

Fashion Week: New Personalities emerge from Established Names

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Abstract: The single most valuable intangible asset in a fashion business is the brand. It comprises between 50 – 60% of the company's value.¹ The best method to capitalize on this value is to create unique images and define clear brand strategies. This is important both from a consumer point of view as well as the fashion house's perspective. Fashionistas invest in brands. They want to be aligned with an image. How can brands garner consumer esteem? Copyright law would need to be extended to include fashion. Trademarks may not be enough protection. Guernsey's Image Rights Ordinance and Registry may be able to solve this dilemma.

I Introduction

"This 'stuff'? Oh, ok. I see, you think this has nothing to do with you. You go to your closet and you select out, oh I don't know, that lumpy blue sweater, for instance, because you're trying to tell the world that you take yourself too seriously to care about what you put on your back. But what you don't know is that that sweater is not just blue, it's not turquoise; it's not lapis; it's actually cerulean. You're also blindly unaware of the fact that in 2002, Oscar De La Renta did a collection of cerulean gowns. And then I think it was Yves Saint Laurent, wasn't it, who showed cerulean military jackets? And then cerulean quickly showed up in the collections of eight different designers. And then it filtered down through the department stores and then trickled on down into some tragic Casual Corner where you, no doubt, fished it out of some clearance bin. However, that blue represents millions of dollars and countless jobs and it's sort of comical how you think that you've made a choice that exempts you from the fashion industry when, in fact, you're wearing the sweater that was selected for you by the people in this room, from a pile of 'stuff.'"²

This memorable quote from *The Devil Wears Prada* implies two major themes of the fashion design industry: the fashion design industry affects everyone, even if indirectly, and it exists in an environment of constant copying and counterfeiting.³ Designers have long sought intellectual property protection. Copyright has been denied because fashion designs have been viewed as more closely related to useful articles - clothing - than to creative works. Further it was deemed that copying was actually economically beneficial to designers. When this avenue failed designers, trademark became their only option. The Guernsey Image Rights Ordinance may be able to solve this dilemma.

¹ WIPO (2013) *World Intellectual Property Report: Brands – Reputation and Image in the Global Marketplace* (Geneva: WIPO)

² *The Devil Wears Prada* (20th Century Fox 2006)

³ Day, E (2007) *Double-Edged Scissor: Legal Protection for Fashion Design*, 86 N.C.L. Rev. 237

The single most valuable intangible asset in a fashion business is the brand. It comprises between 50 – 60% of the company's value.⁴ The best method to capitalize on this value is to create unique images and define clear brand strategies. This is important both from a customer point of view as well as a fashion house's perspective. Brands help consumers to exercise their preferences in the marketplace. Shoppers have strong preferences for which smart phones offer the best functionality, which telecommunications companies offer the best service, which fashion accessories garner the most attention from friends and colleagues, and which boutiques provide the best experience. Brands come with a reputation for quality, functionality, reliability and other attributes, ultimately enabling consumers to exercise choice in their decision-making.

Equally important, they come with a certain **image** – whether for luxury, trendiness or social responsibility. Customers care about these things. They influence which goods and services are purchased. For fashion houses, brands are valuable strategic assets and a source of competitive advantage. Accordingly, companies have gained rich experience in determining how their branding choices affect their sales and profits. There are many competitive advantages to having a distinctive brand in the market. Choosing the right brand for a fashion label is crucial.

Remember when Andre Agassi told the world: "Image is Everything"? Image means the public perception, not just a snapshot. That is why image means: *"...the voice, signature, likeness, appearance, silhouette, feature, face, expressions (verbal or facial), gestures, mannerisms, and any other distinctive characteristic or personal attribute of a personage, or . . . any photograph, illustration, image, picture, moving image or electronic of other representation ('picture') of a personage and of no other person . . ."*⁵

Your image should be properly protected and managed. A brand without an image is worthless.

II Copyright

There is an underlying assumption that fashion designs deserve copyright protection because they seem to meet the definition for protection. Each design has a unique 'character,'⁶ and expresses a point of view.⁷ Combine these original expressions with the fact that clothing is a tangible form, and it seems obvious that fashion designs are copyrightable material.⁸

⁴ WIPO, *supra*

⁵ The Image Rights (Bailiwick of Guernsey) Ordinance 2012, s3(1)(b) and (c)

⁶ Sacker, S (2007) *Art Is In the Eye of the Beholder: A Recommendation for Tailoring Design Piracy Legislation to Protect Fashion Design and the Public Domain*, 35 AIPLA Q.J. 473: confirming that it is "well understood that the chief value of a 'quality' of dress lies not so much in the quality of the materials as in the smartness and originality of design."

⁷ Gelhlar, M (2008) *The Fashion Designer Survival Guide* (New York: Kaplan Publishing): instructing that a "designer needs a signature point of view to differentiate his line from others and make it special."

⁸ Faux, D (2009) *Elite Knockoffs and Nascent Designers*, 1 N.Y.U. Intell. Prop. & Ent. Law Ledger 6

The current debate over design protection revolves around the Design Piracy Prohibition Act ('DPPA') which is currently in committee in the United States Senate. If passed, it will give copyright protection to designs for three years after first made public.⁹ This should be enough time to conceive, develop, produce, market, and sell a design, perhaps with time left over for brief subsidiary licensing.¹⁰ The Act also allows for substantial damages by allowing '\$250,000 or \$5 per copy' as recovery for adjudicated infringement. This is a prime incentive for a lawyer who accepts cases on contingency.¹¹

There is much controversy surrounding the DPPA. Most is concentrated on the definitions of 'fashion design' and 'apparel.' 'Fashion design' is defined as "the appearance as a whole of an article of apparel, including its ornamentation."¹² 'Apparel' is defined as "(A) an article of men's, women's, or children's clothing, including undergarments, outerwear, gloves, footwear, and headgear; (B) handbags, purses, and tote bags; (C) belts; and (D) eyeglass frames."¹³

Some scholars believe that there is no need for further intellectual property protection.¹⁴ "Free appropriation in fashion does not stifle innovation, but may actually promote innovation and benefit originators."¹⁵ This is accomplished through two theories: 'induced obsolescence' and 'anchoring.' 'Induced obsolescence' is when "free appropriation speeds diffusion and induces more rapid obsolescence of fashion designs," causing a need for more frequent innovation.¹⁶ 'Anchoring' is the process whereby rampant copying within a season helps to define that season's trends. Consumers follow the trends until another innovation occurs. At this point, rampant copying takes place and a new trend is born.¹⁷

These theories of 'induced obsolescence' and 'anchoring' have been roundly criticized as missing some very important aspects of a fashion design. First, there is the false assumption that "all fashion designs are 'status goods' whose brand name is commonly recognized."¹⁸ Second false assumption: "the designers themselves could not generate the same economic benefits through intellectual property protection and their own production of 'copies' through the use of lower-priced bridge lines."¹⁹ Third, counterfeits and knockoffs of clearly inferior quality do not benefit the economy.²⁰

⁹ H.R. 2196, 111th Cong. § 2(d) (2009)

¹⁰ Gehlhar, *supra*

¹¹ H.R. 2196, at § 2(g) (2009)

¹² *Ibid* § 2(a)

¹³ *Ibid*

¹⁴ Raustiala, K & Sprigman, C (2006) *The Piracy Paradox: Innovation and Intellectual Property in Fashion Design*, 92 Va. L. Rev. 1687

¹⁵ *Ibid*

¹⁶ *Ibid*

¹⁷ *Ibid*

¹⁸ Day, *supra*

¹⁹ *Ibid*

²⁰ *Ibid*

Nor are these inferior quality knockoffs of elite-house designs qualitatively the same as the design theft by more established, 'legitimate' corporations against beginning designers.²¹ Not all infringement is by 'outsiders'. Blatant rip-offs occur amongst fashion houses too. This implies a focus wherein fashion design protection should not rest on cheap knockoffs of established brands. Like in the DPPA, protection should address quality knockoffs of designs stolen from the anonymous hopefuls, the nascent designers.²² The Guernsey Image Rights Ordinance would be ideal in these situations.

II Trademark

The function of trademarks in society has evolved as business and society has changed.²³ Originally, trademarks indicated the source of origin for manufactured goods which had passed through many middlemen before their ultimate purchase by a consumer. This later developed into a general source of origin indicator for consumers. Today, a trademark's name conveys its philosophy, visual identity, and **personality**. It represents the most memorable single connection with the customer. Naming a brand is particularly important in fashion. The name must:

- Communicate its origins
- Describe its characteristics
- Communicate an attitude or lifestyle.
- Appeal to a certain kind of audience.
- Create a unique experience.

With the development of licensing and franchising the 'origin' function of trademarks declined.²⁴ Trademarks now perform a variety of economic functions. They fulfill both a product-identifying function and a communication function.²⁵ Some trademarks have an intrinsic reputation, especially in fashion where the use of the designer's name is a widespread practice, especially among luxury brands in order to underline their exclusivity, quality and status (e.g. Christian Dior). Following this trend are non-luxury brands.

Registration of a trademark will provide the owner with the exclusive right to use the mark in the goods and services in which it has been protected. Traditional trademark doctrine protects mark owners only against the use of the same or a similar mark as a brand, generally by competitors, in circumstances likely to confuse the consuming public.²⁶ The rationale for such protection is straightforward. Trademarks allow

²¹ Faux, *supra*

²² *Ibid*

²³ Grant, E (2006) *The Right of Publicity: Recovering Stolen Identities under International Law*, 7 San Diego Int'l L. J. 559

²⁴ Obhrai, R (2001) *Traditional and Contemporary Functions of Trademarks*, 12 J. Contemp. Legal Issues 16

²⁵ Strasser, M (2000) *The Rational Basis of Trademark Protection Revisited: Putting the Dilution Doctrine into Context*, 10 Fordham Intell. Prop., Media & Ent, L.J. 375

²⁶ *See, e.g., Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 767-68 (1992): "The Lanham Act was intended to make actionable the deceptive and misleading use of marks and to protect persons engaged in commerce against unfair competition." (internal quotations omitted); Brown, R (1948) *Advertising and the Public Interest: Legal Protection of Trade Symbols*, 57 Yale L.J. 1165

companies to build goodwill in their products, reduce the searching cost to consumers and reward manufacturers with a return on investments in product quality.²⁷ Brands and trademarks are an important aspect of everyday life.

Because of this proliferation, questions are being asked at an international level about the extent to which trademark offices should seek to limit the possible “cluttering” of their trademark registers. A “cluttered” register runs the risk of reducing the space for names and other signs available to new trademarks. While the precise extent of cluttered registers and their costs are uncertain, there is some evidence that they negatively affect at least some market participants.²⁸

Some trademarks evolve in the marketplace, without actually returning to the register to clutter it up. This devalues the original trademark as it can be lost to lack of use or become genericized. A trademark is said to become *genericized* when it began as a distinctive product identifier but has changed in meaning to become generic.²⁹ This occurs when it has acquired substantial market dominance or ‘mind share’ such that the primary meaning becomes the product or service itself rather than an indication of source for the product or service.³⁰ The travails of the House of Gucci® provide internationally contradictory insight into this issue.

²⁷ Dogan, S & Lemley, M (2004) *Trademarks and Consumer Search Costs on the Internet*, 41 Hous. L. Rev. 777

²⁸ WIPO, *supra*

²⁹ The following list contains marks which were originally legally protected trademarks, but which have subsequently lost legal protection as trademarks by becoming the common name of the relevant product or service, as used both by the consuming public and commercial competitors. Some marks retain trademark protection in certain countries despite being declared generic in others.

- *App Store*: Trademark claimed by Apple Inc. for their digital distribution platform. Apple filed a lawsuit against Amazon.com over *Appstore for Amazon*, but abandoned the trademark and the lawsuit after an early rejection of Apple’s false advertising claim in the lawsuit by the judge.
- *Aspirin*: Still a Bayer trademark name for acetylsalicylic acid in about 80 countries, including Canada and many countries in Europe, but declared generic in the US.
- *Escalator*: Originally a trademark of Otis Elevator Company.
- *Heroin*: Trademarked by Friedrich Bayer & Co in 1898.
- *Lanolin*: Trademarked as the term for a preparation of water and the wax from sheep's wool.
- *Laundromat*: Coin laundry shop. Westinghouse trademark, registered in the US in the 1940s (automatic washing machine) and 1950's (coin laundry) but now expired.
- *Linoleum*: Floor covering, originally coined by Frederick Walton in 1864, and ruled as generic following a lawsuit for trademark infringement in 1878; probably the first product name to become a generic term.
- *Sellotape*: A British brand of transparent, cellulose-based, pressure-sensitive adhesive tape, and is the leading brand in the United Kingdom. Sellotape is generally used for joining, sealing, attaching and mending. The term has become a genericized trademark in Britain, Ireland, Australia, the Netherlands, New Zealand, Israel, India, Serbia, Japan, Croatia, Greece, Turkey, Macedonia, and Zimbabwe, and is used much in the same way that Scotch Tape came to be used in Canada and the United States, in referring to any brand of clear adhesive tape.
- *Thermos*: Originally a Thermos GmbH trademark name for a vacuum flask; declared generic in the US in 1963.
- *Videotape*: Originally trademarked by Ampex Corporation, an early manufacturer of audio and video tape recorders.
- *Weibo*: 微博, which means microblog in Chinese, is a microblog service provided by Sina.

³⁰ Ingram, J D (2004) *The Genericide of Trademarks* 2 Buffalo IP Law Journal 154

Gucci® has been struggling with maintaining its brand images vis-à-vis its trademarks.³¹ There have been claims that the 'G'® logo is generic as well as having fallen out of use. Gucci® first filed a lawsuit against Guess® in 2009 - in both New York and Milan - accusing the brand of counterfeiting, unfair competition and trademark infringement, with particular reference to the use of a similar 'G' stamp appearing on shoes and accessories. Gucci® lost a four-year legal battle against Guess® in Milan.³² Not only did Guess® ask the Tribunale di Milano dismiss Gucci's® claims, but also declare its trademarks invalid on absolute grounds of non-registrability or, alternatively, loss of distinctive character. The Italian court agreed by not only confirming that Guess® copied none of Gucci's® trademarks, but also declaring some of Gucci's® trademarks invalid for lack of distinctive character, including the Gucci® Flora-related trademarks (national trademark no 971291, and Community trademarks 4462735 and 5172218) invalid.³³

The case in New York proceeded to a bench trial before Judge Shira A. Scheindlin, where Gucci® largely won its claims against Guess® based on trademark infringement and dilution claims, obtained a permanent injunction against Guess® and its licensees, and the cancellation of one of Guess'® marks.³⁴ "Gucci® firmly believes that the decision of the court of Milan is extremely incorrect, in particular because, in Gucci's® view, such decision does not take into account that Guess'® use of trademarks similar to Gucci's® ones - famous, well-known and appreciated around the world - displays an unlawful and parasitic free-riding on Gucci's® trademarks and, in general, on its brand image," read a release from the fashion house.³⁵

Nonetheless, in a decision by the UK Intellectual Property office of 5 November 2013, Gucci's® trademark for its interlocking GG® logo has been revoked in certain classes on the grounds of non-use. The mark was registered in 1984 for goods in classes 3 (broadly for cosmetics, perfumes and toiletries), 14 (jewelry), 18 (bags and purses etc.) and 25 (for various items of clothing in addition to scarves, socks, belts and shoes).³⁶ The applicant was fashion brand Gerry Weber, who made their application on the basis that there had been no use of the mark during a five year period.³⁷

How can Gucci® regain consumer esteem? Copyright protection was never an option in this case. Trademark protection was either not enough or has been lost. Perhaps, a Guernsey Image Right could have assisted?

³¹ Richardson, C (2014) *Gucci Loses GG Trademark: An important lesson in keeping records and evidence*, available at http://www.mondaq.com/x/287386/Trademark/Gucci+loses+GG+trade+mark&email_access=on

³² *Guccio Gucci Spa v Guess? Inc, and Guess Italia Srl*, Tribunale di Milano, Sezione specializzata in materia di impresa (Sez A), Sentenza no. 6095/2013, RG 36857/2009, Judgment of 10 January 2013

³³ Ibid

³⁴ *Gucci v. Guess?*, 2012 U.S. Dist. LEXIS 70833 (S.D.N.Y. May 21, 2012)

³⁵ Karmali, S (2013) *Gucci Loses Legal Battle Against Guess*, Vogue News available at <http://www.vogue.co.uk/news/2013/05/07/gucci-loses-guess-lawsuit---logo-copyright-case>

³⁶ Richardson (2014) supra

³⁷ S 46(1)(b) Trademarks Act 1994: a trademark registration can be revoked if use has been suspended for an uninterrupted period of five years, without proper reason.

V Guernsey Image Rights and Registry

Once a brand becomes successful it must continually transform and re-invent itself in the ever-changing fashion world. As we have seen with Gucci®, brands have changed their appearance over the years without changing their trademark registrations. Nonetheless, they have maintained their core ideals and continue to be relevant to their consumers. How is this possible without major expense?

- Brand equity. Make the brand recognizable in the eyes of your clients, which, in turn, creates loyalty.
- Enduring & timeless. Design your brand to be more than just a seasonal thing.
- Seasonal & trendy. Fashion has a very short and changing nature that only lasts for a season and in certain products. Distinguish between the product and the brand without losing inter-connectivity between them.
- Supra-nationality. Be recognizable outside your own national borders. Cater to different tastes in different countries.
- Tech-savvy. Use social media. A digital presence can make or break a brand. Have presence.
- Incessant Innovation. Fashion changes continuously. Transform and protect the brand holistically.

All of the factors outlined above contribute to the successful creation and maintenance of a brand. However, never forget to keep a realistic and coherent strategy through the whole process of creation, protection and transformation of a brand in order to achieve your goals and maintain your position in the market.

Guernsey Image Rights Ordinance (IRO) and Registry (IRR) protects “[a] registered personality [which] is a property right obtained by the registration of a personality in the Register in accordance with the provisions of this Ordinance.”³⁸ Personality refers to the personality of the following types of person or subject which is described in the Image Rights Ordinance as the ‘personnage.’ For this discussion, s1(1)(b) ‘a legal person’ would be the designated personage.³⁹ ‘Personality’ is defined as “the personality of the person, two or more persons or character referred to in subsections (1) (a) to (e).”⁴⁰ A ‘legal person’ is a body corporate or other body having legal personality that – (a) is currently in existence, registered or incorporated, or (b) has ceased to be in existence, registered or incorporated, for example by reason of having been liquidated, dissolved, wound up or struck off, within the period of 100 years preceding the date of filing the application for the registration of the personality.⁴¹

‘Image rights’ are defined as “exclusive rights in the images associated with or registered against the registered personality.”⁴² ‘Image’ is defined as:

³⁸ *The Image Rights (Bailiwick of Guernsey) Ordinance 2012*, s2(1)

³⁹ *The Image Rights (Bailiwick of Guernsey) Ordinance 2012*, s1(1)(b)

⁴⁰ *The Image Rights (Bailiwick of Guernsey) Ordinance 2012*, s1(2)

⁴¹ *The Image Rights (Bailiwick of Guernsey) Ordinance 2012*, s1(6)

⁴² *The Image Rights (Bailiwick of Guernsey) Ordinance 2012*, s5(1)

- (a) the name of a personage or any other name by which a personage is known,
- (b) the voice, signature, likeness, appearance, silhouette, feature, face, expressions (verbal or facial), gestures, mannerisms, and any other distinctive characteristic or personal attribute of a personage, or
- (c) any photograph, illustration, image, picture, moving image or electronic or other representation ('picture') of a personage and of no other person, except to the extent that the other person is not identified or singled out in or in connection with the use of the picture.⁴³

Note that there is no requirement to register specific images associated with the registered personality beyond the personality's name itself. However, for there to be a benefit in registering and for easier enforcement, specific images are useful. In this case, each season's show would need a corresponding image to be represented. This could be a photo of the entire collection or a graphic representation of the collection. Or perhaps, each individual piece would be registered as a discrete image.

The fashion house, set up as a protected cell company (PCC) on Guernsey, would be the personage (core) protecting separate personalities in separate cells of the company. The personage is the legal person whose personality will be registered. Each collection or division (i.e., handbags) that is produced by the fashion house would be a distinct personality of that personage in need of distinct protection via a protected cell within the company.

A PCC is a limited liability company with a board of directors. A PCC may create one or more cells, the assets and liabilities of which are segregated from the assets of the PCC itself (the core) and from the assets and liabilities of other cells. Reference to the "core" is to the non-cellular assets of a PCC. A cell is established by a board resolution. A PCC may, in respect of its cells, create and issue cell shares, the proceeds of which will form part of the "cellular assets" attributable to that cell.⁴⁴

The key advantage of a PCC is that a distinction is made between the core assets and the cellular assets. As such, when a cell incurs liabilities in respect of the business it carries out, those liabilities will only be attributed to the assets of that cell. Creditors of a cell are not able to have recourse against the assets attributable to other cells or to the core assets and thus the assets of another cell or the core are referred to as protected assets. This enables a number of portfolios to be established in the same company but with fewer risks attaching to contagion of claims between asset classes or lines of business or collections.⁴⁵

⁴³ *The Image Rights (Bailiwick of Guernsey) Ordinance 2012, s3(1)*

⁴⁴ Adrian, A (2014) *Reality Television has a Personality All of its Own*, available at <http://www.icondia.com/library/reality-television-personality/>

⁴⁵ Ibid

The extra corporate structure is a convenience for the personage when establishing multiple registered personalities. This convenience is not obvious when applying for a simple registration of a personality as all that is required is a name and photograph of the personality. Individual registered images are presumed to be distinctive and of value, as these are requirements for infringement. These qualities must be specifically proven in order to enforce rights in an unregistered image. Further, infringement damages or an account of profits will not be awarded where the defendant proves that at the date of infringement he did not know and had no reasonable grounds for knowing that the image was a registered personality's image. These conditions do not apply where the image infringed is registered.

The *Gucci*[®] case is a very important case as it is relevant to the on-going international battle over what will constitute genericide or lack of distinction.⁴⁶ Likewise, this will have huge ramifications on counterfeiting. If a major label like Guess[®] can copy Gucci[®], so can anyone else. A Registered Image becomes the last bastion once trademarks have failed through generification. Generification presents difficulties for the Image Rights Registry with regards to the difficulty in implementing 6(h). Hence, registering before one enjoys universal recognition is so important. Guess is heading towards a major come-uppance because they are obliterating clothing brand cache. People buy cheap 'G's to give the impression of buying a Gucci[®] 'G'[®].⁴⁷ The Guernsey Registry would be in a difficult position determining which images would be acceptable representations of the Gucci[®] personage.⁴⁸

VI Conclusion

Fashion houses are called after their designers because they are a reflection of their designer and creator. Designers have distinctive personalities as do their creations. The best strategy to capitalize on these personalities is to create unique images and define clear brand strategies. This is value. This is property. Fashionistas invest in brands. They want value for money no matter what demographic they represent. They want to be aligned with a particular image – even when they pick and choose amongst personalities and images. How can brands garner consumer loyalty and esteem? Copyright law does not currently extend to fashion. Trademarks only protect in a limited and static manner. Guernsey's Image Rights Ordinance and Registry may be able to solve this dilemma. This is important both from a consumer point of view as well as the fashion house's perspective.

⁴⁶ Ingram, *supra*

⁴⁷ This is exactly the same as driving a Shaughuan Sceo instead of an actual BMW X5. See, <http://www.carscoops.com/2007/07/shuanghuan-sceo-chinese-bmw-x5-copy-cat.html>

⁴⁸ While waiting for the Italian appeal, it is worth noting that parallel lawsuits have also been filed by Gucci in Paris and Nanjing.

This note is only intended to give a brief summary and general overview of this area of law. It is not intended to be, nor does it constitute, legal advice and should not be relied upon as doing so.

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Icondia comprises a team of experts that focus exclusively on the registration and management of image rights for an international customer base.

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