

APRIL 2016

DEVOTED TO
LEADERS IN THE
INTELLECTUAL
PROPERTY AND
ENTERTAINMENT
COMMUNITY

VOLUME 36 NUMBER 4

THE *Licensing*
Journal

Edited by Gregory J. Battersby and Charles W. Grimes

Licensing Markets



Fashion Licensing

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From Runway to Replica: Intellectual Property Strategies for Protecting Fashion Designs

Designers such as Alexander Wang, Rebecca Minkoff, and Michael Kors premiered their 2016 fall/winter collections in February during New York Fashion Week. Fashion Week draws more than 230,000 attendees each year to over 500 runway shows and events in New York City. The economic impact of this biannual event is estimated to be close to \$900 million. That is more than the US Open, which generates approximately \$750 million annually for New York, and the Super Bowl, which generated an estimated \$550 million when it was held in the New York metropolitan area in 2014.

Despite these numbers, the economic impact on the fashion industry from the sale of counterfeit and infringing fashion products is staggering. A report issued by the European Union Intellectual Property Office (formerly known as EU's Office for Harmonization in the Internal Market) found that approximately 10 percent of fashion products sold are counterfeits, amounting to approximately \$28.5 billion of lost revenues per year. Some designers also fear that inventions such as 3D printing could make it possible

for even the average consumer to replicate runway fashions. Rapper turned designer Kanye West, who released an installment of his fashion collection "Yeezy" at New York Fashion Week in February, echoed this fear, noting that 3D printing could one day impact the fashion industry, just as "the Internet destroyed the music industry." But even without 3D printers, a consumer can easily obtain a less expensive replica of an independent designer's fashions, sometimes before the design hits the general market. It only takes one cell phone photo, snapped at a fashion show and sent overseas, to cheaply manufacture less expensive replicas and ship them back to the states before the designer has even had a chance to produce and sell his or her original design.

Thankfully, US intellectual property law offers designers some protection against the sale of counterfeit and infringing fashion products.

Patent Law

US patent law provides protection for certain fashion products. Design patents, which last for 14 years, can protect footwear, jewelry, handbags, and other fashion accessories, provided the design is novel, nonobvious, and ornamental (as opposed to functional). Some well-known fashion designs are the subject of US design patents, including Bottega Veneta's "Veneta" handbag and Jimmy Choo's "With a Twist" shoe design. Clothing designs can be

difficult to patent because they are unlikely to be novel or non-obvious enough to merit patent protection. Occasionally, a design patent will be granted for clothing, such as Christian Dior's coat dress. However, design patents can take up to a year to obtain, which can sometimes exceed the lifespan of a seasonal fashion design.

Copyright Law

US copyright law protects jewelry designs and certain aspects of other fashion designs, such as original patterns and prints, and design elements such as belt buckles or embellishments, provided that the designs are original, creative, and physically or conceptually separable from the function of the article. However, copyright protection does not extend to clothing itself, because clothing is considered a "useful article" and unable to exist independently from its utilitarian features.

The fashion industry has lobbied Congress to extend copyright protection to clothing and, over the years, Congress has proposed several bills that would provide for greater protection. The latest bill is the Innovative Design Protection and Piracy Prevention Act (known as the Fashion Bill) which, if passed, would extend copyright protection for up to three years to original fashion designs, including clothing. Proponents of the bill state that it will close the gap in US copyright law and keep up with the laws of certain European countries, which already provide copyright protection for apparel. Opponents of the bill state that the law will stifle creativity and increase legal costs for independent designers. For now, the bill remains stuck in a congressional subcommittee.

Trademark Law

Currently, US trademark law offers the most comprehensive

protection for fashion designs. In addition to protecting a designer's name and logo, trademark law can protect fashion design elements, including prints and patterns (e.g., Burberry's plaid print), distinctive stitching (e.g., the U-shaped jean pocket stitching owned by True Religion/Guru Denim), and colors (e.g., Christian Louboutin's red bottom shoe soles). Trademark law also protects the design and appearance (known as the trade dress) of certain fashion products, including handbags (e.g., Hermès' Birkin bag) and shoes (e.g., Converse's Chuck Taylor sneakers). In addition to registering these marks with the US Patent and Trademark Office, designers can record their trademark registrations with US Customs & Border Protection, in an effort to prevent the importation of infringing products. However, trademark protection only extends to fashion designs that are non-functional and have achieved a certain level of consumers' recognition. Thus, it is highly unlikely that the overall design of a pair of Isabel Marant boots, premiering on the runway at New York Fashion Week, would be immediately entitled to trademark protection, since consumer-source recognition can take time to develop. Additionally, while trademark law may protect distinctive design elements or a combination of those features, it remains difficult to obtain trademark protection for the entire "look" of a piece of clothing.

Recent Caselaw

While US intellectual property law may not allow designers to protect every single aspect of a design, several designers have used the law to successfully shut down counterfeiting and design piracy operations in recent years, with big wins in US federal courts. Below are a few recent cases in

which fashion houses and designers have successfully used creative tactics to stop counterfeits and infringements.

Chloe and other luxury fashion brands successfully sued Pakistan-based e-commerce company TradeKey and others for contributory infringement and violation of US counterfeiting laws, by aiding in the sale of counterfeit products. The fashion companies launched an investigation that uncovered that TradeKey actively promoted and facilitated the sale of counterfeit goods, by operating a virtual swap meet that allowed its members to engage in wholesale counterfeiting of the plaintiffs' products. The Central District of California granted a broad injunction against TradeKey, which included compliance and monitoring requirements. The Court also awarded Chloe and the other plaintiffs statutory damages against TradeKey and the actual sellers of the infringing products. [*Chloe SAS et al. v. Sawabeh Information Services*, 2013 U.S. Dist. LEXIS 187398 (C.D. Ca. 2013) and 2014 U.S. Dist. LEXIS 60188 (C.D. Ca. 2014).]

Tory Burch successfully shut down hundreds of rogue Web sites, operated by 41 defendants based in China, which had been selling counterfeit copies of the company's signature ballet flats and accessories bearing the Tory Burch name and "T" logo. The Southern District of New York granted Tory Burch a temporary restraining order and a preliminary injunction, freezing the defendants' PayPal accounts. The Court handed down an award of \$4 million in damages against each defendant, totaling \$164 million. Because the defendants are all based in China, it is unlikely that Tory Burch will fully collect on the judgment. Nonetheless, the assets held by the defendants' PayPal accounts were released in

partial satisfaction of the award and the judgment, reported to be one of the largest sums ever awarded for counterfeiting fashion products. [*Tory Burch LLC v. Yong Sheng Int'l. Trade Co. Ltd.*, 2011 U.S. Dist. LEXIS 158882 (S.D.N.Y. May 13, 2011).]

Gucci America, after successfully going after TheBagAddiction.com for selling fake Gucci bags, sued three credit card processing entities for their role in enabling TheBagAddiction.com to process online payments. Gucci claimed that the credit card processing companies knew that the products were fake and charged the counterfeit retailer a higher rate as a result. Although Gucci could not establish direct liability, the Court found that the credit card processing companies did meet the test for contributory infringement, because they either knew that the Gucci-branded goods were counterfeit, or were willfully blind to that fact, and the service they provided gave them control and the ability to monitor the unlawful activity. All claims subsequently were dropped pursuant to a confidential settlement. [*Gucci America, Inc. v. Frontline Processing Corp.*, 721 F. Supp.2d 228 (S.D.N.Y. 2010).]

Balenciaga and other luxury brands, including Bottega Veneta, Gucci, and Yves Saint Laurent, successfully obtained a temporary restraining order and preliminary injunction, freezing various bank accounts belonging to various individuals selling counterfeit copies of the plaintiff's fashion products, including overseas bank accounts. The court held that, because it had jurisdiction over the defendants, it also had authority to freeze assets under the defendants' control, regardless of whether the assets were in or outside the United States. Balenciaga and the other plaintiffs eventually obtained a

default judgment for \$12.4 million and an order from the court directing all parties holding assets for the defendants to liquidate those assets in partial satisfaction of judgment. [*Balenciaga America, Inc. v. Dollinger*, 2010 U.S. Dist. LEXIS 107733 (S.D.N.Y. Oct. 8, 2010).]

Strategies for Designers

With the foregoing in mind, fashion designers should consult with legal counsel and consider all areas of intellectual property law in order to maximize protection in the United States for their fashion designs. Below are some tips:

1. At a minimum, designers should file for a copyright registration for any original prints and patterns, and consider filing for a copyright registration for any design elements that can be physically or conceptually separated from the functional aspects of the designer's apparel and accessories.
2. If the fashion design is expected to last beyond a season and can be considered an ornamental, novel, and non-obvious design, then the designer should consider applying for a design patent.
3. Designers should consult with legal counsel to consider whether their fashion designs, or any of the individual elements that make up their

design, are nonfunctional and have sufficient acquired distinctiveness to merit trademark protection and registration as a trade dress.

4. Further, while most designers and brands have taken the basic step to register their names and logos as trademarks, many overlook recording their trademark registrations with US Customs. In fact, some well-known designers and brands that participated in Fashion Week do not seem to have their trademarks recorded at US Customs. We could not find any Customs recordals for Nicole Miller, Marchesa, and Hervé Léger, to name a few, although they all have registered US trademarks and are well-known brands vulnerable to counterfeiting. Even Kanye West seems to have overlooked recording his name and trademarks with US Customs.
5. Designers should consider creative ways to stop infringements, including seeking to freeze the infringer's assets and bringing third-party liability actions that target landlords and flea market owners that house counterfeit and infringing products. Fashion designers also can go after Internet service providers and payment processing companies that enable online purchases

of counterfeit and infringing goods.

But fashion designers also must recognize that not all replicas are actionable. While counterfeits sold on the streets of New York or online bearing a designer's brand name or logo are clearly actionable, replicas sold by "fast fashion" retailers such as Zara, Forever 21, and Urban Outfitters sometimes are not. These retailers likely will consult with legal counsel to determine whether their designs, which often are inspired by runway fashions, are sufficiently different to avoid liability, and whether the design elements they have borrowed from the runway are even protected under current US law. Designers should similarly work with experienced IP counsel to develop effective and well-informed strategies for protecting and enforcing their rights.

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