Virginia Lawyer IP Article

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$250 billion is spent annually on fashion in the United States alone. Legal issues involving fashion law can crop up in any law practice. Although, Intellectual property law is not the only area of law fashion reaches, itplays a huge role in what has been defined as “fashion law” over the past decade. Intellectual property or IP rights allow designers to gain financial benefit and recognition for their creations by protecting a designer’s brand. Branding in the fashion world is the act of creating a name, symbol, colors or packaging that differentiates one fashion design collection from another. A designer’s Brand is the most important piece of intellectual property they will ever own.

Trademarks are one form of IP protection. A trademark is a logo, a name or both that identifies the source of goods or services. When consumers hear the brand name Chanel or see the interlocked C’s, they immediately identify the products associated with Chanel as luxury products. Trademark law grew out of a need to protect the public from less than honorable merchants who put someone else’s well-known brand name on inferior knock-off products as a way to increase profit. Trademark law allows the trademark owner to maintain control over the quality of products sold under their brand name. Registration with the USPTO puts the world on notice that you are the rightful owner of the Mark. Statutory damages and attorneys’ fees are available only if your mark is registered.

Perhaps the most famous trademark case involving fashion law is that of *Christian Louboutin S.A. v. Yves Saint Laurent Am. Holding, Inc.*, 696 F.3d 206 (2d Cir. N.Y. 2012)*.* Christian Louboutin, a designer of high-fashion women’s foot ware and accessories, has, since 1992, painted the outsoles of his women’s high-heeled shoes with a high-gloss red lacquer. In 2008, he registered the red lacquered outsole as a trademark with the USPTO. In 2011, Yves Saint Laurent (YSL), another high-end fashion designer, prepared to market a “monochromatic” red shoe. This meant that the entire shoe was red – including the insole, heel, upper, and outsole. Louboutin sued YSL alleging that YSL infringed upon Louboutin’s trademark by using red soles on the bottom of the red pumps.

The question before the court was whether a single color could serve as a legally protected trademark in the fashion industry and, in particular, as the mark for a particular style of high-fashion women’s’ footwear. The court assessed the case by asking the following question: Whether the Red Sole Mark merits protection as a *distinctive* mark. Distinctiveness, which is necessary for trademark protection, may be shown either by proof that the mark is itself inherently distinctive, or by showing that the mark, though not inherently distinctive on its own, has acquired, through use, secondary meaning in the public eye. Based on precedent, the court reasoned that a single color, standing alone, can almost never be inherently distinctive because it does not “automatically tell a customer that [it] refer[s] to a brand.” However, the court found that such color in the fashion industry is certainly capable of acquiring secondary meaning. The next step in the analysis was to determine whether the Red Sole Mark had acquired secondary meaning. After considering a number of factors, the court concluded that by placing the color red in a context that seems unusual, and deliberately tying that color to the product, Louboutin had created an identifying mark firmly associated with his brand and was therefore a distinctive symbol that qualified for trademark protection. The court further held, however, that the secondary meaning of the Red Sole Mark extended only to the use of a lacquered red outsole that *contrasts* with the adjoining portion of the shoe. Therefore, though the Red Sole Mark qualified for trademark protection, YSL’s use of a red sole on a monochromatic red shoe did not constitute trademark infringement.

Another form of intellectual property that offers designers some protection is copyright law. Copyright law protects original works of authorship that are fixed in a tangible medium. In the U.S., a fashion designer can register prints that are displayed on fabric used in their designs, but in most circumstances will not be able to register the actual design of the garment. In 2017, the U.S. Supreme Court considered copyright protection of a design involving a cheerleading uniform in *Varsity Brands, Inc. v. Star Athletica, LLC*, 799 F.3d 468 (6th Cir. Tenn. 2015). Plaintiffs, collectively (“Varsity”) is a leading retailer of cheerleading uniforms. Varsity registered copyrights for multiple graphic designs that appear on their cheerleader uniforms. Defendant Star Athletica (“Star”) also sells cheerleading uniforms bearing graphic designs that, according to Varsity, are substantially similar to the designs for which Varsity held valid copyrights. Star argued that Varsity’s copyrights were invalid because the designs at issue were un protectable designs of useful articles. The district court agreed. Varsity appealed. The question before appeals court, was whether the “pictorial, graphic, or sculptural features” that are incorporated into the design of a “useful article,” a cheerleader uniform, can be identified separately from, and are capable of existing independently of, the utilitarian aspects of the article. In order to prevail, Varsity had to demonstrate (1) that it owned a valid copyright in the designs, and (2) that Star copied the protectable elements of the work. In regards to the first question, the court found that Varsity had successfully registered with the Copyright Office each of the five designs that Varsity alleged Star infringed. Registering with the Copyright Office gives the registrant a rebuttable presumption of validity, and the 6th Circuit found that the district court had erred by failing to give greater deference to the Copyright Office’s registration determinations. Thus, the court held that Varsity successfully demonstrated the first factor – that it owned a valid copyright in the designs. Secondly, in order to prevail, Varsity had to demonstrate that Star copied the protectable elements of the uniform’s designs. A cheerleader uniform is a useful article, possessing both useful functions and expressive features. When it comes to useful articles, only the expressive pictorial, graphic, or sculptural features that can be identified separately from, and are capable of existing independently of, the utilitarian aspects of the article can be protected. Star asserted that the pictorial, graphic, or sculptural features of Varsity’s uniforms are inextricably intertwined with the utilitarian aspects of the cheerleading uniform because they serve a decorative function to the useful article. The court rejected this argument, reasoning that such a holding would render “all fabric designs, which serve no other function than to make a garment more attractive, ineligible for copyright protection.” Because the court concluded that the graphic features of Varsity’s designs could be identified separately from, and are capable of existing independently of, the utilitarian aspects of the cheerleading uniforms, it held that Varsity’s uniform designs were copyrightable pictorial, graphic, or sculptural works. Separability exists when elements are either physically or conceptually separable from the article on which they appear. The Court held that a feature incorporated into the design of a useful article is eligible for copyright protection only if the feature (1) can be perceived as a two- or three-dimensional work of art separate from the useful article and (2) would qualify as a protectable pictorial, graphic, or sculptural work—either on its own or fixed in some other tangible medium of expression—if it were imagined separately from the useful article into which it is incorporated.

Applying this test, the Supreme Court analyzed the surface decorating on the cheerleading uniforms. The decorations are separable and therefore eligible for copyright protection. First, the decorations can be identified as features having pictorial, graphic or sculptural qualities. Second if those decorations were separated from the uniforms and applied in another medium, they would qualify as two-dimensional works of art under Section 101. If the decorations were removed from the uniforms and applied in another medium, they would not replicate the uniform itself.

Another area of law often cited in fashion law disputes is trade and commercial secrets. Registration is not required for the protection of trade or commercial secrets. This area of protection is more concerned with confidentiality, non-compete and non-disclosure agreements signed by those exposed to the secrets in an effort to keep confidential any information that is not available in the public domain. Companies do not want their employees or anyone else who comes in contact with their particular designs, packaging materials, etc. revealing them to the public or those who will gain a competitive advantage over the company. In *Nike, Inc v Denis Dekovic, Marc Dolce, and Mark Miner, in the Circuit Court of the State of Oregon for the County of Multnomah, No. 14-cv-18876,* Nike sued three former employees, employed as shoe designers, for at least $10 million in damages. Nike’s complaint alleged that the designers misappropriated Nike’s trade secrets and conspired with Adidas to start a new, competing business venture. In the complaint, Nike alleged that Defendants knowingly violated several agreements signed with Nike at the outset of their employment. All three Defendants signed non-competition agreements pursuant to which they agreed to: (1) not to compete with Nike during and for a period of one year following their employment; (2) not to use or disclose any of Nike’s confidential information and to return all copies of such information upon leaving Nike’s employment; and (3) not to solicit other Nike employees away from Nike to a competitor.

In addition, the complaint alleges that Defendants also signed Employee Invention and Secrecy Agreements, by which each of them “assign[ed] to Nike all…inventions…conceived” during his employment term with Nike relating “in any way” to Nike’s “business…or products.” Defendants further agreed to “disclose promptly and in writing to Nike all [such] inventions…conceived or made by me during the term of my employment with Nike whether or not such inventions are assignable under this Agreement.” Nike claims the three designers stole a “treasure trove of Nike products designs, research information and business plans” in an effort to market themselves to Adidas, and that Nike will suffer irreparable harm in the form of lost market share, lost sales, and lost goodwill due to the actions of its former employees.

Ultimately, the parties came to a confidential settlement agreement. This case demonstrates the measures that fashion companies take when protecting against the exposure of confidential information that is of value to the company’s success.

More About the *Nike* Case: http://www.noncompetereport.com/2014/12/just-sue-it/.

Patent law and in particular, design patents are another area of intellectual property law that offer some protection to fashion designers. According to the United States Patent and Trademark Office, “a design consists of the visual ornamental characteristics embodied in, or applied to, an article of manufacture. Since a design is manifested in appearance, the subject matter of a design patent application may relate to the configuration or shape of an article, to the surface ornamentation applied to an article, or to the combination of configuration and surface ornamentation.” In the last few years design patents have become more popular as a method of protecting fashion designs. In, *Lululemon Athletica Canada v. Calvin Klein, Inc.*, the design patents were at issue, specifically patents protecting the elastic waistband around Lululemon’s best selling yoga pant named the Astro Pant. Lululemon alleged Calvin Klein had copied its design patent. Patent case law involving fashion designs is rare so this case could have been a game changer in the fashion industry. We do not know how the courts would have ruled since the parties reached a settlement outside of court and kept details of their settlement confidential.

Another area of law that impacts the fashion industry is criminal law when it involved the prosecution of those buying and selling counterfeit goods. Designers spend thousands of dollars to create and register their trademarks and build their brands. Counterfeit or “knock off” luxury goods cost the U.S. economy up to $250 billion in revenue every year. Most illegal distributors are caught by selling online. Amazon now provides a brand registry which is a streamlined process for brand owners to find and report IP rights violations.

An interesting Virginia case involving counterfeiting of fake purses is United States District Court for the Eastern District of Virginia v. Praepitcha Smatsorabudh (a/k/a “Prim”), Alexandria Division Case. For two years, the Defendant, Praepitcha Smatosorabudh (hereinafter “Prim”), an Arlington Virginia resident ran an elaborate scheme to defraud U.S. department stores in 12 or more states. Prim would buy authentic brand name luxury handbags from various department stores. Prim bought replica counterfeit handbags from suppliers in China and Hong Kong. After receiving the counterfeit replica handbags, Prim returned the replica bags to department stores for a refund of the purchase price of the authentic bags.

After returning the bag, Prim would then sell the authentic bags online for thousands of dollars. DHS suspected Prim was importing counterfeit bags from Hong Kong and China after discovering that she received 32 inbound express shipments from Hong Kong between October 2014 and November 2015. DHS searched Prim’s email address pursuant to a warrant and found several emails between Prim and individuals in China discussing the sale of counterfeit purses, and a search of Prim’s Arlington apartment produced multiple authentic and counterfeit designer handbags. A criminal complaint was filed in May 2016, alleging Prim violated 18 U.S.C. §1343 (Wire Fraud). The complaint alleged Prim defrauded more than 60 department stores in 12 states of a total of more than $400,000, according to the U.S. Attorney’s office. Further, Prim flaunted the stolen purses on an Instagram account named RichGirlsCollection and sold goods on an ebay account named Loukpeach which was registered to Prim. The website featured luxury purses, receipts indicating shopping sprees etc. On August 3, 2016, Prim entered into a plea agreement with the United States, pleading guilty to committing wire fraud. On December 21, 2016, a federal judge in the Eastern District of Virginia sentenced Prim to 30 months in a federal prison, followed by 3 years of supervised release and $403,250.81 in restitution.