

INTELLECTUAL PROPERTY LAW IN THE LUXURY SECTOR - COURSE

HEC LUXURY CERTIFICATE – 26 MAY 2014

More and more lawyers are working for businesses in the luxury goods and fashion sectors. The interactions between law and luxury are stronger than ever.

[Wigs and gowns in vogue on the catwalk](#)

[Law and luxury: a happy marriage](#)

INTELLECTUAL PROPERTY (IP) & IP RIGHTS: WHY THEY MATTER IN THE LUXURY SECTOR

A. WHAT ARE INTELLECTUAL PROPERTY (IP) & IP RIGHTS?

IP is fast moving and complex area of law

Intellectual property rights (IPRs) is the term used to describe the various rights that afford protection to innovative and creative endeavour

Balance in IP:

Effort made in creation of intangible IP is rewarded to encourage further innovation & creativity.

IP is intangible

Legal distinction: intangible property (e.g. information contained within a book) / tangible property (e.g. the book itself)

IP may take a lot of effort to create (e.g. a book or TV show) but is easy to reproduce at minimal cost (reprint or a digital copy).

B. WHICH IP RIGHTS ARE AVAILABLE TO LUXURY HOUSES?

Main rights that fall within IP include:

1/ PATENTS

= statutory right that gives the patent owner the exclusive right to use certain inventions

2/ BREACH OF CONFIDENCE

= the action for breach of confidence can be used to protect certain categories of confidential information (e.g. personal or commercial information) against unauthorised disclosure or use.

3/ TRADE MARKS

= registered trade marks are statutory rights, and give the exclusive right to use a distinctive sign (e.g. name, symbol, scent, jingle, etc.) in relation to a product or service.

4/ PASSING OFF

= goodwill is a form of property constituting the market's perception of the value & quality of a business and its products; this can be protected against interference or damage by passing off. Passing off is a tort that may be used in preventing a trader from making misrepresentations, which damage the goodwill of another trader.

- Goodwill in the get-up of goods or services;
- Misrepresentation leading the public to believe the goods supplied by the defendant are those of the claimant
- Damage caused by reason of the erroneous belief.

5/ COPYRIGHT AND MORAL RIGHTS

= statutory right subsisting in original literary, dramatic, musical & artistic works (LDMA works) and in sound recordings, films, broadcasts & the typography of published editions.

- Owners of copyright have a number of economic rights in their works, including the right to prevent unauthorised copying & adaptation, & there is now protection afforded to technological protection measures.
- There are also moral rights – rights that authors retain in their works, irrespective of who owns the economic rights

6/ DESIGN LAW

= certain functional & aesthetic aspects of the appearance of articles are protected via a combination of the registered design system, the design right (an unregistered design system) and aspects of copyright law.

- A registered design is the exclusive right to use certain aesthetic or functional features of a range of products.
- A design right is the right to prevent the copying of a functional aspect of the shape or configuration of an article, such as a manufacturing tool.

- Copyright has a residual role in the field of design law. IPRs are governed at the national level.

In the European Union, each member-state has its own IPRs, and rules and regulations on IPRs, but these national rules are in compliance with the many EU directives and regulations, which apply to the IP field.

OUTLINE OF INTELLECTUAL PROPERTY RIGHTS (IPRS) (IN THE UK)			
IPR	Subject matter of the IPR	Procedure for obtaining the IPR	Duration of IPR
Patent	Novel, industrially applicable inventions capable of an inventive step.	A statutory IPR obtained via application to the UK intellectual property office	Up to 20 years.
Confidential Information	Government, personal, industrial or trade secrets possessing the necessary quality of confidence	Equitable action arising via contract or the confidentiality of a relationship	Indefinite, but lasting until the information is released into the public domain.
Trademarks	Distinctive signs capable of being represented graphically	A statutory IPR obtained via application to the UK intellectual property office	May be renewed indefinitely
Passing off	Protects against misrepresentations damaging the goodwill or an enterprise	A tort	Indefinite, but lasting until the enterprise's goodwill ceases
Copyright	Literary, musical and artistic works, sound recordings, films and broadcasts, etc	A statutory IPR which arises automatically.	Varies. Maximum of the life of the author plus 70 years.
Moral rights	The rights to paternity and integrity, the right to object to false attribution in relation to certain copyright works. Also, the right to privacy for photographs and films	Established by statute, moral rights are personal to the author and arise automatically.	The rights to paternity, integrity and privacy last for the same period as the relevant copyright. The right to object to false attribution is in place for 20 years from the death of the person subject to the false attribution.
Unregistered design right	Functional design of articles	A statutory IPR which arises from the recording of the design	Up to 15 years
Registered design	Aesthetic or functional aspects of the appearance of the whole or part of a product	Application to the Designs Registry of the UK Intellectual property office.	Up to 25 years.

C. WHAT ARE THE REMEDIES FOR IP INFRINGEMENT?

In order to be useful, IPRs must be enforced by the right-holder, so it is important to be aware of the range of civil remedies & criminal sanctions provided for the infringement of IPRs.

1/ FINAL REMEDIES: PECUNIARY REMEDIES

- Financial compensation for losses caused by infringement may take the form of damages or an account of profits.
- Account of profits: this is an equitable remedy involving the award to the rightholder of the profits that the defendant has made from the infringement. Where ill-gotten profits exceed a normal damages award, an account of profits will prevent unjust enrichment.
- Account of profits available in patent infringement, for actions for breach of confidence, for trade mark infringement, passing off, copyright infringement and infringement of design rights. Not available for infringements of registered designs.
- Account of profits is a discretionary remedy and a rightholder cannot enjoy both damages and account of profits
- An award for damages is the most common pecuniary remedy for IP infringement and they are available within each IPR (although damages where there is innocent infringement, for example, may not always be available).
- Damages may have a punitive element, either in the form of exemplary damages, which although theoretically available for all IPRs are rarely awarded, or in the form of statutory additional damages. Statutory additional damages are, however, only available in copyright and for design rights.

2/ FINAL REMEDIES: NON-PECUNIARY REMEDIES

- **Declaration:** Declaratory relief (a declaration of infringement or of non-infringement) is discretionary
- **Delivery up and destruction:** in order to ensure that injunctions are properly effective, the court has the equitable power to order the delivery up of infringing articles or documents for destruction, or else to require their destruction under oath by the defendant.

Delivery up may also be awarded in interim proceedings

- Court order for a party to reveal relevant information: Such an order could be made to ascertain, for example, the name and address of a supplier or importer. Ex: orders for discovery have been granted against ISPs to disclose the names and addresses of individuals who have used their services (*Totalise Plc v The Motley Fool Ltd* (2002)).
- **Injunction:** injunctions are prohibitory, and can be used to prevent the initiation or continuance of an act.
An injunction is a court order.
They are equitable remedies given at the Court's discretion.

3/ INTERIM REMEDIES

- Interim injunctions: Although an application for summary judgment can be very helpful to an IP owner, an interim injunction can often provide the only effective remedy to an IP rightholder.
- This and the fact that most IP infringement disputes do not progress beyond the interim stage ensure that interim injunctions are particularly important in IP law.
- Ex parte orders: proceedings on notice are proceedings where the defendant has been served and has had sufficient time to prepare his defence.
- Proceedings without notice is a hearing where only one side is represented. Proceedings without notice preserve the status quo pending a full hearing.
- There are two such orders which are of relevance:
 - Search orders: there must be a likelihood of real and serious damage, clear evidence that there are documents or property at the alleged infringer's site and a serious possibility that they will be destroyed if the alleged infringer is put on notice. The grant of a search order allows the premises of an alleged infringer to be searched and evidence of infringement to be seized.
 - Freezing injunction: These injunctions freeze the assets of an alleged infringer pending a full trial, thus preventing the alleged infringer from transferring assets out of the jurisdiction.

4/ CRIMINAL SANCTIONS

Generally, IP infringement involves civil remedies, but some criminal sanctions are available and criminal liability and sanctions are particularly important in relation to piracy and counterfeiting activities.

For example, in the UK, new criminal penalties for deliberate copying of a UK or Community Registered design: the offence would carry with it a fine and/or a prison sentence of up to ten years, and would be triable, through the intellectual property bill.

<http://www.lexology.com/library/detail.aspx?g=b407bd65-4cbf-4242-a060-4af6ff708dae>

5/ THREATS

- Groundless threats to sue for IP infringement may be in themselves actionable where there is relevant statutory protection.
- However, in general, the claimant needs to establish that an actionable threat was made and that they were aggrieved by this threat. Provided that the defendant cannot demonstrate that the threat was justified (i.e. there has been a groundless threat), the claimant is entitled to the relief specified in the relevant statutory provisions.

D. PATENT LAW

- Patents are governmentally awarded monopoly rights over new inventions that are industrially applicable.
- Substantive criteria of a patent:
 - Restrictions as to subject-matter: there must be an invention
 - Novelty must be present
 - An inventive step must be present
 - The invention must be capable of industrial application
- How to obtain a patent:

It is a territorial right, so necessary to apply for a patent in each jurisdiction for which protection is desired (eg. A UK patent may be obtained from the UK Patent office – UP IPO).

Possible to apply to European Patent Office to get a European Patent, which will cover all member states of the EU. But still need to introduce a European Community Patent.

<http://www.epo.org/applying/basics.html>

IPRs: duration up to 20 years, + possible to sell the invention and all IPRs + licence the invention to someone else but retain all the IPRs + discuss the invention with others in order to set up a business based around the invention

<http://www.ipo.gov.uk/types/patent/p-about/p-benefit.htm>

CASE LAW: Katerina Plew v Victoria's Secret

While few fashion-related innovations qualify for patent protection, and since the process of obtaining a patent is generally too slow and too expensive for

those that do, women's foundation garments are among the categories of clothing for which protection has frequently been sought.

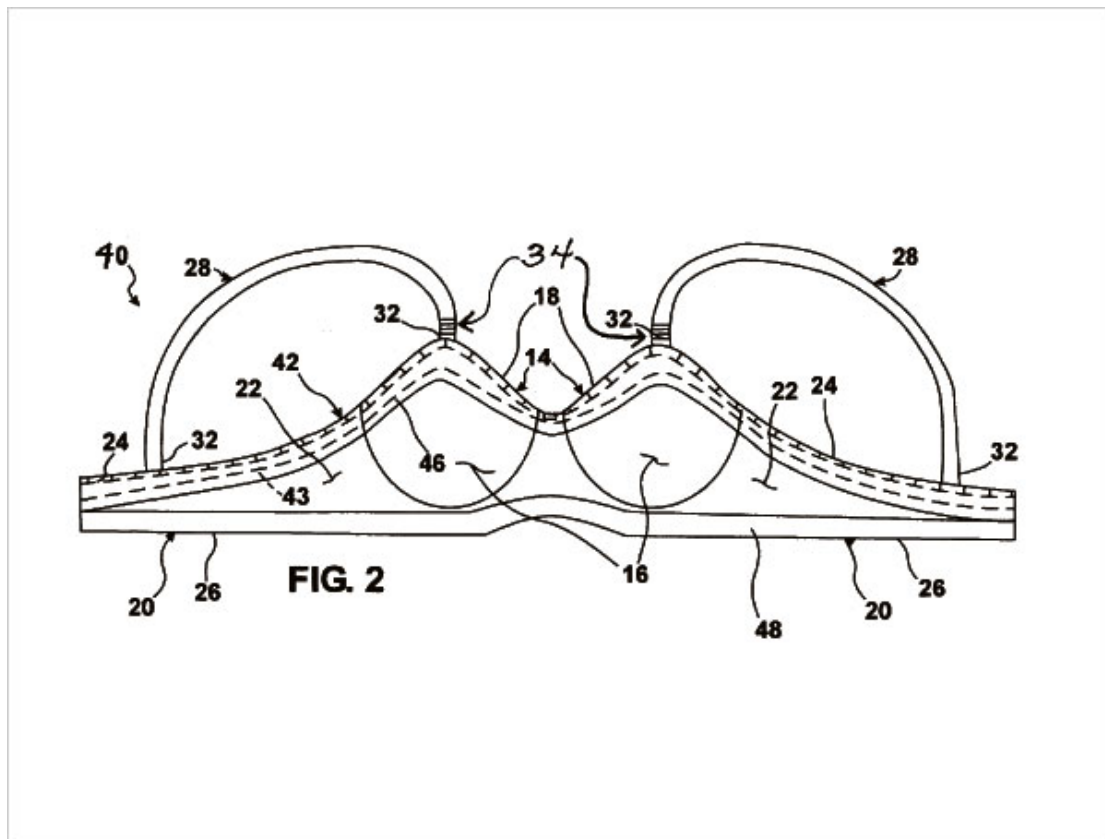
http://www.counterfeitchic.com/2008/04/the_mother_of_all_inventions.php

Katerina Plew, an American paralegal, is the inventor of an adjustable bra. She applied and obtained a patent of this bra.

After the patent was issued, Ms Plew approached numerous companies, including Victoria's Secret, to market the invention.

Soon after, Victoria's Secret started selling the 100-Way Bra.

Ms Plew later filed a lawsuit against Victoria's Secret Store Brand Management Inc. for patent infringement.



Katerina Plew's patent for a bra with multiple configurations.



Victoria Secret's very sexy 100-way Brassiere

<http://www.law360.com/articles/185554/victoria-s-secret-loses-bid-to-dodge-bra-patent-suit>

The judge denied the retailer's summary judgment motions for invalidity due to obviousness and non-infringement, in 2010.

Then, in 2012, the inventor and Victoria's Secret Stores Brand Management Inc. settled the lawsuit. They entered into a confidential settlement agreement, putting an end to litigation that has stretched on for over four years, just before the case was set to go to trial.

<http://www.law360.com/articles/347349/inventor-settles-bra-patent-suit-with-victoria-s-secret>

E. TRADEMARK LAW

A trademark is a sign capable of being represented graphically, capable of distinguishing goods or services from those of a competitor.

<http://www.ipo.gov.uk/types/tm/t-about/t-what-is.htm>

Trademark equal brand

- **Conventional trademarks:** pictorial marks such as letters, words, pictures and drawings
- **Non-conventional trademarks:** slogans, three-dimensional signs (shapes), colours, sensory signs (auditory sound signs, gustatory taste signs and olfactory scent signs), action signs and holograms.

Definition of a trademark – graphic representation:

Signs must be represented graphically i.e. they must be represented in such a way that third parties may determine and understand what the sign is. In Ralf Sieckmann (2002), the European Court of Justice (ECJ) set out the test for graphic representation: graphic representations use images, lines and characters and they must be:

- (i) Clear
- (ii) Precise
- (iii) Self-contained
- (iv) Easily accessible and intelligible
- (v) Durable, and
- (vi) Objective.

A trademark acts as an indicator of trade origin, which aids both consumers of branded goods and the trademark owner as follows:

- The trademark acts as an indicator of quality and reliability, protecting consumers from confusion or deception in the marketplace

- The trademark can be enforced to protect the mark's owner against certain acts of unfair competition.

In the European Union, applicants may apply to their national intellectual property office, to register a national trademark, or with the Office of Harmonization for the Internal Market (OHIM), to register a Community trademark in the European Union (valid all over the EU).

A trademark is registered under one or several of the classes coming from the Nice classification. For example, class 14 registers the trademark for jewellery and watches.

http://web2.wipo.int/nicepub/edition-20130101/taxonomy/?pagination=no&lang=en&mode=flat&explanatory_notes=hide&basic_numbers=show

A trademark may be renewed indefinitely, every ten years.

CASE LAW

Christian Louboutin v Zara

<http://www.law.com/jsp/article.jsp?id=1202561945235&slreturn=20130501055555>

Mr Louboutin is the owner of an international semi-figurative trademark, represented by a red sole, on which is written "Christian Louboutin", deposited with the World Intellectual Property Organization (WIPO), under French priority of the French trademark registered in 29 November 2000 and Christian Louboutin S.A. is the owner of an exclusive license allowing it to operate the trademark.

The very successful shoe designer Christian Louboutin sued many competitors for using red soles on their women's footwear, for trademark infringement. Mr Louboutin sued Cesare Paciotti in 2007, for trademark imitation, unfair competition and parasitism and reputational damage but lost the case.

In January 2011, Christian Louboutin and his company won a lawsuit against Eden Shoes for reputational damage, loss of consumer interest and resulting business for Christian Louboutin SA.

In 2012, in a major blow for Mr Louboutin and his company, the Cour de cassation – France's supreme court – confirmed the court of appeal's decision to:

- overturned the 2008 First instance decision which sentenced Zara for unfair competition, risk of confusion and parasitism, as it could not give a "monopoly" on the red sole to Christian Louboutin and because the retail

- price of the Zara red-sole shoes was 49 euros, about one-tenth of the price of a pair of Christian Louboutin shoes;
- invalidated the French trademark of Christian Louboutin on the grounds that “it would not be immediately identifiable as the representation of a sole, such interpretation only coming to mind after reading the descriptive summary that Mr Louboutin had judged useful to add” on the register.

<http://newsletter.cabinet-ores.com/Paris-%2022%20juin%202011-%20Louboutin.pdf>

<http://www.legifrance.gouv.fr/affichJuriJudi.do?oldAction=rechJuriJudi&idTexte=JURITEXT000025963595&fastReqId=529684827&fastPos=29%22>

http://bases-marques.inpi.fr/Typo3_INPI_Marques/marques_fiche_resultats.html?index=16&refld=3067674_201236_fmark&y=2501



Christian Louboutin v Yves Saint Laurent (YSL)

In 2011, Christian Louboutin S.A. had requested a preliminary injunction to prevent luxury goods competitor YSL from marketing monochromatic outsole/upper red shoes, challenged by Mr Louboutin.

YSL denied that its challenged shoes' red outsoles created any risk of consumer confusion at or after the point of sale, and further moved to invalidate registration of the trademark awarded to Mr Louboutin by the US Patent and Trademark Office in 2008, on the grounds that the red sole is merely aesthetically functional and lacks secondary meaning.

The US District Court of the Southern District of New York, in August 2011, denied the injunction to Christian Louboutin S.A. Southern District Judge Victor Marrero wrote, "Louboutin's claim to 'the color red' is, without some limitation, **overly broad and inconsistent** with the scheme of trademark registration established by the Lanham Act. Awarding one participant in the designer shoe market a monopoly on the color red would impermissibly hinder competition among other participants."

<http://www.bloomberg.com/news/2011-08-10/louboutin-loses-court-bid-to-block-yves-saint-laurent-red-sole-shoe-sales.html>

http://blogs.findlaw.com/second_circuit/2013/03/louboutin-ysl-encore-designer-loses-one-more-battle-for-his-sole.html

In September 2012, the Second Circuit Court of Appeals of New York decided to apply the "everyone wins" spirit to the most important intellectual property decision of our time: The Louboutin-Yves (YSL) red-soled shoe battle. The Second Circuit decided that Christian Louboutin's sole deserves trademark protection but YSL did not infringe that trademark with its monochromatic shoes.

The Second circuit concluded that judge Marrero's holding that a single color can never serve as a trademark in the fashion industry "was inconsistent with the Supreme Court's decision in *Qualitex Co. v. Jacobson Products Co.*"

The appellate court further concluded, "Louboutin's trademark, consisting of red, lacquered outsole on a high fashion woman's shoe, has acquired limited 'secondary meaning' as a distinctive symbol that identifies the Louboutin brand".

But that does not mean that Louboutin has exclusive rights to red-soled shoes: the second circuit limited the trademark to uses in which "the red outsole contrasts with the color of the remainder of the shoe". Since Louboutin tried to stop YSL from using a red sole as part of a monochrome red shoe, the court affirmed the District Court's ruling as it applied to the use of red lacquered outsoles in all situations.

http://www.ca2.uscourts.gov/decisions/isysquery/51d27c21-1f6b-4146-9996-aa7fbc4c902c/1/doc/11-3303_opn.pdf#xml=http://www.ca2.uscourts.gov/decisions/isysquery/51d27c21-1f6b-4146-9996-aa7fbc4c902c/1/hilite/

Louboutin has an enforceable trademark, but YSL's monochromatic shoes did not infringe on that trademark because they did not feature contrasting red soles.

http://blogs.findlaw.com/second_circuit/2012/09/sole-decision-everyone-wins-in-louboutin-ysl-appeal.html

Second Circuit decision relaxed a lot of people in the luxury goods and retail community in general: there was a lot at stake in the pending decision relating to whether trademarked colours are valid. For example, Tiffany & Co has had a trademark on robin's egg blue since 1998, while the parent company of M&M's lays claim to a particular shade of yellow.

F. COPYRIGHT LAW

Copyright is a property right that subsists in certain works. It is a statutory right giving the copyright owner certain exclusive rights in relation to his work, such as the right to make copies of the work, to sell these copies to the public, or the right to give a public performance of the work.

Copyright can protect:

1. Authorial/primary/LDMA works

a. literary works, including novels, instruction manuals, computer programs, song lyrics, newspaper articles and some types of database

b. dramatic works, including dance or mime

c. musical works

d. artistic works, including paintings, engravings, photographs, sculptures, collages, architecture, technical drawings, diagrams, maps and logos

2. Entrepreneurial/secondary/derivative works

a. layouts or **typographical arrangements** used to publish a work, for a book for instance

b. recordings of a work, including sound and film

c. broadcasts of a work

Copyright comes into existence, or subsists, automatically, where a qualifying person creates a work that is original and tangible (or fixed, in writing or otherwise).

No need to register a copyright, in Europe, it is a statutory right which arises automatically.

In certain jurisdictions, it is recommended to still register copyrights, in order to get some benefits such as awards of statutory damages, claiming attorney's fees, and being able to file an infringement lawsuit in a US court.

http://en.wikipedia.org/wiki/Copyright_registration

The duration of a copyright is equal to the life of the author + 70 years after his death (in the US, EU) or the life of the author + 50 years (in Japan).

Ownership of copyright and the employee author:

The basic rule is that the first owner of copyright in a work is the person who created the work, the author. In certain jurisdictions, such as the UK, there is a major exception to this rule, which provides that where a person creates an LDMA work in the course of employment, the employer is the first owner of any copyright in the work, subject to an agreement to the contrary.

However, in France, the principle is that the employee remains the owner of the copyright on creations realised within the scope of his employment agreement. Strictly, only an assignment agreement, of his copyright, distinct from the employment agreement, would confer to the employer the right to exploit the intellectual product created by its employee.

CASE LAW

Thierry Berthelot v Van Cleef & Arpels

French man Mr Berthelot, a former designer at jewellery firm Van Cleef & Arpels, claimed that he created his designs independently of any instructions or supervision from his employer. He attempted to prove ownership of the designs by filing as evidence several drawings of jewellery bearing his initials. He also reported that Van Cleef & Arpels had proposed an arrangement for assigning his copyright to the jewellery.

The Paris Court of Appeal, in its decision of 2013, ruled on the copyright of designs for jewellery created by an employee designer during his employment at Van Cleef & Arpels. The court applied the doctrine of collective works provided by French copyright law and granted the ownership of the rights to Van Cleef & Arpels.

According to the Court of Appeal, *“each drawing at issue is the particular contribution of the employee to a collective work whose purpose was to create a model of jewellery; for neither of the drawings for which Mr Berthelot claims ownership, he could prove that he had a real creative autonomy as well as a freedom in aesthetic choices which could have given reason for him being the sole owner of copyright on these drawings reflecting an expression of his personality”*.

The court concluded that the drawings were mere contributions to the overall global creative process supervised by Van Cleef & Arpels. The jewellery had to be regarded as collective works owned by Van Cleef & Arpels. Therefore the court denied Berthelot’s copyright and consequently rejected his claims.

By implementing the doctrine of collective work, the court made a pledge of judicial security for the fashion and luxury industry.

<http://www.internationallawoffice.com/newsletters/detail.aspx?g=30b08a9a-2aa4-4bef-b4c4-43d527a80c55>

http://www.lemonde.fr/economie/article/2012/06/11/un-ex-dessinateur-de-van-cleef-reclame-des-droits-d-auteur_1715630_3234.html

G. DESIGN LAW

Designs, i.e. the overall visual appearance of a product or a part of a product, are protected via a combination of a system of registered designs and design right, with a residual role for copyright.

Traditionally, copyright was an important source of protection in the design field, but a separate system of registered designs was also developed to protect aesthetic designs.

For example, in the UK, there was a raft of reforms in the late 1980s, which saw some reforms of registered designs, the cutting back of the role of copyright in the design field and, in its place, the introduction of a new IPR for designs – the design right.

More recently, in order to harmonise the UK design legal framework with the Directive No. 98/71/EC on the Legal Protection of Designs and the EC regulation n. 6/2002 of 12 December 2001 on Community Designs, UK regulations were amended.

http://www.wipo.int/wipolex/en/text.jsp?file_id=126960

<http://www.wipo.int/wipolex/en/details.jsp?id=6414>

It is now possible to make an application for a national registered design, at the UK Intellectual Property Office, or to make an application for a Registered Community Design with OHIM.

Further, national unregistered designs (known as design rights) may subsist in the UK, and there is also a very different Community unregistered right (the Unregistered Community Design).

Registered Community Designs and Unregistered Community Designs, which can exist both in the absence or in parallel with registered or unregistered rights under national design law, are valid in the entire EU and are governed by the Community Design Regulation (n. 6/2002) above-mentioned.

<http://www.ipo.gov.uk/types/design/d-applying/d-before/d-needreg.htm>

To be registrable, a design must be new + have individual character.

To keep a registered design in force, you must renew it on the 5th anniversary of the registration date and every 5 years after that, up to a total of 25 years.

This contrasts greatly with the situation in the US, where there is neither design protection for fashion designs nor fashion copyright.

<http://counterfeitchic.com/2010/08/introducing-the-innovative-design-protection-and-piracy-prevention-act.html>

Lobbyists, the Council of fashion designers of America (CFDA) and the American Apparel and Footwear Association, have introduced the bill for Design Piracy Prohibition Act (DPPA) in Congress in 2009, and then the bill for the Innovative Design Protection and Piracy Prevention Act (IDPPPA) and now the Innovative Design Protection Act (IDPA). This bill wants to give copyright to fashion designs, for 3 years from the date of first marketing, without having to register the fashion copyright.

<http://www.lexology.com/library/detail.aspx?g=2b2a5fb7-4846-42c0-9efd-e72abf5d7a95>