal., 2021).

As for Facebook, all users of the website agree to Facebook's TOS in order to access and use the social media. The same applies for Instagram, in which people consciously comply with its TOU. More specifically, Section 3.1 of the Facebook TOS requires users to "create only one account (their own)" and use that account "for personal purposes," and prohibits users from using Facebook if Facebook "previously disabled an account for violations of Terms of Policies or TOS. Additionally, section 3.2.1 of Facebook TOS prohibits users from "doing anything 'unlawful, misleading...or fraudulent'"; infringing or violating others' intellectual property rights; or breaching its terms of service, community standards, or other terms and policies. Related speaking, section 3.2 of Facebook TOS give permission to Facebook to remove content from users who seriously or repeatedly violated the TOS. As for Instagram, also its TOU refers to section 3.2.1 of the Facebook TOS. Therefore, it is evident that Facebook prohibits Facebook and Instagram users from posting content that infringes third parties' intellectual property rights, including copyright infringement, trademark infringement, and the promotion, sale, or advertisement of counterfeit goods. Consistent with these terms, the Facebook group, which includes Instagram as well, has implemented deep IP protection measures trying to avoid infringement of trademark policy.

The foundation of Facebook and Gucci's partnership is based on the shared commitment to preventing the advertising and sale of fake items online. This case, which is the first for both Facebook and Gucci, is a logical next step in the development of the collaboration. With billions of dollars in potential revenue at risk, luxury goods manufacturers have long struggled to eradicate counterfeiting. According to the statement, Facebook removed over a million pieces of material from Instagram and its own networks in the first half of last year as a result of thousands of reports of fake content from companies like Gucci.

Talking about GUCCI, it is one of the most common-known global brands. Nowadays, GUCCI distributes its products with iconic designs, such as the stylized GUCCI marks, the stylized GG designs and Green/Red/Green Signature Webbing, as Picture shows.

Picture 5: "GUCCI Marks"



Source: *Facebook, Inc., and Gucci America, Inc. v. Natalia Kokthenko,* 21-cv-03036-YGR (N.D. Cal., 2021)

To give a more detailed overview, Gucci owns different marks and in accordance with the common law, they are all federally registered as Gucci Marks. The Table below provides a specific description of the majority of these marks, highlighting also its registration number, registration date and the class of goods and services to which is applied.

Table 1

GUCCI	876,292	09/09/1969
GUCCI	5,921,104	11/26/2019
GUCCI	5,921,105	11/26/2019
	4,583,258	08/12/2014
	3,072,549	03/28/2006
	4,567,112	07/16/2015
	5,073,022	11/01/2016

Source: *Facebook, Inc., and Gucci America, Inc. v. Natalia Kokthenko*, 21-cv-03036-YGR (N.D. Cal., 2021)

The above-described marks registrations are valid and are the main evidence of Gucci's exclusives rights. As every other brand, Gucci is committed in protecting its own Intellectual Property rights and, most importantly, in fighting against counterfeiting across every channel and platforms. Going more in depth with this topic, it is important to say that Gucci has a long history of fiercely guarding its intellectual property both offline and online, all the way through the production process, and working with customs and other law enforcement organizations all over the world to spot and stop illegal counterfeiting. Accordingly, only in 2020 Gucci's actions resulted in four million online counterfeit product listings disabled, 4.1 million counterfeit products seized offline, and 45,000 websites, including social media, disabled.

Moreover, in 2019, Gucci filed lawsuits against more than 30 websites it said were selling counterfeit shoes, accessories, and clothing as well as stealing its brand name.

Thus, partnering with Facebook, the brand is trying to deter the counterfeiting actions brought by the Defendant, that was running a sophisticated action to sell fake Gucci products at high prices. Providing another example, Picture 6 shows an image of a fake Gucci handbag that was examined by the brand and confirmed to be a counterfeit.

Picture 6: Photographs of Defendant's Counterfeit Handbag Purchased by Gucci

Source: *Facebook, Inc., and Gucci America, Inc. v. Natalia Kokthenko*, 21-cv-03036-YGR (N.D. Cal., 2021)

2 TRADEMARK PROTECTION IN THE LUXURY INDUSTRY

2.1 TRADEMARK LAW

A sign is anything that stands for something else (Ramello, 2006). Words, for instance, can signify a variety of things, including objects, events, mental states, and more.

Human groups and interpersonal relationships are rife with indications. It is important to highlight that a sign serves a range of purposes and are essential tools for social functioning. Therefore, a logo is a container whose meaning can be extended in several ways. In addition of having a literal meaning, or a simple and clear interpretation, it can also have a number of more complex and indirect complimentary definitions that broaden the scope of communication in various ways.

Accordingly, a trademark is important to all brand owners because it gives them the chance to uphold and defend the reputation and status of their businesses or products. Any "distinctive word, phrase, logo, visual symbol, or other device that is used to identify the source of origin of a product or service and distinguish it from competitors" is considered to be a trademark. However, also shapes, sounds, fragrances and colors may be registered as trademark.

Thus, customers, trademark owners, and rivals are the three main groups who are impacted by trademarks. What is needed to underline is that these three actors are involved in different manners about trademark protection. From a client's perspective, trademarks are important since they are a helpful feature in the purchasing decision. Their scope is to act as a reminder in customers' minds, since they carry an unspoken and overthought-about statement of quality and prestige while making a purchasing decision. Secondly there are trademark owners, whose effort made to safeguard their names and trademarks from satire, forgery, imitation, and unfair use are gradually increasing. Effective trademark use assists brand owners in preventing economic, financial, and social loss that could be caused by imitation, competition, or pre-emption. In addition, they aid in improving production efficiency and differentiating items on the market. Lastly, it is crucial to talk also about competitors, since they can benefit from trademarks by watching their products and understand how to compete effectively in the market (Fisher, 2001).

Naturally, the owner of the trademark is given the sole right to use it in every market sector, giving him or her a unique communication avenue within that market. Nowadays, only the company that owns the branded goods has the right to disclose information about them inside the boundaries of the restricted market. In this way, trademarks have the power to increase both the effectiveness of individual purchases and the effectiveness of the market as a whole. Additionally, customers give trademarks their own unique interpretation. When considering the issue from the search-cost perspective, all information pertaining to previous purchases are truly significant in determining how customers perceive trademarks and the eventual meaning that they attribute to them (whether in line or not with the image that the brand wants to convey to its public). Consumers can learn a lot about a trademarked product once this meaning has been assigned to it, largely because the product itself already contains all of this information in a highly condensed form. Because of their effective function as shorthand indicators, which emerges from making a sizable amount of information cheaply available, as well as from extending consumer information and fostering more competitive marketplaces, trademarks are really seen as generators of market efficiencies.

Relatively to a general definition, a trademark is a feature which is used by a producer in his economic activities to differentiate a specific product. Thus, a trademark is important in order to make it easier for customers to recognize their preferred items.

In terms of the EU trademark system, until the harmonization of national legislation on the basis of Article 100 EEC in 1996, the necessity for a fully borderless market led to the adoption of the Community Trademark Regulation (CTMR) and the Trademark Directive (TMD). On 23 March 2016, Regulation (EU) 2015/2424 of the European Parliament and of the Council amending the Community Trademark Regulation (Amending Regulation) entered into force. Secondary legislation consists of Delegated Regulation (EU) 2018/625 supplementing Regulation (EU) 2017/1001 and Implementing Regulation (EU) 2018/626 implementing certain provisions of Regulation (EU) 2017/1001. The first change brought by these two Regulations is the abolition of the graphical representation, meaning that a trademark won't have to be represented graphically as long as it is represented in a manner that enables the subject to be protected to be recognized easily.

Regarding the U.S. trademark regime, up until the Lanham Act (15 USC 1051-1127), which defined trademark law in the country, trademarks were previously protected under state common law. The Act was approved by the Congress in 1945 following earlier failures to create a federal trademark regime. It was subsequently modified multiple times to reflect contemporary commercial ideas. Through the administrative power of the United States Patent and Trademark Office, the Lanham Act establishes federal trademark protection and trademark registration regulations (USPTO). Trials and appeals involving trademarks are examined by the Trademark Trial and Appeal Board. The Board handles activities involving trademark oppositions or cancellations and serves as a review board for appeals of trademark decisions. It was established in 1958 to replace the two-step administrative process. Additionally, parties can appeal to a federal district or the United States Court of Appeals for the Federal Circuit for a de novo review of the matter.

A trademark is any word, name, symbol, or design, used in commerce to identify and distinguish the goods of one manufacturer or seller from the ones of another and to indicator the source of the goods.

Trademarks' primary purpose is to maintain market openness. Both businesses and consumers can gain from clearly identifying an offer and choosing or expressing their preferences by choosing particular goods or services that are linked to a specific source in a market that is characterized by transparency and in which goods and distinctive signs are exclusively linked to an identifiable commercial source (and this source is easily recognizable and acts as a guarantee).

Enforcement of trademark laws creates market transparency, ensuring fair competition, consumer protection, and the effective operation of markets. As a guarantee of the identity and origin of the branded good for the customer or ultimate user, the Court of Justice of the European Union (CJEU) has referred to the vital origin role. It acts as a guarantee since it makes it possible for customers to tell the difference between that particular product and other, comparable ones with a different source of origin, preventing any risk of confusion between the two (Kur and Senftleben, 2017).

According to the above-cited trademark law, the protection of trademarks is mandated by trademark law in order to ensure that the mark is acknowledged as an indication of origin, that the indication of origin is obvious to the consumer to prevent consumer confusion, and, ultimately, to set a product or service apart from competing brands. It is important to cite Article 4 of the EUTMR which lists a few requirements that must be met. The sign must have the following capabilities: it must be able to clearly and precisely identify the goods or services of one business from those of other businesses; it must be able to be represented graphically; and it must be represented on the Register of Trademarks in a way that allows the public and the appropriate authorities to determine the clear and precise subject matter of the protection provided to its proprietor. It is obvious that identifying a mark as such does not prevent third parties from stealing it, but it makes sure that the logo is registered, thus it can be recognized when used in honest practices. More precisely, the importance of recognition of logos relies on the idea that trademarks enable competent authorities and people to correctly identify, in a direct manner, the subject being offered by suppliers. The applicant must explicitly identify the commodities for which trademark protection is required in order for the competent authorities to assess the precise level of protection required. The EUIPO often performs this function and has the authority to ultimately reject applications that are imprecise or have inadequate phrasing.

Going back to the b) point, the need for graphic representation is a topic under discussion by several scholars. In fact, the requirement of a clear, precise, self-contained, easily accessible, intelligible, durable, and objective graphic representation, which assumed the sign under analysis must be represented visually in order to be clearly identified, is no longer the primary requirement for a trademark to be defined as such. Accordingly, the new Regulation, Article 3(1), has declared that "A sign should be permitted to be represented in any appropriate form using generally available technology and hence not necessarily by using a graphic mean as long as the representation is clear, precise, self-contained, easily accessible, intelligible and durable". Of course, the requirement that a trademark be identifiable does not go away just because there is no graphic depiction. As stated in the article above-described, trademarks that lack any distinctive characteristics, descriptive signs or indications, trademarks that have become idiomatic in the current lingo or in a genuine and established practice of trade, and trademarks that have become merely customary are not eligible for registration.

Therefore, a trademark serves the purpose of serving as a source indication for consumers, allowing them to instantly connect the company with the product they are picturing. Additionally, it is important to state that, accordingly to some scholars, trademarks serve not only as a source identifier, but also as a part of the good and service itself, more precisely as an indicator of quality (Kozinski, 1993).

There are two further apparent advantages that trademarks are thought to offer to customers within the discourse surrounding the crucial origin function. These are, specifically, a decrease in consumer search expenses and a motivation to offer product diversity and quality. As can be inferred from the explanation above, trademark law shields customers from the risk of being tricked into buying undesired goods. Additionally, these particular rules contribute to the development of a market environment where the general public may rely on dependable source indicators. These affirmative promises, in turn, lower the costs associated with finding suitable products, particularly when the choice is based on elements of the product that are not readily visible (Kur and Senftleben, 2017).

In this way, trademarks have the power to increase both the effectiveness of individual purchases and the effectiveness of markets as a whole. Additionally, customers give trademarks their own unique meanings. When considering the issue from the search-cost perspective, all information pertaining to previous purchases is significant in determining how customers perceive trademarks and the eventual meaning that they attribute to them (whether in line or not with the image that the brand wants to convey to its public). Consumers can learn a lot about a trademarked product once this meaning has been assigned to it, largely because the product itself already contains all of this information in a highly condensed form. Because of their effective function as shorthand indicators, which emerges from making a sizable amount of information cheaply available, as well as from extending consumer information and fostering more competitive marketplaces, trademarks are really seen as generators of market efficiencies.

The incentive to offer product variety and high-quality products is the second perceived benefit that branded goods and services bring. This is based on the idea that once customers can quickly recognize different product categories on the market, they would be able to respond quickly to changes in the caliber of those products. The trademark must provide an assurance that all items covered by that particular trademark have ultimately been created under the control of a single actor who is accountable for their quality in order for it to fulfill its function. Therefore, trademarks ought to be viewed as bearers of a commercial obligation that guarantees a constant level of quality.

More or less without controversy, the major origin functions and its quality preservation characteristics. The intentional use of trademark protection for the goal of developing and maintaining a specific brand image, however, raises a sensitive issue. In fact, the trademark owner might additionally benefit from the exclusive rights granted by a trademark and associated with its core function.

Naturally, the owner of the trademark is given the sole right to use it in every market sector, giving him or her a unique communication avenue within that market. In actuality, only the company that owns the branded goods has the right to disclose information about them inside the boundaries of the restricted market. The trademark holder could utilize this communication channel to convey information other than that linked to the commercial source of the goods by spending money on advertisements. Consumers will purchase products not just because of their origins or quality, but also because of their "trademark experience" and "brand identity" when the trademark owner is able to talk to them about other things, such as the attitude or lifestyle associated with a particular trademark (Kur and Senftleben, 2017).

The functions theory and how it shapes and creates the application of trademark law has received a lot of attention from the CJEU and other scholarly discourses. The argument over the functions theory ultimately serves as a platform for consideration of various EU policy goals that influence trademark law.

Going further with this discussion it is important to state that trademarks are truly in need to be protected. In general, a trademark may be protected by usage or through registration, which today allows for the proper preservation of trademark registers. The act of trademark registration, however, serves as evidence that the trademark right has been acquired for use in many countries, thus playing a significant role. As a result, in the event of a trademark dispute, the first user would prevail over the first to register the mark. A time restriction is also included in trademark registrations, and when that time limit is up, it has the possibility to be renewed. The time limits are imposed at a minimum of seven years for TRIPs and ten years for EU in separate laws. Accordingly, EU trademarks must be registered to become effective (Article 6 EUTMR).

As one can perceive signs visually, aurally, and conceptually, signs must be compared overall at three separate levels: visually, aurally, and conceptually (if they evoke a concept). The decision will state if it is impossible to compare the marks on a single level, such as when both marks are purely figurative and the aural comparison is involved. The result of the comparison of signs can then be one of three outcomes: identity, similarity, or dissimilarity. The outcome is crucial for further analysis of the opposition because it has various implications depending on which criteria it fits under. According to Article 8(1)(a) EUTMR, if a finding of identification between signs has to be made, and the goods and/or services are also similar, this would result in absolute protection, as was previously mentioned. In accordance with Article 8(1)(b) EUTMR, the examination on the likelihood of confusion would be opened upon a finding of resemblance (or identity).

In general, both direct and indirect trademark infringement are possible. In accordance with EU Directive (Article 5) and Regulation (Article 8), a trademark owner is guaranteed legal protection against third parties using his registered trademark in the course of business without his permission.

A possible potential conflict scenario is the likeness of signs, where a sign may cause consumer confusion because of its resemblance to a commodity or service that is subject of an earlier trademark. By definition, the distinctiveness and dominant nature of a sign's constituent parts, as well as any other eventually relevant elements identified in the opposition decision, determine how similar two signs are (EUIPO, 2017).

Well-known trademarks benefit from an extensive protection covering non-identical products regardless of the risk of confusion. Indeed, famous trademarks are protected from blurring, tarnishment and free riding. While the first two modes require that the damage is to be shown with respect to the infringed trademark, the latter is considered as focusing on the benefits that the unauthorized undertaking unfairly gains from the trademark (Senftleben, 2017).

Starting with the first one, the ability of the trademark holding a reputation to identify the products for which it has been registered, as well as the ability to identify the specific source of those products, is undercut and weakened. This is a case of infringement due to detriment to distinctive character capable of fulfilling this role. Additionally, it refers to situations in which the later instances arise from the fact that the use of a different sign ultimately causes the registered one's identity to become diluted in customers' thoughts. The CJEU further says in *Intel Corporation* that blurring occurs anytime a mark with a reputation, which once could instantly arouse connections with the products for which it had been registered, is no longer able to play this role[3]. In certain situations, protection is offered against the use of trademarks that can damage the registered trademark's reputation. Blurring occurs when a trademark loses its ability to distinguish itself from goods and services of other origin as a result of third parties' exploitation of it. As a result, a trademark may no longer be able to immediately conjure up an association in the minds of consumers (Stim, 2019).

Going ahead, when the public recognizes the products or services of the later sign in a way that lessens the earlier mark's power of attraction, this first sort of trademark abuse, which involves harm to the reputation of the preceding mark, can be prosecuted through tarnishment. The loss of reputation could result from the goods or services bearing the later mark having a quality or attribute that could harm the reputation of the earlier mark (Maniatis, 2016). More specifically, detriment to a trademark's reputation occurs when the products or services for which another sign has been registered may evoke associations in customers' thoughts that could lead to a lowering of the former trademark's attraction power. This circumstance most usually results from instances where both marks are utilized in connection with the same kind of goods or services, for which the audience is unable to discriminate between the different traits or features of the latter. In the end, this incident has a detrimental impact on the reputational brand's brand image (Stim, 2019).

Lastly, it is needed to mention the free riding abuse. In fact, another direct trademark infringement can happen with signs that are not identical to those for which the trademark is

[3] Intel Corporation, C-413/14 (2017, para 29-39).

registered or if there is a reputation, and using such a sign without justification may take unfair advantage of the registered trademark or may have a negative impact on its distinctive character.

2.2 TRADEMARK WITHIN THE LUXURY INDUSTRY

The growth of the luxury industry as a whole is greatly influenced by trademark protection. Luxury businesses mostly rely on their brand value to benefit from their operations. A registered trademark deters counterfeiters from using the luxury label for commercial gain. For small firms and start-ups in the luxury industry with a limited risk tolerance, trademark registration protects them from the loss brought on by brand infringement. Trademarks are essential to protecting brand value and bolstering marketing initiatives in the luxury industries. Depending on the products, names and logos may be protected under trademark law (footwear, clothing, fabrics, accessories, etc.). Moreover, this kind of protection can be used to safeguard marketing campaigns' slogans for each product. Trademarks that do not fit into the general category can are classified as non-traditional marks, including those based on moving pictures, visible signs, such as holograms, or non-visual signs (fragrance and sound).

Accordingly, beyond merely figurative markings, several forms of marks are now considered to be trademarks. Visually perceivable signs and signs experienced via other senses are the two types of signs that can be protected through registration. Visual marks have expanded to include (i) three-dimensional marks, such as product shapes and external packaging; (ii) holograms, which optically retrieve an image in three dimensions; (iii) color marks, which refer to color combinations or single colors without contours; (iv) position marks, which are found in specific locations on products; (v) multimedia signs, which also include sounds; and (vi) motion marks, such as gesture and fluid marks. The emergence of other sorts of marks, such as pattern marks, a sub-category drawing particular attention for its widespread use in the textile and garment sectors, shows that visual indicators have greatly extended beyond the traditional words and figurative marks or logos. The remaining signs are (vii) tactile markings, (viii) olfactory or scent markings, (ix) gustatory or taste markings, and (x) sound markings, both musical and non-musical.

Luxury has intrinsic value, making it worthwhile to be safeguarded, maintained, and fed. Although the luxury sector is one of the most profitable and well-known, the lack of protection surrounding its unique ideas makes it one of the most susceptible sectors now in existence.

This reflects the core problem with trademark protection in the luxury business. The importance of the global luxury business has made regulation necessary to ensure that product characteristics, including names, product origins, and designs, are appropriately protected and transparent to consumers, who are thus safeguarded from subpar goods and possibly dangerous items. The boundary separating luxury trend imitation and plain imitation is frequently crossed by designers, causing both immediate and long-term financial harm.

The luxury industry is one of the most competitive and unstable industries because of the fine line that must be drawn between trademark infringement and following current trends. Indeed, luxury businesses do always need to acquire an advantage over rivals. In fact, emerging markets and technologies, like shifts in public preferences, produce opportunities as well as risks. The latter are closely related to macroeconomic events that have the power to influence consumer behavior and decisions, which may result in the emergence of trust and social issues, significant influences on technology, and even potential disruption. In order for legacy companies to remain competitive and relevant with customers, they are being forced to reinvent their own brands and business models. Technology and social media have made it possible for a new category of "challenger" firms to disrupt the luxury market.

The brand, which represents the voice of the product and weaves a web of meaning around it to make the product "unique," is the most important component of the company and a true live business asset. Fashion and luxury brand management sets itself apart from brand management for other goods or services due to its unique and crucial requirement for having a distinct and well-defined brand identity, image, or reputation. Therefore, upholding a premium image is a priority that may be accomplished by diligent and persistent marketing strategies.

The brand name, logos, symbols, signage, packaging, and other aspects all serve as key sources of brand equity that allow for the creation, maintenance, and management of a premium image that can set the brand apart from rivals and guarantee quality. Brand identity comes before and informs all fashion clothing design. It also serves as a source of inspiration for designers who build collections around their reinterpretations of the brand identity, such as Raf Simons, the creative director of Dior, who has worked hard to modernize the Dior look while always keeping the company's brand identity in mind. All eminent fashion houses, including Dior, regularly reinvent themselves by drawing on their brand histories and how they perceive or interpret their brand identities: As the sources of the brand's manifestation of its adventurous spirit, Louis Vuitton alludes to its unique heritage and invention; Bulgari declares to find creative ways to exhibit creativity by enhancing its trademarks; and Gucci emphasizes its reinterpretation of fashion attitude in line with the brand main features (Chung, 2018).

Picture 7: Fashion Show by Dior

Source: Chung (2018)

Picture 8: Fashion Show by Louis Vuitton

Source: Chung (2018)

Additionally, experience demonstrates that well-known brands are simpler to market because they reduce the complexity of buyers' decisions by instilling confidence in them and making quality promises.

As a result, a strong brand not only boosts marketing efficiency but also raises corporate profitability and brand equity. By doing this, a company can quickly shift consumers from brand awareness to loyalty and advocacy, where they favor the brand over rivals and are willing to pay more for that brand's goods or services.

Relatively, according to Interbrand 2021, 9 luxury brands appear in the top 100 Best Global Brands. The following picture shows which are they.

Picture 9: 2021 Interbrand Ranking

Source: Interbrand (2021)

Looking at the above picture, it is easily evident that brand awareness might increase from the previous to the subsequent year. The most important example is Hermès, which got a raise of 20% from 2020 to 2021. By doing this, a company can quickly shift consumers from brand awareness to loyalty and advocacy, where they favor the brand over rivals and are willing to pay more for that brand's goods or services.

In order to accomplish this, consumers must be given tangible signs (brand as promise to meet clients' expectations for a certain level of quality), primary intangible brand associations (brand as set of values, status, and prestige), and secondary intangible brand associations (brand as linking to individuals, nations, and events) that they can relate to and identify with, thereby enhancing aspirational images, brand awareness, and visibility.

What is significant to highlight is that luxury brands are not born by mistake, and they do not appear overnight. They are built by persistent and thorough efforts in branding and marketing techniques. These businesses have the potential to profit from occupying a specific space in consumers' brains, on their own branding spectrum, and subconsciously (Kotler, 2018).

Kapferer and Bastien advise marketers working in the luxury market must instantly abandon "brand positioning" and worship "brand identity" if they want to take a brand to the next level and compete in this particular industry (Kapferer and Bastien, 2012). Positioning, which has been defined as "the act of designing the company's offering and image to occupy a distinct place in the mind of the target market," and the notion of "unique selling proposition," which, on the other hand, has been defined as "the feature of the product that most stands out as different from the competition," form the very foundation of a brand's strategy (Kotler and Keller, 2006). Some qualities add to a luxury product's appeal while simultaneously supporting its high cost. It is the distinctive quality of a Louis Vuitton bag that justifies its price in comparison to other mass-produced goods or fast-fashion items, and it sets it apart from a basic functional bag that you can get for $20 at Zara. In reality, attitude and the ensuing procedures are far removed from what luxury is. When considering the idea of luxury branding, the only distinguishing characteristic that truly matters is being unique. Instead of focusing on pointless comparisons with competitors, luxury brand marketers should keep these qualities in mind from the start. The foundation of luxury is a distinct creative identity that arises from the intrinsic enthusiasm of a creator or group of artists. The telling of a story, and specifically their own story, should be a goal for premium brands. The latter must be distinctive in order to prevent consumers from mixing up and associating different brands (Blythe, 2005). Accordingly, people are willing to pay a premium to own and display luxury brand logos possibly in order to achieve social status in their “presentation of self in everyday life” (Gollfman, 1959). Status is described as having a high status, rank, or position in a culture that allows one to compare oneself to others on any aspect deemed significant by that society (Hyman, 1942). In their daily interactions with others, people want to come across as valued and deserving. People frequently change their symbolic image as a result of this. People try to influence how others perceive their social standing or money by influencing symbolism that is apparent to others.

There are three fundamental elements that a luxury brand must have, in order to be considered as such. The first one is the prestige, the second one refers to desirability and the latter to relevance (Lee, Ko, Megehee, 2015). The concept of prestige is associated with what is at a higher level. In this case, the luxury brand is at a higher level even compared to brands that are already of a high level. Desirability is linked to the notion of uniqueness, because the dreams and desires, often inaccessible, that everyone has towards a particular brand, lead to conceive the latter as unique, difficult to reach and inimitable. Finally, relevance offers consumers the opportunity to identify with representations that are important to them, which allow the brand to stand out from what is neutral, marginal and trivial. There would be no room for luxury in a logical world if everything was valued according to its useful utility. Luxury is closely related to the dynamics of coexistence, the urge to compete with others, and the emergence of interpersonal rivalry, all of which are fundamental components of the economic growth fostered by the contemporary capitalistic system. This explains why someone who purchases luxury goods makes it a point to make themselves known. The luxury market appeals to both self-gratification (luxury) and appearance (luxury for others).

2.3 Color trademark protection

Every surface has color, which is prevalent all around. The symbolic meaning that color has in people's minds allows it to easily and effectively represent emotions, status, and experiences that are difficult to "explain" in words or spoken language. Color is light that travels on wavelengths that are absorbed by the eyes and transformed by the brain into the colors we perceive. Red, orange, yellow, green, blue, and violet are the six main hues that make up the spectrum of light. The wavelength of the red is the longest, while that of the violet is the shortest. All of the hues in the spectrum, excluding yellow light, are absorbed by an item that appears yellow. The object then reflects this unabsorbed light back into the eyes, where it goes to the brain where it is perceived as yellow (Singh, 2006).

Cones and rods in the eyes enable humans to sense color and light, respectively. Cones come in three different types: type I is linked to blue, type II to green, and type III to red (Harrington and Mackie, 1993). These three colors are combinations to create other hues. Colors are divided into warm (red and yellow) and cool (blue and green) categories by psychologists. However, the contrast between warm and cold colors is relative; for instance, yellow is thought to be warmer than red when red and yellow are combined. The colors gray, white, and black are regarded as neutrals. It is impossible to predict how another person will feel color because everyone has a unique perception of color. A tint of red can be experienced differently by one individual from another.

Colors are also often able to shape physiological reactions because of their capacity to communicate emotionally by evoking associations that people aren't even aware of. As a result, color cannot be avoided and accounts for 80% of visual information (Akhil, 2015). The field of color psychology investigates how colors affect thought and action in people. It is used in marketing to examine how various colors subtly influence consumers' perceptions of a brand. The influence of color is definitely not a joke. It steers your eyes in different directions, suggesting which action to take Moreover, it helps users to understand the level of importance of different items.

Whilst there have been numerous scholars researching on this topic, the psychological effect of colors on human mind still remains tremendously ambiguous. Accordingly, there is not one specific color everyone gravitates to, since it depends on a combination of multiple human experiences.

Nevertheless, every color has a universally perceived meaning to convey a certain feeling.

Starting from red, it draws the most attention and is linked to powerful feelings like love, passion, and rage. It is the color that everyone uses to denote strength, power, bravery, and danger. Red has a strong association with sexuality and heightened appetites. It is lively, provocative, and thrilling. Red is exciting and invigorating, spurring us to action. Additionally, it can boost the self-assurance of those who lack willpower or are timid. It is cozy and upbeat and is frequently connected to our survival instincts and basic physical requirements. It radiates a forceful and imposing masculine vibe. It improves metabolism, speeds up breathing, and elevates blood pressure.

As for orange, this color symbolizes inspiration, optimism, and self-assurance and it represents the extrovert. Combining the physical vigor and excitement of red with the joy of yellow, orange emits warmth and happiness. Orange can promote bravery, zeal, renewal, and vitality. Additionally, it may have a stimulating impact, especially on appetite. It might also be an indication of superficiality and pessimism. Depending on the shade used and how it is combined with other colors, orange conveys a sense of affordability in corporate applications. Orange, which is softer than red, stands for more feminine energy as well as the energy of creativity.

Yellow resonates with the left, logical half of the brain and is the color of the mind and intellect. It has a creative vibe, one of fresh concepts and innovative approaches. Yellow, the palest color in the color wheel, is energizing and illuminating and offers hope, pleasure, and fun. It's a warm, joyful color that makes people feel upbeat and lively while lifting their emotions. However, especially in persons who are already stressed out, too much yellow can generate worry, uneasiness, fear, agitation, and confrontation. Additionally, it can imply impatience, judgment, and fear and encourage others to be unduly critical, judgmental, and dishonest.

Purple inspires lofty ideas and is associated with creativity and spirituality. It can be original and distinctive or immature and illogical. Additionally, it has an introspective tone that helps us connect to our deepest thoughts. Purple is typically associated with sensitive, empathetic, understanding, and supporting people who put others before themselves. They frequently have an air of serenity and quiet dignity about them. Purple connotes quality, fantasy, and imagination as well as money and even royalty. This tone heightens people's appreciation of beauty and influences how they respond to more original ideas. It is frequently used to indicate a premium or exceptional product. Use some purple in your marketing if you're in the service industry to highlight your premium offering.

The color blue symbolizes security, calm, and harmony. It implies conservatism and regularity as well as loyalty and honesty. In contrast to red, this has the opposite effect on the brain. It is relaxing, lowering anxiety and panic, slowing the heart rate, and suppressing hunger. It is serious, reserved, and quiet, while yet encouraging wisdom and higher aspirations. Coolness gives the impression of space. Blue is the safest color to utilize in corporate and aviation uniforms because it is the most widely liked color of all. It has to do with loyalty among customers because it pertains to trust, honesty, and reliability. Blue is a color that performs well in the business sector and is frequently used in crucial meetings.

Green represents nature, harmony, and expansion. It represents stability, harmony, and healing since it is safe and soothing. It also stands for independence and security. Lighter greens are associated with rebirth, growth, and freshness, while darker greens are associated with money, status, and riches. But having too much green might make you feel envious, greedy, jealous, and selfish. Green is advantageous in business when it comes to marketing natural, safe, organic, environmentally friendly items as well as everything to do with health and healing. For websites related to money and finances, dark green is a suitable option.

Grey is one of the lightest colors, meaning purity, innocence and integrity. It is considered to represent perfection, as for white, being very close to the purest and most complete color. It leaves the mind open and free to whatever it might create in the way.

Lastly, black. Consider someone wearing a little black dress or a fancy dinner suit to get an idea of the impact and refined lifestyle that the color black can have. Because it can close in on us and rob life of its positive parts, driving us toward disappointment and the dark or bad aspects of our lives, black is also linked to depression. Protection, comfort, strength, confinement, formality, sophistication, seduction, mystery, endings, and beginnings are some of the good qualities of black. With unfriendly, sad, pessimistic, secretive, and withholding bad qualities.

After this deep description, the below picture provides a visual representation of the above explanation.

Picture 10: The influence of color in marketing

Source: Adeo (2016)

After having provided a definite description of the importance of colors, it is truly needed to go through the luxury industry.

Every fashion line development in fashion design revolves around the color theme, which defines each collection season after season and communicates the personality and inspiration of the designers. Haute couture designers base their color selection on inspiration, whereas mainstream designers typically adapt to color forecasted trends to meet consumer expectations. Consumers are fully persuaded to choose the colors they like, but they actually choose what the market has to offer at any given time, being the market in turn heavily influenced by the structure of the fashion industry and its seasonal trends.

Due to their creative design features and high pricing, "designer" and "luxury" categories in this context of the fashion sector are the most affected by piracy. For this reason, designers should push the limits of the existing protection to the degree of strengthening trademark rights. The truth is that copyright, patent, and trademark laws only provide a minimal level of intellectual property protection for fashion designs, leaving them open to the actions of counterfeiters.

Therefore, trademark owners should rely on the application of novel tactics coupled with current intellectual property law. In order to capture consumers' attention and develop the product and brand image through the evocation of certain feelings, the marketing of apparel items uses color psychology to transmit messages through advertising, brand logos, packaging, and show room designs. Given that color has such a significant impact on a consumer's initial perception of a product, many fashion companies have chosen specific color palettes as their brand signatures to capitalize on the emotional associations people have with different hues and their constant desire to express their individuality.

Given that color has the enormous potential to strengthen a design's ability to stand out in the marketplace and identify its own brand, fashion trademark law now protects logos and insignia that are incorporated into items' designs to set them apart from imitations. Due to the brand's logo's trademark protection, this practical design method enables designers who possess recognizable trademarks to obtain protection for their creations. Therefore, brand recognition is truly important. Accordingly, if a brand does not possess a high brand recognition, it would be almost impossible to benefit from the color strategy. There are some brands which are identified easily just from their colors. For example, Tifanny’s blue, Louboutin’s red, Hermès’s orange, Chanel’s black and Schiaparelli’s pink. These are just few examples of the whole group of colors owned by brand.

It is impossible to analyze color trademarks without recognizing the powerful company that owns the most popular color software used by many color-dependent industries (Reed, 2011). While Judge Bissell wrote that “color itself is free”, Pantone makes sure it is not. Indeed, Pantone claims broad intellectual property rights over its color names, formulas, software, numbers and more. It started in 1963 and it created the “Pantone Matching System” to help ensure consistent color reproduction withing the printing industry. Accordingly, Pantone created a revolutionary “color language” in which each color gets a numerical code and name (Reed, 2011). Each color system has its own book full of Pantone color chips from which designers can choose from. To go more in depth with this topic, the Pantone Color System for fashion design comes in a variety of material formats, such as nylon, cotton, plastic and polyester. Thus, this color system ensures designers to choose and customize and see the exact pigment of every color and every aspect of their design. For example, this universal color language ensures that each Louboutin stiletto is perfectly lacquered with the trademarked Pantone 18-1663 TPX (Reed, 2021). As well as for Hermès, that its orange must be the exact orange of Pantone, thus number 16-1448 TCX.

Picture 11: Example of Pantone's colors

Source: Pantone (2022)

The above picture is a clear representation of some of the Pantone's colors owned by luxury brands: Schiaparelli, Hermès and Louboutin.
Accordingly, The Pantone Company, known for its proprietary color-matching system, even releases a "Fashion Color Trend Report" coinciding with New York Fashion Week as a guide to forthcoming color trends in fashion.
In addition to being a highly effective marketing tool, color is also fiercely guarded by corporations like Tiffany & Co. and Cadbury. But when and how much should colors be given legal trademark protection? There is a strong desire to prevent competitors from using certain colors, especially in the fashion industry where aesthetics, trends, or the need to convey a certain message may dictate a specific palette. This is true even though consumers may come to recognize specific colors or color combinations as identifying the source of products. The struggle between the desire to preserve open competition and defend creative expression on the one hand, and the requirement for genuine worldwide brand awareness on the other, is

encapsulated in the striking crimson sole of a Christian Louboutin stiletto. Unsurprisingly, disputes over Louboutin's registered trademarks with the striking red sole have occurred in a variety of nations, with varying outcomes.

In *Qualitex Co. v. Jacobson Prods. Co.,* the United States Supreme Court decided that color alone can meet trademark requirements[4]. Before *Qualitex* case, color trademarks were prohibited, based on shade confusion and color depletion theories. *Qualitex* used a green-gold color on its dry-cleaning press pads it sold to dry cleaners. In 1991, a competitor of *Qualitex*, Jacobson Products, started manufacturing and selling dry cleaning press pads in a similar green-gold color. Therefore, after registering the color with the USPTO (United States Patent and Trademark Office), *Qualitex* added a trademark infringement clam to ongoing litigation with Jacobson over an unfair competition claim. Finally, *Qualitex* won the lawsuit. The court held that a color, to the extent it met the ordinary requirements to register a trademark, was registerable. The court also held a color could satisfy the part of the statutory definition of a trademark, which required a person to "use" or "intend to use" the mark to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source was unknown. The court held, however, that to the extent that a color was functional, the mark would have to be examined to determine if its use as a mark would permit one competitor to interfere with legitimate competition.

According to the last topic, the Supreme Court also provided a definition of the functioning concept in the context of the *Qualitex* case as a restriction on the colors' eligibility for trademark protection: “The functionality doctrine prevents trademark law, which seeks to promote competition by protecting a firm's reputation, from instead inhibiting legitimate competition by allowing a producer to control a useful product feature. It is the province of patent law, not trademark law, to encourage invention by granting inventors a monopoly over new product designs or functions for a limited time, 35 U.S.C. §§ 154, 173, after which competitors are free to use the innovation. If a product's functional features could be used as trademarks, however, a monopoly over such features could be obtained without regard to whether they qualify as patents and could be extended forever (because trademarks may be renewed in perpetuity). In general terms, a product feature is functional [...] if exclusive use of the feature would put competitors at a significant non-reputation-related disadvantage”[5].

[4] Qualitex Co. v. Jacobson Prods. Co., 514 U.S. 159, 174 (1995).
[5] 514 U.S. 159 (1995).

In other words, the functionality theory prevents the use of trademarks for characteristics that, in addition to providing the source-identification function, also contribute to the product's performance. If not, courts will determine whether granting a monopoly on a crucial product characteristic by registering it as a trademark can restrict competition. Therefore, the two main historical purposes of functionality are to prevent trademark law from regulating on issues that are under the purview of utility patent law and to safeguard competition.
In a similar vein, according to the EU Directive (Art. 4) and Regulation (Art. 7), all signs that "consist exclusively of I the shape or other characteristic that results from the nature of the goods themselves; (ii) the shape or other characteristic of goods that is necessary to obtain a technical result; or (iii) the shape or other characteristic of goods that gives substantial value to the goods" are prohibited from trademark registration in the European Union. 55 The aforementioned ideas of practical and aesthetic usefulness are readily apparent at points (ii) and (iii), respectively.

2.3.1 THE LOUBOUTIN V. YSL CASE

"In 1992, I incorporated the red sole into the design of my shoes. This happened by accident as I felt that the shoes lacked energy so I applied red nail polish to the sole of a shoe. This was such a success that it became a permanent fixture. I selected the color red because it is engaging, flirtatious, memorable and the color of passion. It attracts men to women who wear my shoes" (Louboutin, 1992).

This appeal stems from a lawsuit that Louboutin and the corporate entities that make up his eponymous French design firm filed against YSL, a storied name in French fashion, seeking injunctive relief and trademark enforcement. Louboutin is well recognized for emphasizing the shoe's outsole, which is typically overlooked. Since their creation in 1992, Louboutin's shoes have stood out for their most distinctive quality: a vivid, lacquered crimson outsole that almost always stands out strongly from the color of the rest of the shoe. Accordingly, Louboutin submitted an application with the PTO to register his mark on March 27, 2007, based on the fashion industry's claimed recognition of the red sole (the "Red Sole Mark" or the "Mark"). The trademark, which was approved in January 2008, read as follows: "Red is/are claimed to be one or more features of the mark. The logo is a red sole with lacquer on footwear." A diagram showing the color placement was provided with the written description.

Picture 12: Louboutin "Red Sole Mark" registration

Source: (Mourot Decl. Ex. A (Docket No. 22-1).

Moving further, 2011 saw YSL getting ready to release a collection of "monochrome" shoes in the colors purple, green, yellow, and red. The insole, heel, upper, and outsole of the red edition of YSL shoes are all red, as are the insole, upper, and outsole of the black version. This was not the first time YSL had created a monochromatic shoe collection or even a line of shoes with red soles; the fashion house claims to have marketed similar shoes in red and other colors since the 1970s. The red monochromatic model of the line was colored in a shade nearly identical to the shade of Louboutin's red lacquer that was applied to the whole footwear uppers, insoles, outsoles and heels. In January 2011, Louboutin avers, his fashion house learned that YSL was marketing and selling a monochrome red shoe with a red sole. Louboutin requested the removal of the allegedly infringing shoes from the market, and Louboutin and YSL briefly entered into negotiations in order to avert litigation.

As a result, on April 7, 2011, after YSL's refusal to retire the models from the market, a litigation was filed. Louboutin argued that YSL was responsible for trademark infringement. Specifically, it claims can be made under the Lanham Act, 15 U.S.C. 1051 et seq., for (1) trademark infringement and counterfeiting, (2) false designation of origin and unfair competition, (3) trademark dilution, as well as under state law for (4) trademark infringement, (5) trademark dilution, (6) unfair competition, and (7) illegal deceptive acts and practices.[6]. Additionally, Louboutin asked for a preliminary injunction to stop YSL from marketing any shoes, including red monochrome shoes, with outsoles that are the same shade of red as the

[6] 778 F. Supp. 2d 445 (S.D.N.Y. 2011).

Red Sole Mark or any other shade that is similar enough to the Red Sole Mark to confuse customers while the case is pending. In response, YSL filed two counterclaims: (1) to annul the Red Sole Mark on the grounds that it is only "ornamental" and not "distinctive," (2) to claim damages for tortious interference with business relationships, and (3) to claim that the Red Sole Mark was obtained by fraud on the PTO. The parties debated the motion for a preliminary injunction on July 22, 2011, following a condensed and accelerated discovery process.

The Southern District of New York began by establishing the criteria that Louboutin had to meet in order to get the requested preliminary injunction, i.e., proving "(1) irreparable harm and (2) either (a) a likelihood of success on the merits, or (b) sufficiently serious questions going to the merits of its claims to make them fair ground for litigation, plus a balance of the hardships tipping decisively in [its favor]." The Court also stipulated that Louboutin had to show that the Red Sole Mark should be protected and that "YSL's use of the same or a sufficiently similar mark is likely to cause consumer confusion as to the origin or sponsorship" in order to prevail on the claim for trademark infringement.

Picture 13: Red Sole Louboutin vs YSL

Source: 778 F. Supp. 2d 445 (S.D.N.Y. 2011).

However, as determined in *Qualitex*, a color alone can be used as a trademark regardless of whether it takes on secondary significance, unless it performs another important purpose, in which case it is considered "functional." According to the District Court, colors are predominantly employed for aesthetic and ornamental objectives other than for the commercial source identification in the fashion business, whose products' qualities are greatly dependent on innovation, seasonality, and customer desires. The Court concluded that because colors are necessary to the functions of fashion goods and have an impact on their costs or quality, they should be regarded as functional in the industry. Monopolizing colors would inevitably result in competitors having a significant competitive disadvantage.

The Southern District of New York was accused by Louboutin of making a number of errors in the judgment, including the incorrect application of the aesthetic functionality doctrine to exclude color per se application on fashion trademarks from protectable marks, the improper analysis of the presumed dilution of the mark, and the absence of a factual investigation intended to reach legal conclusions.

The Second Circuit overturned the Southern District of New York's ruling by examining the case's key elements, including the possibility of protecting a color per se as a mark in the fashion industry with reference to color aesthetic functionality and the legitimacy of the "Red Sole Mark" as a trademark[7].

Notably, the District Court made two major errors in judgment, according to the Court of Appeal. First, the Supreme Court expressly prohibited the establishment of a *per se* criterion that would have denied protection for the use of a single hue as a trademark in a particular industrial environment in the case of *Qualitex*. The latter cannot be interpreted to support an industry-based *per se* rule; rather, it calls for an individualized, fact-based investigation into the character of the trademark. Second, the mark at issue lacks secondary significance when employed as a red outsole that contrasts with the rest of the shoe, making it ineligible for protection insofar as it would prevent competitors from using red outsoles in any circumstance, including the monochromatic use. The Circuit began by stating the framework to be implied in considering a trademark infringement claim, much like the district court did. If the mark has developed secondary significance rather than being fundamentally distinctive, the court should first determine whether it should be protected. The court must therefore consider the possibility of consumer confusion.

The Court presented various proofs to support its finding that the Red Sole Mark had only come to have a secondary meaning when used in contrast to the upper portion of the shoes. The court also took into account the fact that only four of the hundreds of models Louboutin had in front of it were red in a single color. Even the customer polls conducted by Louboutin showed that "when consumers were shown the YSL monochrome red shoe, of those consumers who

[7] Louboutin v. Yves Saint Laurent, 696 F.3d 206 (2nd Cir. 2012).

misdiagnosed the shown shoes as Louboutin-made, nearly everyone highlighted the red sole of the shoe, rather than its general red hue"[8].

However, it has been noted that the Second Circuit's decision did not specify the precise parameters of Louboutin's protection over the lacquered red-soled shoes, which could nevertheless be interpreted differently as secondary meaning or consumers' understanding of the mark could change over time or legal actors could assign the mark with varying parameters depending on the circumstances of litigation. Even while Louboutin also sells both types of red-lacquered soled women's flat shoes and men's shoes with contrasting uppers, this does not clarify whether Louboutin's rights include them. It is unclear whether Louboutin's red sole mark registration, which claims protection for "women's high fashion designer footwear," can cover flaws in the original drawing of a pump with broken contour lines because even after the registration's correction, Louboutin's trademark description defines the mark as consisting of a "red lacquered outsole on footwear that contrasts with the color of the adjoining ('upper') portion of the shoe" (Former & McKenna, 2018).

2.4 Fair use of trademark

Fair use in the context of trademarks refers to the use of a trademark in a way that does not expose the user to legal ramifications for violating the rights of the owner. A defense to a trademark infringement charge is fair usage.

According to the US caselaw, two types of trademark fair use exist: statutory fair use and nominative fair use. While the former occurs where the defendant uses the plaintiff’s mark to describe the defendant’s own product, in the latter the alleged infringer is using the trademark of another to refer to the trademark owner.

In the European system, a trademark owner is not allowed to forbid a third party from using it "in line with honest practices in industrial or commercial affairs," as stated in the Directive's Article 14 and the Regulation's Article 12: Indications about the kind, quality, quantity, intended use, value, geographical origin, the time of production of the goods or of rendering the service, or other characteristics of the goods or service may include: (a) his own name or address; (b) his own name or address; (c) indications concerning other characteristics of the

[8] Louboutin v. Yves Saint Laurent, 696 F.3d 206 (2nd Cir. 2012).

goods or service; and (d) the trademark when it is necessary to indicate the intended use of a product or service, particularly as accessories or spare parts. These Articles seek to balance the fundamental interests of trademark protection with those of free movement of goods and freedom to provide services in order for trademark rights to be able to play their crucial role in an undistorted competitive system. They do this by restricting the effects of a trademark owner's rights. Indeed, in the goal of fostering healthy competition, the traditional fair use theory allows for some ambiguity.

2.4.1 PARODY FAIR USE: LOUIS VUITTON V. MY OTHER BAG CASE

Whether or not people may find them funny, most people would have at some stage encountered satirical adaptations of well-known brands. Parodies or satirical adaptations of famous brands are common. They appear in sketch comedy or news satire programs, or on t-shirts or other garments. For owners of well-known brands, parodies can be concerning, particularly if the adaptation portrays the brand in a negative manner. However, not all adaptations will contravene the law. In many cases, brand owners have limited options to enforce their rights against satirical adaptations.

A common complaint by owners of parodied brands is that the parody is an infringement of their trademark rights. Assessing whether a parody qualifies as an infringement requires consideration of several different factors. Trademark infringement occurs when somebody uses a sign that is identical to or similar to the registered trademark. It only occurs where the trademark is in relation to the same kinds of products. While many parodies are certainly visually or phonetically similar (or even phonetically identical), these are not the only factors to consider. A key element of trademark law is that the infringer must be using the sign as a trademark.

The more frequent connection between parody and copyrights is that a parody may be protected by the legal "fair use" theory. However, there is a substantial corpus of case law regarding parody under trademark statutes. A parody can be used as a defense to a trademark dilution claim under the law, but not against a trademark infringement claim. A trademark parody must simultaneously and incongruously convey the ideas that it is both the original and that it is not the original but rather a parody. A good parody must make the original product come to mind, but that success also inevitably sets it apart from the original. If it just does the first, it is not only a poor parody but also open to legal action from the trademark holder. The second message must convey a discernible element of satire, ridicule, humor, mockery, or irreverent criticism in addition to distinguishing the parody from the original.

To achieve its goal, the parody depends on a distinction from the original mark, most likely a hilarious difference. The parody must be able to conjure up enough of the original work for the target to be identified.

An important consideration for a parody is whether the speaker caused confusion by designating the mark as the true author of the message rather than just the object of the parody. It becomes obvious that the trademark owner was not involved in the production or sponsorship of the defendant's product when parody is taken to a particular level. When a parody is obvious, the parodist is not profiting from the trademark owner's goodwill. The risk of consumer confusion is at its lowest because the parody itself is the only reason he uses the mark. Since popularity and fame are precisely the means by which the probability of confusion is prevented, a very powerful mark may be a more successful target of parody.

While a parody may initially cause some misunderstanding in the audience, a competent parody will reduce the likelihood of consumer confusion by revealing just enough of the source material to enable the audience to understand the parody's message. The law requires a balance between the rights of the trademark owner and the interests of free speech when an unlawful use of a trademark is made for expressive reasons such as parody, allusion, criticism, or commentary.

As for parody, it is important to talk about Louis Vuitton Malletier v. My Other Bag.

The designer brand Louis Vuitton is well-known throughout the world for its high-end bags, which may sell for hundreds of dollars. As a result, the business has a variety of well-known trademarks, particularly the Toile Monogram, which has come to symbolize the Louis Vuitton brand. Monogram Multicolore and the Damier are two other well-known, famous logos. Judge Furman of the Southern District of New York reportedly stated that Louis Vuitton "aggressively protects its trademark rights."[9] On the contrary, My Other Bag (MOB), a company Tara Martin started in 2011, sells canvas totes with the words "My Other Bag..." and caricature drawings of famous bags from high-end brands like Chanel, Hermès, and Louis Vuitton on one side.

The idea behind the brand was influenced by stickers that are frequently seen on cheap cars and claim that the owner's other vehicle is a more costly one, such as a Mercedes. The price of a MOB bag is between thirty and fifty-five dollars. The artwork on MOB's bags, as seen below,

[9] 156 F.Supp.3d 425 (S.D.N.Y. 2016).

is very different from Louis Vuitton's Toile Monogram even though it resembles it. Instead of Louis Vuitton's L and V, it features interlocking M, O, and B, which stand for My Other Bag.

Picture 14: MOB vs Louis Vuitton Bags

Source: Hays (2017)

Accordingly, LV sued MOB for 3 main cause of actions: trademark dilution, trademark infringement and copyright violation.

The district court recalls the *Tiffany v. eBay*[10] definition of trademark dilution as follows: when a consumer sees a mark (such as a word or symbol) in a store or during an advertisement, he or she may develop an association between a product or service and its corresponding quality, brand reputation, or origin. Louis Vuitton alleges trademark dilution by blurring, which happens when an unrelated product adopts a name or a trademark in such a way that customers may connect those products to the mark and therefore weaken it. According to the court's report, "a plaintiff must prove (1) that the trademark is actually distinctive or has gained secondary meaning, and (2) a possibility of dilution as a result of "blurring," in order to succeed in a claim for trademark dilution. The court goes on to say that a parody must simultaneously be obviously distinct from the original and convey some ludicrous or satirical message as part of the trademark dilution consideration.

The court determines that MOB's use of the Louis Vuitton brand must be viewed as "parody" and that it is protected by fair use. In fact, it is quite evident to the general public that Louis

[10] 576 F.Supp.2d 463 (S.D.N.Y.2008).

Vuitton and the company that makes the tote bags are unrelated.
The court stresses the necessity to determine if there was a risk of confusion for the public with regard to the second charge Louis Vuitton made against MOB, namely trademark infringement, and relied on Polaroid's "eight-factor balancing test." The latter includes: "(1) the strength of the trademark; (2) the similarity of the marks; (3) the close proximity of the products and their competitiveness with one another; (4) the evidence that the senior user may "bridge the gap" by developing a product for sale in the market of the alleged infringer's product; (5) the evidence of actual consumer confusion; (6) the evidence that the imitative mark was adopted in bad faith; (7) the respective quality of the products; and (8) sophistication of consumers."[11]
Starting with the first part, the court observes that even while Louis Vuitton's marks are undoubtedly very powerful and well-known, this aspect by itself ought to make it simpler for the public to recognize MOB's bags as parodies. Regarding the similarities, while MOB's drawing unmistakably mimics Louis Vuitton's trademark, it nevertheless differs significantly from it, preventing source confusion. The appropriate public may easily discern that it is a joke. The third factor—namely, the close proximity and competition between products—is categorically rejected by the Court, as shown by the price difference between Louis Vuitton bags and MOB bags. Louis Vuitton was unable to convincingly prove the sixth reason, customer confusion, thus the Court rules in favor of MOB as well. The sixth one, bad faith, was handled similarly, with the court pointing out that MOB was using Louis Vuitton's trademark for parody and not capitalization. The Court concludes that the final two Polaroid factors both work in MOB's favor. The Court concludes that "there is no triable question of fact on the possibility of confusion" after reviewing the aforementioned factor analysis. Louis Vuitton was unable to provide any evidence to the contrary; rather, the defendant's use of the mark is an obvious parody or pun, readily so comprehended, and unlikely to cause misunderstanding among consumers.[12]

The court rules that parody is not automatically to be considered "fair use" when considering the third and final claim, copyright infringement: an assessment is necessary. "(1) the purpose and character of the use, including whether such use is of a commercial nature or is for non-profit educational uses; (2) the nature of the copyrighted work; (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and (4) the effect of the use upon the potential market for or value of the copyrighted work," are the factors to be taken into account for the aforementioned assessment. The court concludes that parody

[11] 287 F.2d 492 (2d Cir. 1961).
[12] 156 F.Supp.3d 425 (S.D.N.Y. 2016).

can be used for both commercial purposes and fair use when evaluating the first element. Further to the second, the Court observed that "parodies nearly always imitate widely known, expressive works, therefore the character of the copyrighted work does not provide much help in a parody case." In regard to the third element, the court emphasized that "MOB's totes must successfully conjure Louis Vuitton's purses" in order to make sense. Regarding the final one, the court emphasizes once more that MOB's totes do not compete in any manner with Louis Vuitton's bags despite existing in the same market. MOB has not suggested using them in place of the plaintiff's bags. Consequently, the Court ultimately came to the conclusion that MOB's totes were more likely to strengthen than undermine the distinctiveness that Louis Vuitton's bags had already gained, and it reiterated that MOB's use of the plaintiff's trademark constitutes a fair use.[13]

[13] 156 F.Supp.3d 425 (S.D.N.Y. 2016).

3 LIABILITY OF ONLINE PLATFORMS FOR TRADEMARK INFRINGEMENT

3.1 THE EUROPEAN DIGITAL SERVICE ACT (DSA)

Digital Services are defined by the E-Commerce Directive, in compliance with the Transparency Directive 2015/1535, as “information society services”. They refer to services normally provided against remuneration by electronic means and at the individual request of a recipient of services. Accordingly, the main services included in the discussion are online shops, e-games, apps and payment services. Moreover, also online intermediaries are taken into account, such as e-commerce marketplaces, social networks, online platforms.

Relatively to the latter, the increase of e-commerce has been steady over the past 20 years (European Commission, 2020). According to ESTAT, nowadays around 20% of European business are involved in online markets. Among them, more than 40% are using online platforms to reach their customers, increased the online activity by the 70%. A study conducted for the European Parliament emphasizes the strategic importance of e-commerce and digital services in boosting the opportunities for SMEs to access new markets and new consumer segments, accelerating their growth, affording lower prices for consumers (2% to 10% advantage compared to offline sales), and enhancing territorial cohesion in the Union, blurring geographic dependencies between markets. The study estimates overall welfare gains from e-commerce to be between 0.3 and 1.7% of EU-27 GDP (Iacob & Simonelli, 2020). It is important to state that while some online platforms already existed at the end of the 1990s, their scale, reach and business models were in no way comparable to their current influence in the market and the functioning of our societies. In 2018, 76% of Europeans said that they were regular users of video-sharing or music streaming platforms, 72% shopped online and 70% used social networks. Through the advent of online platforms, many more economic activities were open to online consumption, such as transport services and short-term accommodation rental, but also media production and consumption and important innovations were brought by user-generated content (Eurobarometer - TNS, 2018).

Digital services are, as just described, the new shape of economics, therefore need to be protected and regulated. Indeed, new information society and digital services have appeared since the passage of Directive 2000/31/EC1 (the "e-Commerce Directive"), changing the daily lives of Union citizens and influencing and modifying how people connect, interact, consume, and conduct business. These services have made significant contributions to societal and economic changes in the Union and around the world. However, employing those services has also given rise to new dangers and difficulties for both societies at large and the users of those services. Digital services can aid in the accomplishment of the Sustainable Development Goals by promoting environmental, social, and economic sustainability. The coronavirus outbreak has highlighted how crucial digital technologies are to modern life in all its facets. The dependence of our economy and society on digital services has been amply demonstrated, and both the advantages and dangers associated with the current system for operating digital services have been underlined.

Accordingly, the Commission has taken care of the issues identified by the European Parliament and has analyzed a way to solve them.

The Digital Services Act is the new European regulation on digital services. It was approved on 5 July 2022, providing for obligations proportionate to the size of the platform and a new culture of systemic risk prevention, from misinformation to illegal content.

The Digital Services Act imposed transparency on the profiling and operation of online platforms, with the obligation for suppliers to collaborate with authorities and undergo independent audits.

Twenty-two years after the entry into force of the e-commerce Directive, the new EU regulatory framework on digital services has established a new culture of systemic risk prevention, with a new system of interstate governance and sanctions up to 6% of the annual turnover of the platforms. In order to promote the proper functioning of the EU digital services internal market, the Digital Services Act amended the existing rules according to the principle: "what is illegal offline should also be illegal online". The Digital Services Act applies in fact to "information society services", that is to all intermediaries that offer remote services, electronically/electronically, at the request, usually paid, of a recipient.

The Digital Service Act comes into force together with the Digital Markets Act. The two measures make up the Digital Services Package, which will be implemented from 2023 and was defined by the President of the European Commission Ursula von der Leyen as a historic agreement "in terms of both speed and substance". The purpose of the Digital Services Act, together with the Digital Markets Act, is to more effectively protect the fundamental rights of Internet users, making digital markets fairer and more open to all.

Starting from the Digital Markets Acts, it is important to state that it addresses the negative consequences of certain behavior of platforms that have taken on the role of digital market access controllers, the so-called gatekeepers. These are platforms that have a significant impact on the internal market, act as an important "access point" through which commercial users reach consumers and enjoy, or will presumably enjoy, a consolidated and lasting position, which may give them the power to act as private legislators and create a bottleneck between businesses and consumers. Sometimes these companies have control over entire platform ecosystems and, if a gatekeeper sets up unfair commercial practices, the services of its users and commercial competitors may not reach the consumer or the access process may be slowed down. This is the case, for example, when these practices involve the unfair use of the data of companies active on such platforms or lead to situations in which users are bound to a particular service and have little chance of choosing another. To combat this phenomenon, the Digital Markets Act establishes harmonized rules against unfair practices and provides for an enforcement mechanism based on market surveys. The same mechanism will ensure that the obligations laid down in the regulation are updated in line with the constantly evolving digital reality.

Differently, the new regulation (DSA) speeds up procedures for the removal of illegal content and improves public control over online platforms, especially on the most popular ones, which reach more than 10% of the European population. The regulation covers various types of digital services: online markets; social networks; content sharing platforms; online travel and accommodation platforms; app stores; intermediation services (e.g. Internet providers and domain registers); cloud services and web hosting; collaborative economy platforms.

Among the main objectives of the Digital Services Act are: to protect the rights of consumers by ensuring their safety; to combat the spread of illegal content, the manipulation of information, online disinformation; offer consumers and commercial users of digital services wider choice and lower costs; establish a clear, effective and immediately applicable regulatory framework in the area of transparency and accountability of online platforms; promoting innovation and market competitiveness by facilitating the start-up and development of SMEs, providing access to European markets for commercial users of digital services; fostering greater democratic control and better supervision of platforms; enhancing traceability and controls on commercial operators in online markets (including through random checks to verify the possible republication of illegal content). Going further, the long-term objective is to create a secure and reliable digital environment that effectively protects consumer rights and at the same time helps innovation and competitiveness. The DSA has maintained the guidelines of the E-commerce Directive but has introduced new rules on transparency, disclosure obligations and accountable liability. The obligations of the regulation are proportionate to the type of service offered and the number of users. For this reason, the intermediary service platforms are divided into four categories: intermediary services; hosting (es.cloud); online platform (es.

social media); very large platform. Each category entails specific obligations, to be fulfilled within four months of allocation.

Another important difference stated in the DSA is that it provides for two new figures among the European Regulation context: the Compliance officer, designated by the "very large online platforms" with the task of monitoring compliance with the regulation by companies. An internal figure in the company, with precise professional skills indicated by the DSA and the obligation of impartiality and transparency in judgment; the Digital Services Coordinator, new independent national authority to oversee the application of the regulation with obligations of transparency, impartiality, timeliness of action and annual reports on its activities. As provided for in art.38, it is responsible for ensuring national coordination on the rules, as well as for handling complaints against providers and investigating the presence of illegal activities with the power of inspection. Once the offence has been established, it has the task of imposing the cessation of the infringement with penalties and periodic penalty payments, to the point of requiring the State judicial authorities to temporarily restrict the access of the recipients to the service concerned. The national digital services coordinators of all Member States make up the European Committee for Digital Services, chaired by the European Commission, which supports interstate coordination and oversight on large platforms.

To give a little of actual context, on 23 April, the Council and the European Parliament reached an interim agreement on the Digital Services Act, with 539 votes in favor, 54 votes against and 30 abstentions. It finally agreed that it is necessary to strengthen the obligations relating to online markets the micro and small companies with less than 45 million users active per month in the EU will be exempted from some new obligations the EU Commission will have the exclusive power to supervise the platforms and on large search engines users must be protected by prohibiting misleading interfaces and introducing transparency requirements for the parameters of the recommendation systems following the war in Ukraine, it is necessary to introduce a crisis response mechanism to analyze the impact of the activity of platforms and large search engines. The interim agreement must now be approved by both institutions. Once the Digital Services Act comes into force, the provisions on platforms and large search engines will apply within 20 months, while the remaining provisions will come into force within 12-18 months.

3.2 Trademark infringement vs secondary liability

As already said in the previous chapter, a trademark infringement arises when the trademark is used without the consciousness of the original owner of the registered mark. Owners of intellectual property are increasingly looking to hold parties other than the direct infringers accountable as they attempt to enforce their copyrights and trademarks against Internet-based infringers. Direct infringers can be challenging to find, since they can readily escape liability by selling fake or other illegal goods online. They may simply conceal who they are. From a faraway nation, they can conduct business all around the world. They have no trouble closing down and reopening under a different domain name. They relocate their websites to several hosting providers located in various nations across the globe. Furthermore, attempting to take down such sites can be extremely difficult or expensive because to the large quantity of them. As a result, intellectual property owners have started attempting to hold other parties accountable for their roles in transactions involving counterfeit or illegally produced goods. Examples include search engines that sell key phrases used by direct infringers, auction websites that facilitate such transactions, and credit card companies that handle payments for such goods (McCue, 2012).

This paragraph is going to deeply understand whether an infringement can be attributed directly to a single party. Accordingly, for secondary liability in trademark infringement it is meant the law principle wherein a third party becomes liable whether they are part of the infringement, or materially contribute to the violation act (Fenwick, 2021). Thus, for secondary liability it is referred to the circumstances in which a person is subject to liability, including the possibility of injunctive remedy, even when they do not directly violate the rights of the trade mark owner. This is known as a secondary infringement. This involvement could take the form of supporting the violation, enabling it, funding it, or otherwise profiting from it. The liability that can develop in accordance with national law could be classified as secondary, indirect, accessory, derived, or even direct tortious culpability.

As already said before, EU trademark law is essentially laid down in two statutory instruments, namely, the EU Trademark Regulation and the Trademark Directive. Both statutes confer on the trademark owner the exclusive right to prevent some third-party uses of a sign identical or similar to the registered trademark. Those uses encroach directly upon the proprietor's exclusive rights and thus constitute a primary trademark infringement. Contrarily, third-party activities that contribute to someone else's primary infringement, do not deal with by the EUTMR nor by the TMD. The secondary liability that may arise from those activities is essentially left to Member States' national laws, even if they are deeply conditioned by the EU law (Leinstner, 2014).

Accordingly, some degree of harmonization at EU level regarding trademark secondary liability exist.

Starting with the first one, making a distinction between primary and secondary infringement depends on how the CJEU interprets the concept of primary infringement, which is harmonized by the EUTMR and the TMD. It is crucial to determine if the behavior under investigation could be classified as a primary infringement of trademark rights or just as a secondary one. Additionally, in order to impose secondary culpability on someone else, it is typically necessary to determine that a main infringement has already happened or is likely to do so (Kur, 2014).

Secondly, the E-Commerce Directive (ECD) for internet intermediaries' places various restrictions on the liability that may be imposed under national law, influencing secondary liability. The service provider is released from all responsibility for the content that was intermediated once the requirements are satisfied. Although the ECD further limits the scope of potential injunctions by forbidding the imposition of general monitoring responsibilities on those providers, such an exclusion has no bearing on the possibility of injunctions against the intermediary.

Lastly, The Member States are required by the Intellectual Property Enforcement Directive (IPRED) to allow for the possibility of obtaining injunctions against intermediaries who are not directly violating intellectual property rights but whose services are being utilized by another party to do so. Any type of intermediary, whether online or off, is covered by this. As a result, EU law actually imposes some form of secondary liability, even though it is only limited to injunctive relief (Leinstner, 2014).

In Europe, the fundamentals of tort law are not uniform. Talking about the online ecosystem, the E-Commerce Directive has established a framework for legal exemptions from liability with regard to Internet services that may be used for illegal activities (including, but not limited to, intellectual property infringement) (the safe harbor). With the important exception that it applies horizontally, embracing trademark infringement, the E-Commerce Directive is the European version of the U.S. Digital Millennium Copyright Act (DMCA) in this regard. According to Articles 12 through 14 of the E-Commerce Directive, no liability will result for transmission, caching, or hosting if the person providing those services: (1) limits his or her role to facilitating use by others; and Article 15 specifically states that Internet service providers (ISPs) acting in such a way are not liable.

A trademark's exclusive rights do not give the owner a full monopoly over the sign that makes up the mark. Instead, the owner's right to forbid a third party from using an identical or similar sign is restricted to what is required to safeguard a trademark's core purposes, including identifying the economic provenance of products and services sold under the mark. As a result, in order to prevent unauthorized third-party uses of a trademark under the EUTMR or the TMD, certain requirements must be met. The CJEU has changed this requirement into a more general condition of being liable of having an adverse effect on one or more functions of the trademark. These include the general threshold requirements of being a use made (i) during trade, (ii) in relation to goods or services, and (iii) for the purpose of distinguishing goods or services. The assumption behind those threshold requirements is that the above-mentioned usage qualifies as an actual "use" for the purposes of the applicable EUTMR and TMD rules.

According to the above description presented, *Google France SARL v. Louis Vuitton Malletier SA* represents a landmark case and is also illustrative of keywords advertising strategies, which will be analyzed in the next paragraph.[14]

Along with the French trademarks "Louis Vuitton" and "LV," Vuitton also owns the Community trademark "Vuitton." These have a well-known reputation, which is widely acknowledged. Vuitton discovered in 2003 that when internet users typed in his trademark words into Google's search engine, they would be taken to websites that sold knockoffs of Vuitton's goods under the name of "sponsored links." Additionally, Google allowed the advertisers to use words like "imitation" and "copy" that suggest fake goods alongside Vuitton's trademarks. As a result, Vuitton filed a lawsuit against Google trying to prove that Google had violated Vuitton's trademarks.

The CJEU held that for the purposes of finding an infringement, "the use, by a third party, of a sign identical with, or similar to, the proprietor's trade mark implies, at the very least, that that third party uses the sign in its business" with regard to Google's participation, it noted that "the fact of creating the technical conditions necessary for the use of a sign and being paid for that service does not mean that the party offering the service itself uses the sign." Since Google allows advertisers to choose phrases that are identical to registered trademarks, records those keywords, and shows the ads based on the keywords, the Court determined that Google does not use the mark for the purposes of the EUTMR or the TMD. Therefore, a referring service provider "allows its clients to utilize signs" according to the Court. Without employing those signs for its personal own purpose, the service provider does not commit a direct act of

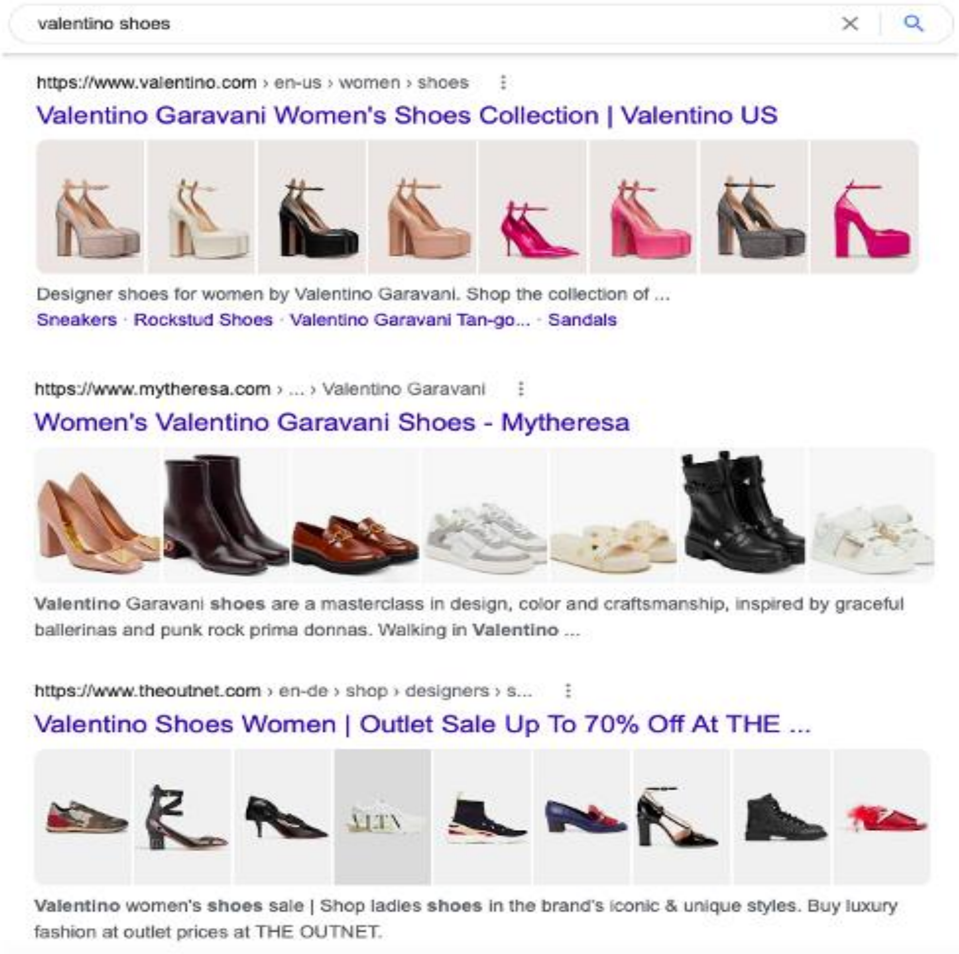
[14] Google France SARL v. Louis Vuitton Malletier SA C-236, 237 & 238/08

infringement, and any liability it may face for having "permitted its customer to make such a use of the sign" may only be covered by secondary liability laws in the country in question, thus the CJEU didn't consider Google as responsible for trademark infringement.

3.2.1 KEYWORDS ADVERTISING

New methods of trademark exploitation that may have an impact on competition have emerged as a result of the spectacular expansion of online shopping, which has had a considerable impact on business tactics and consumer behavior. The keyword advertising services offered by internet search engines play a significant role. Indeed, when a customer types a brand's name into a search engine, they are presented with two different types of results: organic search results or paid search results. If a rival brand places a bid on the keyword "brand name," their advertisements can also show up as sponsored links. As the name says, the difference between organic search and paid search is simply the cost. The organic search is referred as web page listings appearing as a result from the online search done by people. Hence, the organic activity is based on SEO inputs paid-free. As a clear example, Google is the outstanding and superior search engine and everything showing in its online homepage, not paid by the brand, is an organic result. Accordingly, the below picture shows organic results on Google after having typed “Valentino Shoes”.

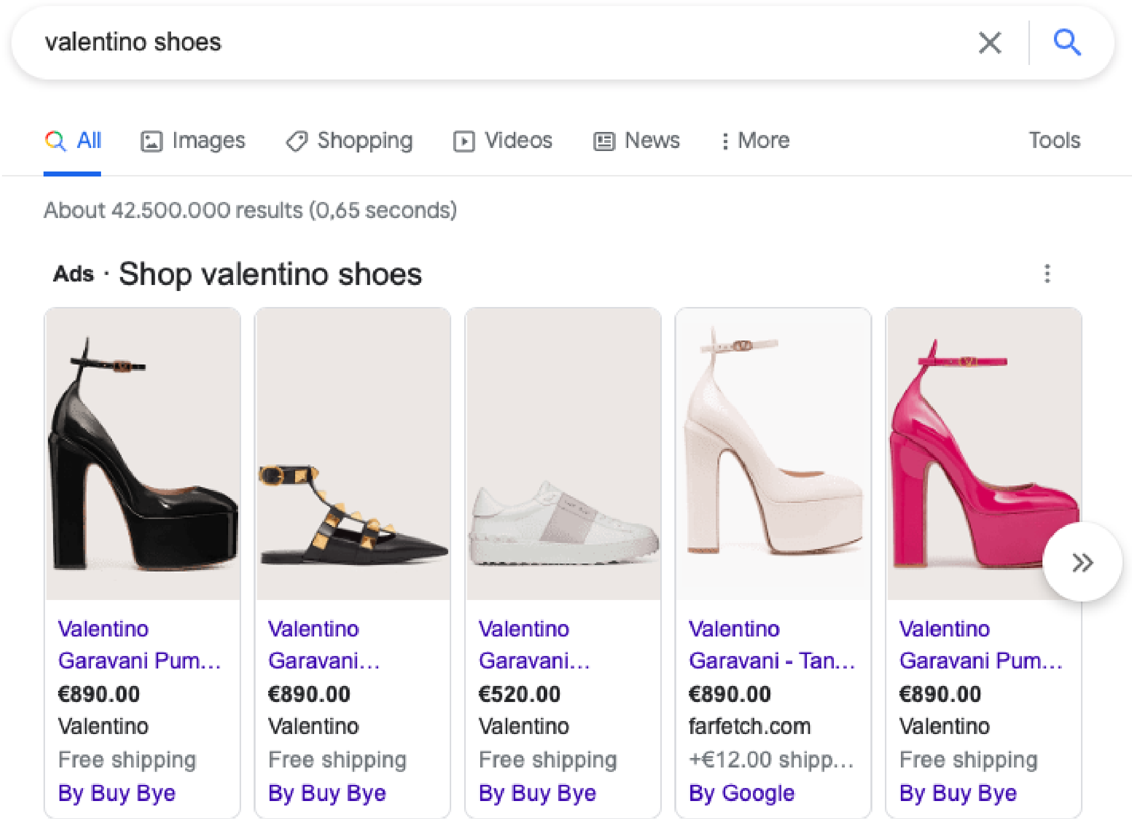
Picture 15: Organic search results



Source: Google (2022)

It is evident that all the results appearing are website pulling out through a SEO activity. Differently, paid search refers to every advertising in the google page that has been paid by the brand. This mainly happens through CSS. To be more precise, Comparison Shopping Services (CSS) can place shopping ads and free product listing on Google on behalf of merchants. It is mainly defined as “a website that collects product offers from online retailers and then sends users to the retailer website to make possible the purchase”. The below picture shows an example of CSS for “Valentino shoes”.

Picture 16: Paid search results



Source: Google (2022)

Lastly, it is important to cite that paid activities can be done also through influencers and online partners.

Accordingly, keyword advertising is a way of online advertising that is based on the concept of keyword (as the name says): the promotional message is presented to the user in response to a specific search or in relation to certain terms that appear on a page of a site. Keyword advertising in this way, because it is targeted and inherent in the topic of interest to the user, has therefore many chances to be effective.

The topic of keyword protection thus fits under the trend that concerns the entire intellectual property system and its competitive reflexes, highlighted by the new environmental context in which a sizable portion of the competitive comparison takes place, as well as the gradual expansion of the protection of the Brand. In the case of keyword advertising, the same word actually serves three different purposes because it is first regarded as the search term that any user can choose to insert on an Internet search engine, then it is a keyword purchased by some advertisers for an advertising service provided by a search engine manager, and finally it is the symbol registered and used as a trademark to indicate the origin of specific goods or services from a single commercial source.

Going further with the main discussion of this thesis, since trademark holders claim that the fundamental functions of trademarks may be negatively impacted, keyword advertising systems have been the focus of numerous legal disputes regarding the legality of the use of terms that correspond to trademarks. Indeed, the fundamental issue with keyword advertising is when trademarked names are unfairly used in advertisements by using keywords that are confusingly similar to, or occasionally identical to, those terms. As search engines permit marketers to choose protected trademarks as keywords and then link those keywords to search results on third-party websites that are neither owned by nor associated with the trademark proprietor, such use may give rise to several problems. Online advertising limits also raise anticompetitive issues on both sides of the Atlantic, given the significance of search engines for driving customers to the websites of shops and rivals. Indeed, the European Commission's E-commerce Sector Inquiry found that some retailers are only permitted to bid on certain positions or are restricted in their use of or ability to use the trademarks of specific manufacturers to obtain a preferential listing on paid referencing services provided by search engines. Additionally, the markets for broadband, credit cards, energy, flights, and home insurance presented brand-bidding restrictions to the UK Competition and Markets Authority, while the Netherlands Authority for Consumers & Markets examined the hotel industry. In addition, the US Federal Trade Commission found that the largest online contact lens retailer had illegally entered into a web of anticompetitive agreements with rivals that prevented them from bidding for search engine result advertisements that would inform consumers that identical products were available at lower prices (Colangelo, 2020).

3.2.2 LOUBOUTIN V. AMAZON

In accordance with Article 9(2) of the EUTMR, is the owner of an online marketplace using third-party trademarks themselves when it posts advertisements for independent sellers' products that violate such trademark rights and also ships those products to end users? Is it important to consider the perception of a moderately knowledgeable and perceptive internet user while making such an assessment?

This is the question that the following case law tries to address.

Christian Louboutin, a well-known French fashion designer, and Amazon, an American multinational corporation, are the parties to the legal battle. The implications that result from this dispute could have a significant impact on how Article 9, Paragraph 2 of the Regulation

(EU) 2017/1001 of the European Parliament and of the Council of June 14, 2017 on the EUTMR is interpreted and, consequently, on the recognition of primary and direct liability for the operator of an online marketplace in case of trademark infringement.
Christian Louboutin filed separate lawsuits for trademark infringement in 2019 in Brussels and Luxembourg, respectively. The legal action was founded on Louboutin's European Union trademark registration number 8845539 for the red color (described in chapter 2) on high-heeled shoes' soles. Particularly, on March 1, 2019, Mr. Louboutin requested injunctions against Amazon Europe Core Sàrl, Amazon EU Sàrl, and Amazon Services Europe Sàrl for the use of his trademarks because of third parties advertising fake shoes on the defendant's online platform. The decision established that Amazon was directly liable for trademark infringement because the use of the mark in third-party listings for counterfeit goods that were displayed on Amazon's marketplace and the subsequent delivery by Amazon through its Fulfillment by Amazon (FBA) program constituted direct infringement by the platform itself. The "Cour d'Appel de Bruxelles" (Court of Appeal, Brussels) then overturned the first instance ruling on June 25, 2020, and ruled that Amazon was not liable for the appearance of third-party adverts for illegal goods on its platform.
In addition, Mr. Louboutin filed new lawsuits against Amazon Europe Core Sàrl, Amazon EU Sàrl, and Amazon Services Europe Sàrl in Luxembourg's Tribunal d'arrondissement (District Court), as well as against Amazon.com, Inc. and Amazon Services LLC in Belgium's Tribunal de l'entreprise francophone de Bruxelles. These lawsuits were based on the cited European Union and Benelux trademark registrations for the red-soled shoes.
The courts of Luxembourg and Brussels submitted petitions for preliminary determination to the Court of Justice of the European Union by judgments dated March 5 and March 22, 2021. These requests have been merged as currently pending cases C-148/2 and C-184/21.
Therefore, the Court of Justice of the European Union has been requested to provide an interpretation of the Article 9(2) of the EURMR 2017, particularly whether an online marketplace may be held directly liable for using a third-party trademark without authorization under the subject article. Indeed, according to consolidated CJEU case law, two requirements must be met in order to establish use of a trade mark when the relevant sign is used in advertising and, consequently, a potential violation where such use is unauthorized: first, a person must engage in an active behavior or conduct (comportement actif) and have either direct or indirect control over the act constituting use; second, the situation must entail that the use occurs. While it is undeniable that vendors who utilize an online marketplace to offer for sale and market illegal goods satiate both the previously mentioned requirements, such a

finding cannot be automatically applied to the marketplace owner. It is necessary to carry out the actions mentioned in Article 9(2) EUTMR for oneself and not to provide assistance or support to third-party uses. The main reason behind this provision is to give trademark owner the possibility to prohibit unauthorize used of their trademark by third party (Rosati, 2022). The CJEU has consistently concluded in its case law that intermediaries that facilitate third-party applications of trademarks are not considered to be utilizing such trademarks themselves. The following instances are where the Court has thus far ruled that an intermediary is not directly using a third-party trade mark: advertising activities, including instances in which the concerned intermediary stores, organizes, and displays internet keywords that correspond to protected trade marks; actions conducted when a seller uses the intermediary's services at their request and per their instructions; storing counterfeit products at a seller's request who is utilizing the intermediary's services (Padilla, 2022). Accordingly, based on these instances, the CJEU has held that an intermediary who provides the technical requirements for the use of the sign but does not actually sell the items but instead performs a service in connection with the marketing of goods cannot be considered as if it uses the trademarks for its own personal purpose (Rosati, 2022).

What is important to say is that the growing importance of internet intermediaries indicates that their operations will inevitably overlap with those of other operators and may, in some cases, pose a danger to their rights. This is the situation with operators who are in possession of intellectual property rights, particularly trademark owners, as these rights may be violated, for instance, by online sales platforms, raising the issue of the responsibility of online intermediaries running such platforms. The development of online sales platforms' operations and the related technology advancements make products more accessible to consumers and promote their promotion. As a result, the number of items in circulation grows naturally. This also holds true for fake goods.

After one year from the filed lawsuit, the Court of Justice has not argued any decision yet. The complexity of the case at issue stands on the possibility to hold an operator of an online marketplace liable for its own business model rather than because of its own “material” infringement. The Court will also have the chance to consider whether the lines separating harmonized primary/direct liability from coordinated secondary/indirect liability under trademark law should be blurred so that the former would cover circumstances that would typically come under the latter's purview. According to the CJEU's answer to all of the questions posed in the Louboutin/Amazon case, the operator of an online marketplace like the one considered by the referring courts does not in itself use the trademark in relation to advertisements and delivery of infringing goods that are offered for sale and placed on the market by unrelated third-party sellers who utilize the services of such a marketplace, As a result, the courts in Luxembourg and Belgium have detailed that Article 9(2) EUTMR does not apply in the scenario. The Court should not justify holding Amazon liable for trademark infringements where the real act of infringement is carried out by third-party sellers who genuinely use the mark without the owner's consent in conformity with EU trademark law. The assertion that there is no economic incentive for hybrid marketplace operators to tolerate trademark infringements on their platforms is supported by the fact that hosting infringers had the long-term effect of causing "loss of reputation in the eyes of consumers and third-party sellers on any marketplace" (Padilla, 2022).

Regardless of whether the Court upholds the CJEU's current jurisprudence, the above-mentioned queries should undoubtedly receive a negative response. Moreover, questioning whether a liability might be established on a secondary basis in relation to a third-party issue, should be a matter of national law, rather than EU law.

Indeed, the Advocate General proposes that the question submitted by the case law Louboutin v. Amazon should be addressed in the following way. Operator of online sales platforms cannot be considered as using a trademark in an offer for sale published by a third party by the fact that they publish their own commercial offerings and those of third parties uniformly and without distinguishing them in the way they are displayed. Moreover, they inform potential customers that will be responsible for providing assistance, stocking, and shipping for goods listed on their platforms provided that such elements do not cause the reasonably well-informed and reasonably observant internet user to perceive the disputed trademark as an integral part of the operator's commercial communication (Advocate General’s Opinion C-148/21 and C-184/21).

In sum, the Advocate General believes that this need is satisfied when the communication's recipient makes a clear connection between the intermediary and the sign in question. To determine whether the sign in issue appears to the user to be incorporated into that commercial message, such a condition must be evaluated from the perspective of the user of the platform in question. In his opinion, while deciding whether a sign is utilized in the commercial communication of the owner of that platform, the perspective of a reasonably knowledgeable and reasonably observant user of an online sales platform should be taken into consideration. In addition, the Advocate General reminds that the only scenario contemplated is that in which the operator of an online sales platform is directly liable due to its use of a sign identical to a trademark. This is in relation to the impact of Amazon's business practices on the recognition

of "use" of the trademark within the meaning of EU law. The Advocate General further points out that while the commercial offerings of Amazon and third parties are presented identically and that each incorporates the Amazon emblem, it is always stated in the advertisements whether the products are offered by third-party merchants or directly by Amazon. Therefore, just because third-party seller advertisements and Amazon's advertisements appear next to one another does not mean that a reasonably informed and reasonably observant internet user would consider the signs on the third-party seller advertisements to be a crucial component of Amazon's commercial communication. The same holds true for the supplementary services of help, stocking, and shipping of goods carrying a sign identical to a trademark, for which Amazon has also actively participated in the creation and publication of the offers for sale.
The operator of an online platform like Amazon is not using a sign in certain cases, according to the Advocate General. Thus, according to the assumptions just made, the CJEU should not undertake such litigation in favor of Louboutin.

CONCLUSION

Over the past decades, the counterfeit issue has been one of the most successful research areas. Particularly, after Covid-19 pandemic crisis, great part of scholars' effort has been put in understanding size and shape of this topic.

This thesis studies the counterfeit market and its relationship with the luxury world.

Even if some luxury businesses have been hesitant for a long time to sell their products online, over the past ten years this particular channel has become extremely successful, expanding enormously on a daily basis. Online sales do, in fact, allow luxury businesses to increase their revenues by capitalizing on a larger market that has access to premium items at any time, from any location, and without having to pay exorbitant search expenses. The benefits of e-commerce today are undeniable, but the risks for luxury businesses are also a significant problem. Accordingly, although continuous IP protection is essential for fostering innovation, brand appeal, and consumer trust, the fashion sector is characterized by a lack of it. Since the fashion industry is particularly affected by unfair competition, imitation seems to be a common practice, as evidenced by the similarities between fashion products caused by the industry's defining characteristics. As a result, it seems really challenging to draw the fine line between merely being inspired and violating trademark law imitation.

The counterfeit market, described in the first chapter, mainly operates in two different ways, according to the type of customers it addresses. Indeed, there are two types of consumers: those who buy infringed goods with the belief that they are genuine, and those who buy counterfeits on purpose. Therefore, the counterfeit market needs to be regulated and this happens through the trademark law. Only a small portion of fashion designs may be eligible for such protection because inventive components of designs may be challenging to separate. Trade dress and non-traditional trademarks, on the other hand, enable protection that would otherwise be impossible to get under other conventional intellectual property laws. Given that trademark law is a well-established part of the law and also offers potentially indefinite term, applying it to the fashion sector would seem to be more favorable. Furthermore, non-traditional trademarks can only be effective if they serve their intended purpose as a trademark, which is to identify the economic origin of the designated good. The most explicative example non-traditional trademark is colors, going more in depth, the Louboutin "Red Sole". In this perspective, fashion trademark protection is an issue of balance: prohibiting fashion firms from benefiting from marketing efforts to make their brands distinctive would be unjust while overly strict protection would impede fair competition in the fashion industry. As a matter of fact, after twenty years of successful marketing, media attention, and sales, Louboutin has acquired a secondary connotation. Therefore, the case Louboutin v. YSL is presented. After the Court answer to this lawsuit, competitors are simply prohibited from using monochromatic red soles, which means that Louboutin does not have an unfair edge because their red soles must contrast with the red of the shoe's vamp. Furthermore, rivals are not allowed to employ the contrasting red sole that Louboutin did in order to gain an advantage over them, aiming at protecting Louboutin's brand image, and resulting in not having any counterbalanced effect in terms of benefits for consumers or any other actor that plays a role within the market.

Furthermore, this thesis takes into account also online platforms. Thus, the Digital Service Act is presented. Recalling what already said, when a trademark is used without the registered mark's original owner's knowledge, trademark infringement occurs. As they try to enforce their copyrights and trademarks against Internet infringers, intellectual property owners increasingly strive to hold parties other than the direct infringers liable. Therefore, it is important to cite the Louboutin v. Amazon case. Louboutin filed a lawsuit against Amazon in 2019 accusing to a unfair use of his trademarks because of third parties advertising fake shoes on the defendant's online platform. After several from the filed lawsuit, the European Court of Justice has not argued any decision yet. Nevertheless, taking into account past law cases and the fact that hosting infringers had the long-term effect of causing loss of reputation efforts the marketplace which is evidence in favor of the claim that hybrid marketplace operators have no financial incentive to tolerate trademark infringements on their platforms, the CJEU should not undertake such litigation in favor of Louboutin.

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EXECUTIVE SUMMARY

Fashion meets people's fundamental needs, both physical and emotional. In combination with luxury, it allows customers to feel protected but also to express their identities and personalities. The size and scope of the world's fashion industry have increased dramatically since the turn of the 20th century to reach their current size. Today, the fashion business plays a huge role in the world economy. A robust economy has supported the luxury fashion industry by enticing consumers to spend more money. Luxury fashion companies in the US have expanded their global sales and sourcing strategies at the same time. Retailers from the US and Europe are increasingly attempting to attract customers from across the Atlantic. Luxury brands in the US are more and more dependent on China for their manufacturing requirements, putting them at risk of suffering losses if a trade war breaks out. Indeed, the fear of tariffs on Chinese imports is forcing fashion businesses relying on Chinese manufacturing to think about shifting their production elsewhere.

The way people approach luxury fashion has undergone a significant transition, especially in the last ten years. Online shopping, whether done on a computer, tablet, or mobile application, has gradually replaced the conventional brick-and-mortar retail experience (Bernstein, 2020). This includes buying products, that customers formerly wanted to touch and try on before purchasing, based purely on online photographs and descriptions. As a result, online-only businesses like Amazon and ASOS are putting pressure on department stores and main street merchants. Accordingly, the market for luxury products is expanding in a tremendous rapid way.

The luxury industry is an odd one. It is governed by laws that are rarely applicable to other commercial fields. The market for luxury goods is in fact tightly entwined with the protection of the trademark, a preference for the selective system of distribution, and a strong defense of the brand's commercial identity. In fact, when it comes to defining and understanding the specificities of this domain, all the streams flow in the same direction. As a result, the free-market competition may become severely constrained, causing every attempt to invade the brand's domain to be vigorously opposed with the ultimate goal of defending the rights that luxury enterprises have tenaciously established.

Although luxury industry is listed among the most popular and profitable industries, its Intellectual Property protection represents one of the main issues regarding world Trademark law. More specifically, the lack of protection characterizing luxury and fashion original work

usually leads to a great exposure of decreasing power in protecting efficiently trademarks. Therefore, consumption of counterfeit luxury goods has been a long-standing and intractable problem (Green, 2002). Such unqualified goods may lead the luxury market into a mess and negatively affect the prestige of luxury brand, violate intellectual property rights, and offend the development of innovation (Zaichkowsky, 2000). Relatively, industries have made incredible efforts trying to cut counterfeiting. The potential financial losses, intangible and tangible business resources, legal fees, and reputational damage make fashion businesses constantly aware of the need to outperform rivals. This is done through continuous innovation, operational efficiency, and brand enhancement, which is then translated into trademark protection applications. This explains why trademark applications by businesses and innovation levels are correlated: innovative businesses file more trademark applications than copycat businesses (Kapferer, 2010). Counterfeit is therefore an incredible issue that must be regulated, mainly using Trademark Law.

The main purpose of the below study is to explain how the counterfeit issue is related to the luxury market.

For this scope, the first chapter is going to provide a clear definition of the counterfeit market, mainly by comparing theorical background with actual worldwide data. Therefore, an academic description is provided. It starts with an explanation of what the counterfeit market is, giving a deep focus on the its variety of features. Then it goes further into the luxury market. It is firstly theoretically pictured and secondly differences among consumer’s attitudes are described. Giving the fact that customers have different purchasing habits, this first paragraph explains their willingness to buy counterfeit products, which varies according to different environment. Many scholars found that the main transmission channel of fake goods is through online platforms, which leads the reader to the last paragraph of the chapter. In order to provide a deeper understanding, a real lawsuit against an alleged online counterfeiter is provided: Facebook, Inc., and Gucci America, Inc. v. Natalia Kokthenko. Until this section, the thesis focused on counterfeit market, thus on the infringement of Trademark Law.

In Chapter 2 the study goes more in dept. A clear definition of the trademark law is presented, with its main types of violation. These are blurring, tarnishment and free riding, as well as the problem of double identity. Later, through the use of the before studied law, its application in the luxury market is presented. Colors play a crucial role in the management of brand marketing in the luxury trademark protection framework. Luxury designers heavily rely on the development of color-related secondary associations in consumers' minds to the point where their productions are branded by the relevant audience as the most appealing items. The

development of every fashion line revolves around a color theme, thus color marks are essential for luxury and fashion designers. On the other hand, the fact that premium designers base their ideas on color predictions puts them in danger of being accused of infringing on color trademarks. Accordingly, the main case study of the thesis is presented: the Louboutin v. YSL case. In this sense, Louboutin's "Red Sole Mark" stands as the most illustrative example of color protection because nearly every woman in the world associates the color red with Louboutin. Since Christian Louboutin's red-sole high-heeled shoes were so popular, there have been ongoing trademark disputes over the last 20 years that have had a significant impact on both the European and American judicial systems. Despite trademark infringement, the fair use of trademark is another important topic in need of attention. Hence, the chapter continues analyzing whether the fair use of logos can be defended, both in the U.S. and the E.U. Lastly, the chapter terminates with a deep focus on the parody fair use defense, with the advocacy of the Louis Vuitton Malletier v. My Other Bag case.
Lastly, the thesis approaches the topic of the trademark protection in the online distribution. Accordingly, the DSA is presented. It is a new regulation on digital services providing them with a group of obligations trying to avoid illegal content. Therefore, an important topic is analyzed: trademark infringement versus secondary liability. The latter brings to the case study Louboutin v. Amazon.

Product counterfeiting is a definite and clear form of consumer fraud. Hence, a product is produced and then sold, purporting to be something that it is not. The counterfeit trade has grown at an exponential rate over the years, posing a threat to global corporations and national economies (Santos and Ribeiro, 2006). Counterfeiting is widely recognized as an illegal and unethical conduct that involves illegally duplicating an artistic or literary work, as well as an industrial product, without the permission of the original author or inventor (de Matos et al., 2007). The distinctive feature is that counterfeit items are typically sold at a much lower price with a lower quality. Accordingly, those goods aren't just limited to high-end items with symbolic worth; they're also found in everyday items like personal care products, health supplements, and foods. The term "counterfeiting" in English only applies to certain types of trademark infringement. In practice, however, the phrase can be used to describe any product that so closely resembles the appearance of another product that a consumer might believe it is the original one. As a result, it could also involve the unlicensed manufacturing and distribution of a product covered by other intellectual property rights, such as copyright and neighboring rights. This is similar to the German phrase "Produktpiraterie" and the French term "contrefaçon," both of which refer to infringements of intellectual property rights (Clark, 1997).

Counterfeit goods have established themselves as a significant business segment and are continuing to expand, encompassing new markets and expanding existing ones. It poses a serious threat to public health and safety, as well as the rights of the legitimate owners and the economy as a whole. Accordingly, everyone who has a brand or wishes to preserve its production becomes a likely target of counterfeiters. Thanks to its intricate infrastructure and extensive supply systems, the entire industry exists. It has expanded and reached new heights in numerous industries, supplying infringements worldwide.

Indeed, counterfeiting of luxury goods is a growing worldwide problem, occurring both in developed as well as less developed or developing countries (de Matos et al., 2007; Geiger-Oneto et al., 2013; Yoo and Lee, 2012). Trademark counterfeiting is now considered as the most severe problem faced by many multinational corporations doing business in China, since it has been considered as the world's largest source of counterfeit products (Chapa et al., 2006). Accordingly, in Fiscal Year 2020, the Department of Homeland Security seized over 26,000 shipments of counterfeit goods valued at over $1.3 billion at U.S. borders. Counterfeit goods trafficking is significantly larger and rising globally and mainly consumer demand contributes to its expansion. Buying and engaging with counterfeit things can not only backfire if you acquire a defective or harmful product, but it can also contribute to human rights violations and organized crime around the world.

It is evident that counterfeit goods are distributed and sold both online and offline, just like any other product. Businesses and right holders can develop worldwide, frequently without being present in the region, improve engagement with current clients, and expand customer databases online thanks to an online presence. Only a platform (website, online store) and a delivery partner are required (couriers, post offices, logistical companies). However, while it is easier for businesses to expand their operations over the internet, it also allows for the global distribution of counterfeit goods, but always keeping the providers remain unknown.

Accordingly, suppliers of counterfeit goods, like luxury corporations, have grasped the Internet's penetration power. With the ability to sell on the Internet, the practice of counterfeiting has exploded. Indeed, counterfeit merchandisers may reach consumers all over the world thanks to the Internet. Shipping is available all around the world, with quick delivery dates and far lower pricing than original products.

Trying to keep the counterfeit market under control, it is important to protect trademark, which mainly happens through the Trademark Law.

Giving firstly a general definition, a trademark is a feature which is used by a producer in his economic activities to differentiate a specific product. Thus, a trademark is important in order to make it easier for customers to recognize their preferred items.

In terms of the EU trademark system, until the harmonization of national legislation on the basis of Article 100 EEC in 1996, the necessity for a fully borderless market led to the adoption of the Community Trademark Regulation (CTMR) and the Trademark Directive (TMD). On 23 March 2016, Regulation (EU) 2015/2424 of the European Parliament and of the Council amending the Community Trademark Regulation (Amending Regulation) entered into force. Secondary legislation consists of Delegated Regulation (EU) 2018/625 supplementing Regulation (EU) 2017/1001 and Implementing Regulation (EU) 2018/626 implementing certain provisions of Regulation (EU) 2017/1001. The first change brought by these two Regulations is the abolition of the graphical representation, meaning that a trademark won't have to be represented graphically as long as it is represented in a manner that enables the subject to be protected to be recognized easily.

Regarding the U.S. trademark regime, up until the Lanham Act (15 USC 1051-1127), which defined trademark law in the country, trademarks were previously protected under state common law. The Act was approved by the Congress in 1945 following earlier failures to create a federal trademark regime. It was subsequently modified multiple times to reflect contemporary commercial ideas. Through the administrative power of the United States Patent and Trademark Office, the Lanham Act establishes federal trademark protection and trademark registration regulations (USPTO). Trials and appeals involving trademarks are examined by the Trademark Trial and Appeal Board. The Board handles activities involving trademark oppositions or cancellations and serves as a review board for appeals of trademark decisions. It was established in 1958 to replace the two-step administrative process. Additionally, parties can appeal to a federal district or the United States Court of Appeals for the Federal Circuit for a de novo review of the matter.

Trademark protection is applicable to every industry, this is why it can be described also linked with the luxury sector. Accordingly, although the luxury sector is one of the most profitable and well-known, the lack of protection surrounding its unique ideas makes it one of the most susceptible sectors now in existence. This reflects the core problem with trademark protection in the luxury business. The importance of the global luxury business has made regulation necessary to ensure that product characteristics, including names, product origins, and designs, are appropriately protected and transparent to consumers, who are thus safeguarded from subpar goods and possibly dangerous items. The boundary separating luxury trend imitation and plain imitation is frequently crossed by designers, causing both immediate and long-term financial harm. Furthermore, also colors can be considered as trademark, as the Louboutin v. YSL case explains.

Moving forward, in order to protect trademark in the online ecosystem, the EU has adopted the Digital Service Act. The Digital Services Act is the new European regulation on digital services. It was approved on 5 July 2022, providing for obligations proportionate to the size of the platform and a new culture of systemic risk prevention, from misinformation to illegal content.

The Digital Services Act imposed transparency on the profiling and operation of online platforms, with the obligation for suppliers to collaborate with authorities and undergo independent audits. This new regulation (DSA) speeds up procedures for the removal of illegal content and improves public control over online platforms, especially on the most popular ones, which reach more than 10% of the European population. The regulation covers various types of digital services: online markets; social networks; content sharing platforms; online travel and accommodation platforms; app stores; intermediation services (e.g. Internet providers and domain registers); cloud services and web hosting; collaborative economy platforms.

Among the main objectives of the Digital Services Act are: to protect the rights of consumers by ensuring their safety; to combat the spread of illegal content, the manipulation of information, online disinformation; offer consumers and commercial users of digital services wider choice and lower costs; establish a clear, effective and immediately applicable regulatory framework in the area of transparency and accountability of online platforms; promoting innovation and market competitiveness by facilitating the start-up and development of SMEs, providing access to European markets for commercial users of digital services; fostering greater democratic control and better supervision of platforms; enhancing traceability and controls on commercial operators in online markets (including through random checks to verify the possible republication of illegal content).

In online platforms it is extremely hard to understand whether an infringement can be attributed directly to a single or third party. Accordingly, for secondary liability in trademark infringement it is meant the law principle wherein a third party becomes liable whether they are part of the infringement, or materially contribute to the violation act (Fenwick, 2021). Thus, for secondary liability it is referred to the circumstances in which a person is subject to liability, including the possibility of injunctive remedy, even when they do not directly violate the rights of the trademark owner. This is known as a secondary infringement. This involvement could take the form of supporting the violation, enabling it, funding it, or otherwise profiting from it. The liability that can develop in accordance with national law could be classified as secondary, indirect, accessory, derived, or even direct tortious culpability. In accordance with Article 9(2) of the EUTMR, is the owner of an online marketplace using third-party trademarks themselves when it posts advertisements for independent sellers' products that violate such trademark rights and also ships those products to end users? This answer is addressed by the case law Louboutin v. Amazon.

In 2019, Louboutin filed a lawsuit against Amazon for the use of his trademarks because of third parties advertising fake shoes on the defendant's online platform. After one year from the filed lawsuit, the Court of Justice has not argued any decision yet. The complexity of the case at issue stands on the possibility to hold an operator of an online marketplace liable for its own business model rather than because of its own "material" infringement. The Court will also have the chance to consider whether the lines separating harmonized primary/direct liability from coordinated secondary/indirect liability under trademark law should be blurred so that the former would cover circumstances that would typically come under the latter's purview. According to the CJEU's answer to all of the questions posed in the Louboutin/Amazon case, the operator of an online marketplace like the one considered by the referring courts does not in itself use the trademark in relation to advertisements and delivery of infringing goods that are offered for sale and placed on the market by unrelated third-party sellers who utilize the services of such a marketplace, As a result, the courts in Luxembourg and Belgium have detailed that Article 9(2) EUTMR does not apply in the scenario. The Court should not justify holding Amazon liable for trademark infringements where the real act of infringement is carried out by third-party sellers who genuinely use the mark without the owner's consent in conformity with EU trademark law. The assertion that there is no economic incentive for hybrid marketplace operators to tolerate trademark infringements on their platforms is supported by the fact that hosting infringers had the long-term effect of causing "loss of reputation in the eyes of consumers and third-party sellers on any marketplace" (Padilla, 2022).

Regardless of whether the Court upholds the CJEU's current jurisprudence, the above-mentioned queries should undoubtedly receive a negative response. Moreover, questioning whether a liability might be established on a secondary basis in relation to a third-party issue, should be a matter of national law, rather than EU law.

Indeed, the Advocate General proposes that the question submitted by the case law Louboutin v. Amazon should be addressed in the following way. Operator of online sales platforms cannot be considered as using a trademark in an offer for sale published by a third party by the fact that they publish their own commercial offerings and those of third parties uniformly and without distinguishing them in the way they are displayed. Moreover, they inform potential customers that will be responsible for providing assistance, stocking, and shipping for goods listed on their platforms provided that such elements do not cause the reasonably well-informed and reasonably observant internet user to perceive the disputed trademark as an integral part of the operator's commercial communication (Advocate General’s Opinion C-148/21 and C-184/21).

In sum, the Advocate General believes that this need is satisfied when the communication's recipient makes a clear connection between the intermediary and the sign in question. To determine whether the sign in issue appears to the user to be incorporated into that commercial message, such a condition must be evaluated from the perspective of the user of the platform in question. In his opinion, while deciding whether a sign is utilized in the commercial communication of the owner of that platform, the perspective of a reasonably knowledgeable and reasonably observant user of an online sales platform should be taken into consideration. In addition, the Advocate General reminds that the only scenario contemplated is that in which the operator of an online sales platform is directly liable due to its use of a sign identical to a trademark. This is in relation to the impact of Amazon's business practices on the recognition of "use" of the trademark within the meaning of EU law. The Advocate General further points out that while the commercial offerings of Amazon and third parties are presented identically and that each incorporates the Amazon emblem, it is always stated in the advertisements whether the products are offered by third-party merchants or directly by Amazon. Therefore, just because third-party seller advertisements and Amazon's advertisements appear next to one another does not mean that a reasonably informed and reasonably observant internet user would consider the signs on the third-party seller advertisements to be a crucial component of Amazon's commercial communication. The same holds true for the supplementary services of help, stocking, and shipping of goods carrying a sign identical to a trademark, for which Amazon has also actively participated in the creation and publication of the offers for sale.

The operator of an online platform like Amazon is not using a sign in certain cases, according to the Advocate General. Thus, according to the assumptions just made, the CJEU should not undertake such litigation in favor of Louboutin.

In conclusion, over the past decades, the counterfeit issue has been one of the most successful research areas. Particularly, after Covid-19 pandemic crisis, great part of scholars' effort has been put in understanding size and shape of this topic.
This thesis studies the counterfeit market and its relationship with the luxury world.
Even if some luxury businesses have been hesitant for a long time to sell their products online, over the past ten years this particular channel has become extremely successful, expanding enormously on a daily basis. Online sales do, in fact, allow luxury businesses to increase their revenues by capitalizing on a larger market that has access to premium items at any time, from any location, and without having to pay exorbitant search expenses. The benefits of e-commerce today are undeniable, but the risks for luxury businesses are also a significant problem. Accordingly, although continuous IP protection is essential for fostering innovation, brand appeal, and consumer trust, the fashion sector is characterized by a lack of it. Since the fashion industry is particularly affected by unfair competition, imitation seems to be a common practice, as evidenced by the similarities between fashion products caused by the industry's defining characteristics. As a result, it seems really challenging to draw the fine line between merely being inspired and violating trademark law imitation.
The counterfeit market, described in the first chapter, mainly operates in two different ways, according to the type of customers it addresses. Indeed, there are two types of consumers: those who buy infringed goods with the belief that they are genuine, and those who buy counterfeits on purpose. Therefore, the counterfeit market needs to be regulated and this happens through the Trademark Law. Only a small portion of fashion designs may be eligible for such protection because inventive components of designs may be challenging to separate. Trade dress and non-traditional trademarks, on the other hand, enable protection that would otherwise be impossible to get under other conventional intellectual property laws. Given that trademark law is a well-established part of the law and also offers potentially indefinite term, applying it to the fashion sector would seem to be more favorable. Furthermore, non-traditional trademarks can only be effective if they serve their intended purpose as a trademark, which is to identify the economic origin of the designated good. The most explicative example non-traditional trademark is colors, going more in depth, the Louboutin "Red Sole". In this perspective, fashion trademark protection is an issue of balance: prohibiting fashion firms from benefiting from marketing efforts to make their brands distinctive would be unjust while overly strict protection would impede fair competition in the fashion industry. As a matter of fact, after twenty years of successful marketing, media attention, and sales, Louboutin has acquired a secondary connotation. Therefore, the case Louboutin v. YSL is presented. After the Court answer to this

lawsuit, competitors are simply prohibited from using monochromatic red soles, which means that Louboutin does not have an unfair edge because their red soles must contrast with the red of the shoe's vamp. Furthermore, rivals are not allowed to employ the contrasting red sole that Louboutin did in order to gain an advantage over them, aiming at protecting Louboutin's brand image, and resulting in not having any counterbalanced effect in terms of benefits for consumers or any other actor that plays a role within the market.

Furthermore, this thesis takes into account also online platforms. Thus, the Digital Service Act is presented. Recalling what already said, when a trademark is used without the registered mark's original owner's knowledge, trademark infringement occurs. As they try to enforce their copyrights and trademarks against Internet infringers, intellectual property owners increasingly strive to hold parties other than the direct infringers liable. Therefore, it is important to cite the Louboutin v. Amazon case. Louboutin filed a lawsuit against Amazon in 2019 accusing to a unfair use of his trademarks because of third parties advertising fake shoes on the defendant's online platform. After several from the filed lawsuit, the European Court of Justice has not argued any decision yet. Nevertheless, taking into account past law cases and the fact that hosting infringers had the long-term effect of causing loss of reputation fforot the marketplace which is evidence in favor of the claim that hybrid marketplace operators have no financial incentive to tolerate trademark infringements on their platforms, the the CJEU should not undertake such litigation in favor of Louboutin.