Fashion Law – 2018 Year in Review

Web Conference │ January 31, 2019 │ 12:00 p.m. – 1:00 p.m. ET
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Today’s Speakers

Laura Ganoza  
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Agenda

- Post Star Athletica
- Converse Trade Dress Decision
- New Cases Filed – Levi’s and Balenciaga
- Settlements – Forever 21 v. Gucci
- Genericide
- Influencer Marketing Issues
- ADA-Accessible Websites
- Sales Tax Collection
- Sneak Peak – 2019 Cases to Watch
Post Star Athletica
March 2017 decision announced a two-part test for determining the copyrightability of pictorial, graphical, and sculptural elements of useful articles like clothing.

An artistic feature of the design of a useful article is eligible for copyright protection if the feature:

- (i) can be perceived as a two- or three-dimensional work of art separate from the useful article; and
- (ii) would qualify as a protectable pictorial, graphic, or sculptural work either on its own or in some other medium if imagined separately from the useful article.
Star Athletica

Design 078
Registration No. VA 1-417-427

Design 074
Registration No. VA 1-411-535

Design 0815
Registration No. VA 1-675-905
Post *Star Athletica*

- After remand to the District Court, the parties settled in August 2017.
- How have other courts interpreted the *Star Athletica* ruling in connection with copyrightability of elements of apparel?
Post *Star Athletica* – *Silvertop Associates*


  Silvertop (d/b/a Rasta Imposta) alleged that Kangaroo copied the design of its banana costume.
Post *Star Athletica – Silvertop Associates*

- District Court granted Silvertop’s motion for preliminary injunction.
- Viewing the banana costume as whole, the court found a reasonable probability of success that ownership of a valid copyright in the design of a banana costume would be proven.
- Court-identified features of the Banana Costume having a pictorial, graphic, or sculptural quality:
  - the overall length of the costume
  - the overall shape of the design in terms of curvature
  - the length of the shape both above and below the torso of the wearer
  - the shape, size, and jet black color of both ends,
  - the location of the head and arm cutouts which dictate how the costume drapes on and protrudes from a wearer (as opposed to the mere existence of the cutout holes)
  - the soft, smooth, almost shiny look and feel of the chosen synthetic fabric
  - the parallel lines which mimic the ridges on a banana in three-dimensional form
  - the bright shade of a golden yellow and uniform color that appears distinct from the more muted and inconsistent tones of a natural banana.
Post *Star Athletica – Triangl Group*


District Court granted a motion for default judgment and permanent injunction involving alleged infringement of swimsuit designs.
Post *Star Athletica* – Triangl Group

- In view of *Star Athletica*, the court noted that it appears most of plaintiffs' designs are copyrightable because the decorative black trim and T-shape are physically separable and demonstrable as works of art.
Post *Star Athletica* – *L.A. T-Shirt & Print*


- Court found that Plaintiff’s animal designs were eligible for copyright protection.
- Several elements constituted protectable elements under *Star Athletica*. 

L.A. T-Shirt & Print – “Ornate Elephant”

- A certain red, white, ivory, blue, and black pattern within the Ornate Elephant design featuring a kaleidoscopic arrangement of concentric circles on the elephant’s legs
- An elaborate symmetrical design on the elephant’s head
- Stripes of densely packed geometric figures, of different shapes and sizes, on its ears and trunk
- Original use of colors, with reddish tusks and toes and a combination of blue, red, ivory, and black on the rest of its body
- Unique pose and posture
L.A. T-Shirt & Print – “Tribal Bear” and “Party Bear”

- Navajo Pattern (L.A. T-Shirt owned a separate registered copyright) consists of a distinctive arrangement of geometric shapes, including stripes of triangles and diamonds of varying sizes and colors.
- Placement of accessories, including red sunglasses, a feathered headdress, and a red cup.
- Unique arrangement of contrasting colors, including various shades of turquoise, ivory, and red.
- Unique pose/posture of bears.
Converse Inc. v. ITC:
Trade Dress Decision
Converse Trade Dress


Federal Circuit Court of Appeals reversed a decision from the International Trade Commission invalidating the Chuck Taylor Converse sneaker design trade dress.
Converse Trade Dress

- In 2014, Converse filed an ITC complaint seeking an exclusion order against designs that allegedly infringed its Chuck Taylor trade dress.
- The ITC rejected the complaint because, among other reasons, it found the asserted trade dress invalid on distinctiveness grounds.
- U.S. Trademark Registration No. 4,398,753 - “the mark consists of the design of the two stripes on the midsole of the shoe, the design of the toe cap, the design of the multi-layered toe bumper featuring diamonds and line patterns, and the relative position of these elements to each other.”
Converse Trade Dress – Presumption of Validity

- Converse argued its registration provided it with a statutory presumption of validity with respect to all infringers.
- Infringers remaining in the case began using their accused designs prior to issuance of the registration.
- Federal Circuit determined the presumption of validity provided by the registration was inapplicable. Instead, the presumption of “acquired secondary meaning” associated with registration is effective only as of the registration date and does not apply retroactively in product design trade dress cases.
Converse Trade Dress – Proof of Secondary Meaning

- Only applicable common law rights are those which existed at the time of the launch of the allegedly infringing product.
- On remand Converse must prove that its Chuck Taylor trade dress acquired secondary meaning *prior* to the first use of the accused design.
- Present-day surveys and proofs will be ineffective to show the trade dress acquired secondary meaning at the proper time.
Converse Trade Dress – Test for Secondary Meaning

- The Federal Circuit clarified six factors to be assessed in determining whether a mark has acquired secondary meaning:
  - association of the trade dress with a particular source by actual purchasers (typically measured by customer surveys);
  - length, degree, and exclusivity of use;
  - amount and manner of advertising;
  - amount of sales and number of customers;
  - intentional copying; and
  - unsolicited media coverage of the product embodying the mark
Converse Trade Dress – Likelihood of Confusion Standard

- Accused products that are not substantially similar cannot infringe.

- The court drew a comparison between product design trade dress law and design patent law, which requires “an ordinary observer [to] perceive that the ‘two designs are substantially the same.’”

- This is the test the ITC will use on remand to reassess the accused products.
Takeaways of *Levis v. YSL*: Pocket Tab Case
Levi’s Pocket Tab

- **Levi Strauss & Co. v. Yves Saint Laurent America, Inc., Case No. 3:18-cv-06977 (N.D. Cal)**

  Levi’s filed a lawsuit against YSL claiming that YSL infringed Levi’s registered “Tab” trademark.
Levi’s Pocket Tab – Litigation History

- Levi’s owns several registrations for its Tab trademark.
- Long line of infringement cases brought by Levi’s.
- Levi’s brought a suit earlier in the year against Kenzo - *Levi Strauss & Co. v Kenzo Paris USA LLC et al, 18-02106 (N.D.Cal).*
Levi’s Pocket Tab - Takeaways

- Clearance activities
- Litigation history is important
The Impact of the *Balenciaga* Car Freshener Design Suit
Balenciaga Car Freshener Keychain

- **CAR-FRESHNER Corporation and Julius Sämann Ltd., v. Balenciaga America, Inc., 1:18-cv-09629 (SDNY)**

Plaintiffs claim that Balenciaga’s keychain tags infringe Plaintiff’s “tree” design of its car fresheners.
Balenciaga Car Freshener Keychain

- Balenciaga recently filed an answer in the case, claiming, among other defenses, that Car-Freshener’s tree shape is generic and functional.

- Now-expired 1962 utility patent (3,065,915) allegedly “describes the utilitarian purposes of the tree shape . . . of [CAR-FRESHNER’s] product.”
Balenciaga Car Freshener Keychain

- Market has seen an increase in collaborations in fashion, particularly with non-fashion brands.
- Does this trend increase the likelihood of confusion? (e.g. because consumers could believe a luxury brand has a deal with the car freshener company)
Developments in Trademark Infringement Settlements:

Gucci v. Forever 21
**Forever 21 v. Gucci – Stripe Trademarks**

*Forever 21, Inc. v. Gucci America, Inc. et al, No. 2:17-cv-04706 (C.D. Cal)*

- Forever 21 filed a declaratory judgment action against Gucci in 2017.

- Forever 21 claimed that Gucci’s blue-red-blue and green-red-green striped lacked the necessary secondary meaning to function as trademarks, and requested cancellation of the existing trademark registrations and refusal of Gucci’s pending applications.

- Gucci counterclaimed for trademark infringement, dilution, and unfair competition.
Forever 21 v. Gucci
**Forever 21 v. Gucci - Settlement**

- In February, the court rejected Gucci’s request to dismiss Forever 21’s trademark cancellation claims.
- November filing indicates the parties have settled the dispute.
- Settlement terms not disclosed.
**Forever 21 v. Gucci - Takeaways**

- The sending of a demand letter can trigger a declaratory judgment action.
- Be thoughtful in sending demand letters.
- Must have wherewithal and evidence to prove your case at trial.
Tips for Preventing Against “Genericness” Claims:

*Deckers Outdoor Corp. v. Australian Leather Pty. Ltd., et al.*
UGG Genericness Claim


- Deckers (owner of the UGG trademarks) filed a lawsuit for trademark and patent infringement based on Australian Leather’s sale of “ugg boots” to U.S. consumers.
- In response, Australian Leather countered that “ugg” is a generic term for a type of sheepskin boot.
UGG Genericness Claim - Evidence

- Nationwide survey showed 98 percent of respondents viewed UGG as a brand.

- Evidence from a linguistics professor, a footwear historian and a comprehensive footwear dictionary, all of which supported Deckers’ position that “ugg” is not used generically in the footwear context.
UGG Genericness Claim – Tips for Avoiding Genericide

- Always use a trademark as an adjective modifying a generic noun (e.g. “UGG sheepskin boots”).
- Give proper trademark notice.
- Distinguish the trademark from other text.
- Don’t use the mark in the plural (e.g. “UGGs”).
- Educate the public.
Influencer Partnerships and FTC Guidelines Regarding Disclosure
Influencer Partnerships

- Guides are a basis for voluntary compliance with the law by advertisers and endorsers.
Influencer Partnerships

- Practices inconsistent with the Guides may result in corrective action from the FTC.
- Advertisers may be subject to liability for:
  - False or unsubstantiated statements made through endorsements
  - Failing to disclose material connections between themselves and their endorsers
- Endorsers may also be liable for statements made in the course of their endorsements.
Influencer Partnerships – Advertiser Responsibilities

- Train and monitor members of the advertiser’s network (bloggers, influencers).

- Elements of training programs:
  - Explain what influencers can and can’t say
  - Instruct influencers on their responsibilities for disclosing connection
  - Periodically search
  - Follow up if questionable practices discovered
Influencer Partnerships – Practical Tips

- Develop a training program for influencer
  - If there is an incentive of any kind, influencer should disclose. Examples include:
    - Monetary compensation
    - Free products or services (even if not expensive)
    - Sweepstakes entries
    - Chance to appear in a commercial
    - Charitable donations from the company
    - Travel and accommodations
  - When in doubt, influencer should DISCLOSE.
Influencer Partnerships – Practical Tips

- Where to place disclosure?
  - Examples:
    - **YouTube:** In the video itself, not in the description.
    - **Instagram:** Through the photo/video or in the first three lines of the description.
    - **Snapchat/Instagram/Facebook Stories:** Superimposed on photo/video/Story.
      - *Disclosure should be easy to notice and read in the time followers have to look at the image.*
    - **Twitter:** Starting a tweet with #ad would likely be effective.
Influencer Partnerships – Practical Tips

- Develop/implement a company social media policy
- Monitor for compliance with training and social media policies
  - Delegating responsibility to an outside entity (such as a PR firm) does not relieve advertiser of responsibility
- Follow-up on non-compliance
- Use contractual agreements
  - But remember, a brand cannot shift liability to the influencer – both may be held liable by the FTC
Americans with Disabilities Act (ADA): Accessible Websites and Compliance
ADA-Accessible Websites

- Plaintiffs bring claims that a website violates Americans with Disabilities Act (“ADA”) by denying visually impaired individuals from having full and equal access to the websites due to their failure to have screen reader software.

- Nearly 300 ADA website lawsuits were filed in New York’s federal courts in the first quarter of 2018 alone.

- Several of these lawsuits have been brought against fashion companies in recent years:

  - Glossier, H&M, the Kardashians' Dash stores, Lacoste, Jo Malone, Coach, Giorgio Armani, Gucci, Wet Seal, Versace, Vera Wang, Valentino, Urban Outfitters, Tory Burch, Bally, Hugo Boss, Louis Vuitton, Perry Ellis, New Balance, Nike, and J. Crew…. Just to name a few
ADA-Accessible Websites

- Brands should conduct an ADA compliance audit of their websites and digital content.
- W3C Web Content Accessibility Guidelines (WCAG) 2.0 provide a guideline (http://www.w3.org/TR/WCAG20/)
Sales Tax Collection:  
*Wayfair v. South Dakota*
Sales Tax - *South Dakota v. Wayfair, Inc.*


- South Dakota law required collection of sales tax from those vendors with more than 200 customers or revenues exceeding $100,000.
- Overturned existing law that Constitutionally prevented states from compelling retailers to collect sales tax from mail order or Internet sales if the retailer did not have a physical presence in the state.
- Now, states *can* collect sales taxes from out-of-state online retailers on consumer purchases.
Sales Tax - *South Dakota v. Wayfair, Inc.*

- This case will have a significant impact on fashion retailers.
- As of the end of December 2018, 31 states had tax laws requiring taxation of Internet purchases, most following South Dakota’s model (more than 200 customers or revenues greater than $100,000).
- Many states have started enforcement actions.
- Businesses should assess whether they have proper and compliant tax collection procedures.
2019 Cases to Watch
2019 Preview – Scandalous Trademarks

Iancu v. Brunetti

- Supreme Court has agreed to hear arguments this year concerning whether a ban on registration of “scandalous” trademarks is unconstitutional.
- Brunetti applied to register “Fuct” for a line of apparel and was refused registration.
- The Federal Circuit struck down the “scandalous” ban, and the USPTO appealed.
2019 Preview – Trademarks in Bankruptcy

Mission Product Holdings v. Tempnology

- Supreme Court has agreed to hear arguments next month concerning whether a licensor can use bankruptcy law to “reject” an existing trademark license.
- Circuits are split on this issue.
- Mission Product Holdings licensed the mark COOLCORE from Tempnology for use with sports apparel.
- Tempnology went bankrupt and pulled the license.
Questions?
Thank you!

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