

ARNOLD & PORTER KAYE SCHOLER LLP
James S. Blackburn (Bar No. 169134)
James.Blackburn@arnoldporter.com
Oscar Ramallo (Bar No. 241487)
Oscar.Ramallo@arnoldporter.com
777 South Figueroa Street, 44th Floor
Los Angeles, CA 90017-5844
Telephone: 213.243.4000
Facsimile: 213.243.4199

Attorneys for Plaintiff
Valentino S.p.A.

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

Valentino S.p.A.,

Plaintiff,

v.

Mario Valentino S.p.A.; Yarch Capital, LLC,

Defendants.

Case No. 2:19-cv-6306

COMPLAINT for

- (1) False Association In Violation of 15 U.S.C. § 1125(a)(1)(A)**
- (2) False Advertising In Violation of 15 U.S.C. § 1125(a)(1)(B)**
- (3) Design Patent Infringement (USD 695,517)**
- (4) Design Patent Infringement (USD 697,713)**
- (5) Untrue or Misleading Advertising In Violation of Cal. Bus. & Prof. Code § 17500**
- (6) Unfair Competition In Violation of Cal. Bus. & Prof. Code § 17200**

JURY TRIAL DEMANDED

1 **COMPLAINT**

2 Plaintiff Valentino S.p.A. alleges the following for its Complaint against
3 Defendants Mario Valentino S.p.A. and Yarch Capital, LLC:

4 **JURISDICTION AND VENUE**

5 1. This Court has subject matter jurisdiction over Valentino S.p.A.'s Lanham
6 Act claims (15 U.S.C. § 1125) and design patent claims (35 U.S.C. §§ 281, 289)
7 under 28 U.S.C. § 1338 (acts of Congress related to intellectual property) and 28
8 U.S.C. § 1331 (federal question). This Court has subject matter jurisdiction over
9 Valentino S.p.A.'s state law claims under 28 U.S.C. § 1367 (supplemental
10 jurisdiction).

11 2. Venue is proper in this district pursuant to (i) 28 U.S.C. § 1391(b)(2)
12 because a substantial part of the events or omissions giving rise to the claims
13 occurred in this district, and (ii) 28 U.S.C. § 1391(b)(3) because defendant Yarch
14 Capital, LLC is subject to personal jurisdiction in this district.

15 **THE PARTIES**

16 3. Plaintiff Valentino S.p.A. ("Valentino") is an Italian joint stock company
17 with its principal place of business in Milan, Italy.

18 4. Defendant Mario Valentino S.p.A. ("Mario Valentino") is an Italian joint
19 stock company with its principal place of business in Napoli, Italy.

20 5. Defendant Yarch Capital, LLC ("Yarch") is a California limited liability
21 company. On information and belief, its principal place of business is in Studio
22 City, California and at least one of its members resides in this district.

23 6. Mario Valentino and Yarch are referred to collectively as the "Mario
24 Valentino Defendants."

25 **PATENTS-IN-SUIT**

26 7. On December 17, 2013, the United States Patent and Trademark Office
27 ("USPTO") duly and legally issued USD695,517 entitled "Handbag" (the "517
28 Patent").

1 8. The '517 Patent is valid and enforceable.

2 9. Valentino is the sole assignee and owner of all right, title, and interest in
3 and to the '517 Patent.

4 10. On January 21, 2014, the USPTO duly and legally issued USD697,713
5 entitled "Handbag" (the "'713 Patent").

6 11. The '713 Patent is valid and enforceable.

7 12. Valentino is the sole assignee and owner of all right, title, and interest in
8 and to the '713 Patent.

9 **COMMON FACTUAL ALLEGATIONS**

10 **Valentino**

11 13. Valentino was founded in 1960, when Valentino Garavani opened a
12 fashion house on Via Condotti in Rome, Italy.

13 14. Valentino quickly established itself as a premier luxury brand for
14 clothing, accessories, and perfumes, among other goods. Its products have been
15 specially commissioned by Elizabeth Taylor, Jennifer Lopez, and Princess
16 Madeleine of Sweden, among others. Valentino's designs are ubiquitous on red
17 carpets and in the pages of high fashion literature.

18 15. Valentino's handbags have received particular acclaim and have been an
19 extraordinary commercial success. For example, the book Handbags: A Love
20 Story: Legendary Designs from Azzedine Alaia to Yves Saint Laurent celebrates
21 "the most coveted bags of the past seventy-five years." The book highlights
22 Valentino's Rockstud collection, which it describes as a "Valentino signature."

23 16. Among many other awards, Valentino's current creative director, who
24 came to the company after a distinguished career focused on accessories, won the
25 2015 the International Award of the Council of Fashion Designers—the fashion
26 industry's equivalent of the Oscars—and the 2017 Designer of the Year at the
27 *InStyle* awards.

17. Valentino's handbags are sold throughout the United States at luxury retailers such as Bergdorf Goodman, Neiman Marcus, and Saks Fifth Avenue. Valentino handbags typically retail for \$1,000 to \$4,000-plus, with exclusive or limited editions selling for over \$18,000.

18. Valentino's handbags have been critical to maintaining the value of the legendary Valentino brand into the twenty-first century and have accounted for over \$700 million in revenue in the past five years (over \$100 million in the United States).

Mario Valentino

19. Mario Valentino was founded in the 1950s by a shoemaker of the same name. Mario Valentino subsequently expanded into other leather goods, including handbags.

20. Mario Valentino's handbags have not achieved the prestige of Valentino handbags. As an illustration of the discrepancy, Valentino's handbags command a retail price in the thousands to tens-of-thousands of dollars. Mario Valentino's handbags, on other hand, can typically be purchased for under \$500, and are sold in the United States primarily, if not exclusively, at discount retailers such as Century 21, Saks off 5th, and Nordstrom Rack.

The Co-Existence Agreement between Valentino and Mario Valentino

21. Because of their similar names and overlapping goods, Valentino and Mario Valentino experienced issues of consumer confusion. Thus, in 1979, Mario Valentino, on the one hand, and Valentino and several affiliates of Valentino (the "Valentino Companies"), on the other hand, entered into a co-existence agreement (the "Co-Existence Agreement"). The Co-Existence Agreement is "deemed to extend, without any limitation, to all Countries and to all jurisdictions throughout the entire world."¹

¹ The Co-Existence Agreement is written in Italian. Valentino's allegations translate the Co-Existence Agreement from Italian to English for the Court's convenience. These allegations are not intended to control over the original contract language.

1 22. The Co-Existence Agreement states that, by entering into it, “[t]he
2 parties desire to avoid public confusion and conflict, present or future, in any part of
3 the world....” Consistent with that purpose, “[t]he parties agree[d] to see to it that
4 their competitive relations are in line in full with the principles of fair competition.”

5 23. The Co-Existence Agreement states that Mario Valentino had adopted
6 the “trademark ‘MARIO VALENTINO’ in block letters and in the form of a
7 signature, ‘VALENTINO’ in block letters and in the form of a signature, the letters
8 ‘MV’ and the letter ‘V’, in connection with a large variety of merchandise.”

9 24. The Co-Existence Agreement further states that the Valentino
10 Companies had adopted the “trademark ‘VALENTINO’ in block letters,
11 ‘VALENTINO’ in the form of a signature and the letter ‘V’ in connection with a
12 large variety of merchandise.”

13 25. The Co-Existence Agreement describes various restrictions on the
14 parties’ use of their trademarks. In particular, paragraph 3 states:

15 Mario Valentino may use and register the full name Mario Valentino or M.
16 Valentino or Valentino or the letters MV or V exclusively on the outside,
17 together with Mario Valentino on the inside and on the packaging on all goods
18 made of leather or imitation leather or other material, such as, but not limited
19 to, ... bags, ... purses, ... travel bags ... and specifically any type of goods
falling within class 18 of the International Classification of Goods and
Services to which the trademarks are ascribed with the exception of leather
clothing.

20 26. The Court of Milan recently construed paragraph 3 of the Co-Existence
21 Agreement in a decision dated May 7, 2019. In that proceeding, Valentino argued
22 that paragraph 3 of the Co-Existence Agreement prohibits Mario Valentino from
23 using more than one of the “Mario Valentino,” “M. Valentino,” “Valentino,” “MV,”
24 and “V” marks on the outside of handbags, and requires use of the “Mario
25 Valentino” mark on the inside and packaging of all handbags. For example, Mario
26 Valentino is permitted to use the “V” *or* “Valentino” mark on the outside of its
27 handbags, but is not permitted to use the “V” *and* “Valentino” marks together, and
28

1 must also use the “Mario Valentino” mark on the inside and packaging of all
2 handbags to avoid consumer confusion.

3 27. The Court of Milan agreed with Valentino and ruled (as translated from
4 the original Italian):

5 The interpretation of the above Clause proposed by VALENTINO S.p.A. is
6 upheld.

7 Indeed, the use in Clause 3 of the conjunction “or” in the list of the various
8 distinctive signs supports, in the case at hand, the alternative use of the
concerned signs, thus excluding the possibility of simultaneous use of two or
more of the above-mentioned terms.

9 28. Based on its judgment in favor of Valentino, the Court of Milan
10 enjoined Mario Valentino from further sale of non-compliant handbags:

11 In partially upholding the counterclaim brought by VALENTINO
12 S.p.A.:

13 -having established that the actions performed by MARIO
14 VALENTINO S.p.A., in relation to the marketing of class 18 products
including more than one of the signs mentioned by Clause 3 of the
15 1979 Agreement on the outside, and the failure to apply on the inside
of said products and on the packaging of the sign *Mario Valentino*,
16 constitute a breach of the Agreement of 11.5.1979, prohibits the
further continuation of these conducts.

17 **The Mario Valentino Defendants’ Wrongful Conduct**

18 29. On information and belief, Yarch is Mario Valentino’s handbag licensee
19 in the United States.

20 30. The Mario Valentino Defendants are actively engaging in a campaign to
21 trade off Valentino’s goodwill in the United States handbag market by selling
22 handbags that (i) violate the terms and purpose of the Co-Existence Agreement,
23 (ii) in many cases, copy the design of Valentino’s bags, and (iii) are advertised and
24 marketed in ways intentionally designed to confuse consumers into believing Mario
25 Valentino handbags are actually Valentino handbags being sold at discount, and/or a
26 diffusion line of Valentino handbags that retails at lower prices.

27 31. For example, the Mario Valentino Defendants are distributing,
28 promoting and selling handbags in the United States that do not comply with the

1 Co-Existence Agreement's requirements that such products not contain both the "V"
2 and "Valentino" marks on the outside:





32. The Mario Valentino Defendants market their handbags with packaging and related literature that prominently identifies the bags as coming from “Valentino,” while downplaying or omitting entirely the fact that they are “Valentino” bags licensed by Mario Valentino S.p.A.

33. On information and belief, the Mario Valentino Defendants also market their handbags with an identified “market” price that is substantially higher than the price at which the handbags actually are sold, and which is closer to the prices associated with Valentino bags available at higher end luxury retailers. However, on information and belief, Mario Valentino handbags are not actually sold at the stated “market” price, and that information is provided to retailers to be included on price tags in order to create the impression that the handbags really are the more expensive handbags put out by Valentino, now being sold at a discount.

34. The Mario Valentino Defendants are selling numerous models of handbags labeled in a manner that is not permitted under the Co-Existence Agreement as determined by the Court of Milan, and which is likely to cause the very type of consumer confusion the Co-Existence Agreement was intended to prevent.

35. On information and belief, Yarch’s press release announcing the launch of these bags in the United States was intended to confuse the public into believing the bags were offered by Valentino, instead of Mario Valentino. The press release’s headline states “Valentino Bags Launches in U.S. Market.” The headline did not

1 mention Mario Valentino. The press release’s pull-quote states “‘Valentino is one
 2 of the top brands in the world,’ said Jeff Yarchever, CEO of Yarch Capital and
 3 Valentino Bags. ‘This is a brand new attainable luxury collection with a top
 4 designer name that people worldwide are familiar with.’” The reference to “a top
 5 designer name that people worldwide are familiar with” is an obvious reference to
 6 Valentino. The first sentence of the press release states “[a] new generation of
 7 Valentino Bags is now available for a broader range of luxury shoppers” The
 8 reference to a “new generation” implies that the handbags described in the press
 9 release were a continuation of Valentino’s existing line of handbags. Overall, the
 10 press release uses “Valentino” 20 times, but “Mario Valentino” only appears twice,
 11 including once buried at the bottom of the press release.

12 36. Similarly, the Mario Valentino Defendants’ website contains a series of
 13 “Lookbooks” from Spring 2016 to Fall 2018. The earlier Lookbooks prominently
 14 displayed “Valentino By Mario Valentino” on their cover, as depicted in the
 15 example from Spring 2018 below:



37. The Lookbook from Fall 2018, however, does not use “Mario Valentino” on the cover, as pictured below:



38. The word “Mario” also does not appear in any of the glossy pictures within the Fall 2018 Lookbook. Rather, it appears only in a page of text in small black and white font in a book otherwise made up almost entirely of striking color photos. Thus, the Mario Valentino Defendants are intentionally downplaying that their products are *Mario* Valentino products in order to confuse consumers into believing the products are connected to Valentino.

39. Furthermore, as depicted below, in certain instances the packaging of Mario Valentino handbags does not include the words “Mario Valentino.”



1 40. Paragraph 3 of the Co-Existence Agreement specifically requires the
2 packaging of Mario Valentino handbags to use the term “Mario Valentino.” This
3 provision is critical to preventing consumer confusion between Valentino and Mario
4 Valentino, which is the very purpose of the Co-Existence Agreement. The Mario
5 Valentino Defendants’ failure to abide by this limitation in all packaging literature is
6 intentionally calculated to cause confusion.

7 41. In addition, the aforementioned advertising and packaging materials also
8 do not comply with the Co-Existence Agreement’s prohibition against the external
9 use of more than one “Valentino” or “V” logo mark at the same time. Instead, both
10 the Lookbooks covers and the packaging materials display the “V” logo and
11 “Valentino” marks together, in a manner intentionally calculated to cause confusion.

12 42. The Mario Valentino Defendants have further enhanced the likelihood
13 of confusion by copying the designs of Valentino’s handbags, including designs
14 covered by valid design patents.

15 43. Valentino is informed and believes that the Mario Valentino
16 Defendants’ purposefully deceptive advertising has resulted in actual confusion in
17 the marketplace.

18 44. For example, PurseBlog.com provides a discussion forum for consumers
19 with a strong interest in luxury handbags. Comments on this forum disclose a high
20 degree of confusion caused by the Mario Valentino Defendants’ conduct even
21 amongst this savvy audience, including the following:

- 22 a. “I ran across Mario Valentino bags when I was in Neiman Marcus in
23 Chicago. So, I’m not asking who / what MV isn’t. I’m asking who
24 IS / what IS the Mario Valentino brand. Is it really a luxury brand?”
- 25 b. “‘I keep seeing them at the outlets (Saks off 5th, Nordstrom Rack ...) and they look like cheap knockoff bags with a \$300-\$400 price tag. I
26 don’t get it either.’ This is exactly why I was puzzled. This was in
27 Neiman Marcus on the Mag Mile. Not an outlet.”
28

1 c. “I was trying to find if anyone had intel on the Mario Valentino brand
2 and how in the heck they aren’t being sued by other designers. These
3 bags drive me crazy to be honest. ... Not to mention, their symbol is
4 almost exactly like Valentino Garavani’s with a V and a circle. ...
5 Sorry, I just had to rant because I am completely in awe, and I don’t
6 understand at all.”

7 45. Similarly, an article on easilydressed.com begins:

8 “This is confusing ...

9 The cute little bag in the picture has an odd label that says it’s a *Valentino*, by
10 *Mario Valentino*.

11 The price is attractive.

12 Yet it looks like Celine.

13 And just who is this Mario??!

14 ***Is it a Valentino or not?***

15 This question [] gets asked all the time our Facebook Group.”

16 46. Another blog, bagbliss.com, informs its readers that “It is important to
17 know that there are two Valentino designers out there!” and that “[i]t is completely
18 understandable for the confusion.”

19 47. The Mario Valentino Defendants’ conduct—which is not permitted by
20 and is expressly contrary to the purpose of the Co-Existence Agreement, and which
21 is intentionally calculated to trade off Valentino’s goodwill in the handbag market—
22 has injured Valentino by leading consumers to believe that their handbags are the
23 same Valentino bags available at luxury retailers, but are now being sold at a lower
24 price, and/or comprise a diffusion line being offered by Valentino, thereby
25 associating Valentino with a lower tier handbag market.

FIRST CLAIM FOR RELIEF

(False Association)

15 U.S.C. § 1125(a)(1)(A)

48. All previous paragraphs are incorporated by reference as if fully set forth herein.

49. The Mario Valentino Defendants' acts of labeling handbags in a manner not permitted under the Co-Existence Agreement and marketing their handbags in a manner intended to sow confusion constitutes the use of a word, term, name, symbol, or device, false designation of origin, false or misleading description of fact, and false or misleading description of fact, which is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of Valentino with Mario Valentino, and as to the origin, sponsorship, or approval of Mario Valentino's goods and Valentino's commercial activities.

50. These acts have injured Valentino in its commercial reputation and sales, including by misleading consumers to believe that Mario Valentino handbags are the same Valentino handbags available at luxury retailers, but at a lower price, and/or that Valentino has entered a lower tier handbag market.

51. Unless the Mario Valentino Defendants' acts are enjoined, Valentino will suffer irreparable injury for which there is no adequate remedy at law.

SECOND CLAIM FOR RELIEF

(False Advertising)

15 U.S.C. § 1125(a)(1)(B)

52. All previous paragraphs are incorporated by reference as if fully set forth herein.

53. The Mario Valentino Defendants' acts of labeling handbags in a manner not permitted by the Co-Existence Agreement and marketing their handbags in a manner intended to sow confusion constitutes the use of a word, term, name, symbol, or device, false designation of origin, false or misleading description of

1 fact, and false or misleading description of fact, which, in commercial advertising or
2 promotion misrepresents the nature, characteristics, and qualities of Mario
3 Valentino's and Valentino's goods and commercial activities.

4 54. In particular, the Mario Valentino Defendants' statements alleged herein
5 mislead consumers into believing their handbags are connected to Valentino.

6 55. On information and belief, such statements have actually deceived and
7 have the tendency to deceive a substantial segment of consumers in the handbag
8 market.

9 56. The Mario Valentino Defendants' deception is material in that it is
10 likely to influence consumer purchasing decisions.

11 57. The Mario Valentino Defendants have caused their false statements to
12 enter interstate commerce.

13 58. These acts have injured Valentino in its commercial reputation and
14 sales, including by misleading consumers to believe that Mario Valentino handbags
15 are the same Valentino handbags available at luxury retailers, but at a lower price,
16 and/or that Valentino has entered a lower tier handbag market.

17 59. Unless the Mario Valentino Defendants' acts are enjoined, Valentino
18 will suffer irreparable injury for which there is no adequate remedy at law.

19 **THIRD CLAIM FOR RELIEF**

20 **(Infringement of the '517 Patent)**

21 **35 U.S.C. § 271**

22 60. All previous paragraphs are incorporated by reference as if fully set
23 forth herein.

24 61. As shown by the side-by-side comparison below, the Mario Valentino
25 Defendants have misappropriated Valentino's '517 Patent in the accused Palmellato
26 handbag design (F/W 2018).



62. The Palmellato handbag design is deceptively similar to and substantially the same as the patented design of the '517 Patent when viewed through the eyes of the ordinary observer and considering the infringing product as a whole.

63. The Mario Valentino Defendants' unauthorized use, importation into the United States, offer for sale, and sale of at least the Palmellato handbag design identified in this Complaint during the term of the '517 Patent infringes the '517 Patent.

64. The Mario Valentino Defendants' unauthorized use, importation into the United States, offer for sale, and sale of at least the Palmellato handbag design identified in this Complaint, which incorporates the patented design of the '517 Patent, has caused, and will continue to cause, Valentino financial and reputational harm.

65. The Mario Valentino Defendants' infringement of the '517 Patent has been and continues to be willful and deliberate.

66. Unless the Mario Valentino Defendants' acts are enjoined, Valentino will suffer irreparable injury for which there is no adequate remedy at law.

FOURTH CLAIM FOR RELIEF**(Infringement of the '713 Patent)****35 U.S.C. § 271**

67. All previous paragraphs are incorporated by reference as if fully set forth herein.

68. As shown by the side-by-side comparison below, the Mario Valentino Defendants have misappropriated Valentino's '713 Patent in the accused Rock handbag design (F/W 2018).



69. The Rock handbag design is deceptively similar to and substantially the same as the patented design of the '713 Patent when viewed through the eyes of the ordinary observer and considering the infringing product as a whole.

70. The Mario Valentino Defendants' unauthorized use, importation into the United States, offer for sale, and sale of at least the Rock handbag design identified in this Complaint during the term of the '713 Patent infringes the '713 Patent.

1 17500 of the Business and Professions Code. Valentino has no adequate remedy at
2 law.

3 **SIXTH CLAIM FOR RELIEF**

4 **(Unfair Competition)**

5 **California Business & Professions Code § 17200**

6 80. All previous paragraphs are incorporated by reference as if fully set
7 forth herein.

8 81. The Mario Valentino Defendants' actions, as alleged above, constitute
9 fraudulent, unfair and, unlawful conduct in violation of 15 U.S.C. §1125(a) and
10 California Business and Professions Code § 17500. Accordingly, the Mario
11 Valentino Defendants' actions are in violation of Section 17200 of the Business and
12 Professions Code.

13 82. Unless restrained by this Court, the Mario Valentino Defendants will
14 continue to engage in such conduct. Valentino has no adequate remedy at law.

15 **PRAYER FOR RELIEF**

16 WHEREFORE, Valentino prays for judgment as follows:

17 A. An accounting and award of all gains, profits, savings and advantages
18 realized by the Mario Valentino Defendants for the wrongful conduct alleged
19 herein.

20 B. An enhancement of Valentino's monetary award by three times pursuant
21 to 15 U.S.C. § 1117(a) and/or 35 U.S.C. § 284.

22 C. Damages for the Mario Valentino Defendants' design patent
23 infringement pursuant to 35 U.S.C. § 289, including an award of the profits realized
24 thereby, and/or a reasonable royalty to be paid therefor.

25 D. A preliminary and permanent injunction restraining the Mario Valentino
26 Defendants, their affiliates, and any of their officers, directors, agents, employees,
27 servants, attorneys, successors, assigns and others controlling, controlled by or
28 affiliated with them and all those in privity or in active concert or participation with

1 any of the foregoing, and all those who receive actual notice by personal service or
2 otherwise from engaging in any acts that deceive or are likely to deceive consumers
3 as to the source of their goods.

4 E. A preliminary and permanent injunction restraining the Mario Valentino
5 Defendants, their affiliates, and any of their officers, directors, agents, employees,
6 servants, attorneys, successors, assigns and others controlling, controlled by or
7 affiliated with them and all those in privity or in active concert or participation with
8 any of the foregoing, and all those who receive actual notice by personal service or
9 otherwise from making, using, importing, exporting, distributing, supplying, selling
10 or offering to sell, or causing to be sold any product falling within the scope of the
11 '517 Patent or the '713 Patent, or otherwise contributing to or inducing the
12 infringement thereof.

13 F. Pre-judgment and post-judgment interest on Valentino's monetary
14 award.


15 G. The costs of this action.

16 H. An award of Valentino's attorney's fees pursuant to 15 U.S.C.
17 § 1117(a), and/or 35 U.S.C. § 285.

18 I. Any such further relief as this Court may deem just and proper.
19

20 Dated: July 22, 2019

ARNOLD & PORTER KAYE SCHOLER
LLP


21
22
23 By: 
24 James S. Blackburn
Oscar Ramallo
25 Attorneys for Plaintiff
Valentino S.p.A.
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DEMAND FOR JURY TRIAL

Pursuant to Fed. R. Civ. Proc. 38(b), plaintiff Valentino S.p.A. hereby demands a trial by jury of all issues so triable that are raised herein or which hereinafter may be raised in this action.

Dated: July 22, 2019

ARNOLD & PORTER KAYE SCHOLER
LLP

By: 
James S. Blackburn
Oscar Ramallo
Attorneys for Plaintiff
Valentino S.p.A.