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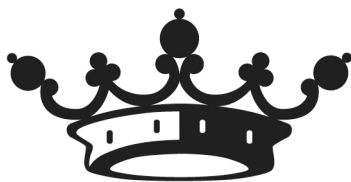
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I N S I D E T H E M I N D S

Navigating Fashion Law

*Leading Lawyers on Exploring the Trends,
Cases, and Strategies of Fashion Law*



ASPATORE

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A Fashionable Career

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Introduction

Fashion law is not a traditional legal specialty, like tax or employment law. Rather, “fashion law” is a *nom de guerre* for the mélange of legal specialties that are needed by clients in the fashion industry. Over the course of a season, the many participants in the fashion world, including designers, manufacturers, importers/exporters, retailers, salvagers, test laboratories, and the lawyers who service them, confront a wide range of legal issues in disparate areas such as real estate, tax, intellectual property/licensing, customs, employment, privacy/and data security, and litigation. Fashion law is the combination of all of these and still more legal specialties that are necessary to support doing business in the modern fashion industry.

The best fashion lawyer is the one who truly “gets” the client’s business. Given the complexity of the fashion business, it is essential to understand that clients want to operate their stores, sell their handbags, get their clothes to the market, or do whatever it is that they are in the business of doing because fashion is a business that must succeed to survive. Clients do not want long-winded legal theories. They do want you to take care of the problem and get the deal done, literally. That is your job as far as the client is concerned. The lawyer knows it must be done in compliance with the law and within certain other ethical and doctrinal principles as is true for business lawyers generally. The fashion lawyer also should understand the distinctive nature of the fashion industry and provide creative, cost-effective solutions that address the challenges of those distinctions, which often concern the fact that fashion, by its nature, changes quickly. Time, literally, is of the essence, for fashion clients. In order for the client to thrive in the fashion business, the fashion lawyer must provide top-notch counsel that is delivered with speed as well as accuracy. My best advice: know your client’s business and understand that what is at stake requires you to appreciate the importance of timing for fashion.

I learned about timing before I became a fashion lawyer. I was supposed to be the CEO of a thriving retail and wholesale music company. My father opened my family’s first record store (if you remember records!) when I was about three years old and our chain grew to twenty-five stores in the Northeast. We also were one of the largest regional wholesalers in the business, supplying independent music stores in six states. By the time I was

fifteen years old, I knew and loved that business. By the time I was eighteen years old, I had worked as a cashier and as a bookkeeper and in our purchasing, returns, shipping, and fulfillment departments. I went to business school. I spent my summers in our warehouse (without air conditioning) to learn the business from the ground up. I learned how to run a retail store and how to manage a warehouse. I learned about employee conflicts and employee theft, cash flow, bank loans, inventory controls, and real estate. I learned that there is a causal relationship between selling a product and making a living. In brief, I learned how to run a business. If our stores did not do well, my family did not do well. If we went under, many people would lose their jobs. Then something happened in the late 1980s. The retail and wholesale world started changing.

When we could no longer renew our leases or obtain new ones because malls wanted national chain stores, our stores closed. Our wholesale business filed for bankruptcy. A big factor for our business was an inability to extend bank financing while the record companies demanded payment in ever-shorter timeframes. I learned a lot about life and business before turning twenty-five. Then I went to law school because I needed to earn a living. It seemed to me then that not only was law a profession, but it was also a business, and that I could combine my business background and legal training to create a unique business lawyer.

You do not have to have to operate a retail or wholesale business or go to business school or experience bankruptcy to be an effective fashion lawyer, although it probably does not hurt. But fashion lawyers should make a point of having some familiarity with bankruptcy law. You do need to get an understanding of the relevant legal principles and get into the minds of your clients. You need to appreciate what it is that keeps your clients up at night. Know their business. So, absent a decade in the retail trenches, think about the fashion business as a business and read about it. Read the trade magazines and the blogs. Learn about it. Learn how clothes are made, where beads are sourced, about factories, how merchants chose which brands to carry. Ask your client questions. Where do they see issues? What is their five-year plan? How can you be most helpful? Pay attention. Is your client selling online? If not, why not? Who will do the fulfillment? Is your client expanding into new markets, new countries? Is your client seeking new financial partners? What are the terms being considered? Can you help

structure a better deal? Identify issues before your client sees them. Fashion is a highly competitive business, often with narrow profit margins. Many fashion companies will falter and go out of business. Your job is to help your clients stay in business and they will come to rely on you to compete in an incredibly competitive and often unpleasant environment. It is your job to make all that happen while remaining in compliance with the law.

Always support your clients and promote their businesses. When one jewelry designer client was running into cash flow problems, I organized a sample sale of her excess inventory. The sale garnered the right kind of attention, earned her badly needed cash, and moved inventory. When another client could not get needed fabric released from her supplier, I personally visited the supplier's office and negotiated a deal that resulted in the fabric being shipped to her factory that day. Without that fabric, the bridesmaid dresses that were on order would not have been ready for a wedding. For want of a nail, a kingdom would have been lost. For that client, in that situation, there would have been some very unhappy brides and quite a few bridal stores that never would have done business with my client again. I proudly wear my clients' shoes, clothes, and handbags. Every holiday season, I give gifts to my clients that were manufactured by other clients. They know I support them and they appreciate it. You walk the talk, every day, just as they do.

Who is a “Fashion Lawyer”?

In the last decade or so, the term “fashion lawyer” was coined. Fashion lawyers represent designers, retailers, wholesalers, manufacturers, and others in the chain from concept to consumer. Attorneys who work in-house for fashion companies focus 100 percent of their time on fashion and many, being in-house counsel, also are generalists who do get to practice in a variety of areas. Others, who work in larger law departments, often for major retailers, may be more specialized and may spend most of their time on real estate leasing (the stores), marketing/advertising (including the emerging issues involving social media, and online advertising versus traditional print), trademark/brand protection, and litigation. If the company is smaller, the in-house attorneys are more likely to be generalists and seek outside counsel for specialty areas. Some are start-ups or smaller entities that have no in-house counsel at all and rely on one attorney in

private practice as an informal general counsel. Effectively then, for both in-house and outside counsel, a “fashion lawyer” really is an attorney who services clients in the fashion industry rather than an attorney bound to a specific section of the federal code or a particular historic collection of doctrines such as torts or contracts. Fashion lawyers counsel and represent people and companies who make, sell, and otherwise deal with fashion, in all aspects of the law.

Meeting with Clients

When you meet initially with a client, discuss what the client needs and try to understand what makes that client’s company unique. Quite a few fashion businesses are family businesses. I represent one company that is in its third generation of family ownership and another company created by a husband and wife and now that brand is sold in the finest stores in the world. Understanding clients and what market niche they are serving and their short and long-term goals is what you need to be effective.

Small Companies versus Large Established Companies

Designers may be creative geniuses, but they are not necessarily good business people. They will look to you for help in raising money and running their business. They may not distinguish between an incipient crisis and a routine issue. You may get crazy phone calls at crazy hours. Many small companies do not have much cash flow, especially in the beginning. If they cannot pay you for a while, you may have to finance the legal work and hope you are paid someday. It may even turn out to be a good investment if the company grows. Ask yourself, do you want this role and for how long?

Established fashion businesses have different needs. They often have in-house legal counsel or a team of in-house lawyers, so that outside counsel generally is needed as a specialist in a certain area. Or, if an established business does not have in-house counsel, it generally relies on an astute executive who handles legal matters with the assistance of outside counsel that are consulted when necessary. If you serve in this role, it generally is as a trusted advisor to a smart and successful business in an exciting industry, which is a fate to be earned, and once earned, very much enjoyed.

What Else Do You Have to Know to Know Your Clients' Business?

The challenge in representing a variety of clients is ensuring that you know each of their various businesses and if that is not enough of a challenge, you have to keep learning as those businesses evolve. You also have to be knowledgeable in a variety of legal areas and stay up-to-date in each of those areas. Then you must take all of that and keep blending the business knowledge and the legal expertise. It is not enough, for example, to be an intellectual property attorney. You must know how intellectual property pertains to the fashion industry generally and to each of your clients particularly. Do you know when to seek copyright protection for a fabric design or patent protection for a handbag? When to register your client's trademarks with Customs? How to budget and manage a worldwide trademark program? Seize counterfeit goods?

As my specialty is IP, I address these issues every day in a fashion practice. I also need to keep my skills at the ready on contract and other issues and have associates at the ready to provide support in those areas in which I am not an expert, for example, the ever-changing tax code.

The key is managing both information about the general legal and business segments and understanding, in depth, each client's particular aspect of the fashion business. Each fashion segment has unique issues. Shoes are different from coats. I have visited my client's warehouses, their offices, and even some of their suppliers. I have toured client operations and met various employees, including those who make patterns, cut samples, do fittings, manage accounts, and process orders. I meet the creators of the designs and attend fashion shows, even on Sundays, in the pouring rain and "off the clock" because the client knows when the fashion lawyer is on the client's side.

One aspect of fashion law that differs from many other types of law is the emphasis on the seasonal nature of many of the fashion clients' needs. As a fashion lawyer, you have to get used to the cycles. The prestige shoe business presents four collections annually, with product that will not be in the market for at least nine months, while the clothing industry shows major, fall/spring collections twice a year for product that will be in the stores in less than six months. The bridal industry has a bi-annual market

similar to the general clothing industry, but bridal is on a different schedule and, of course, there are other mini-seasons for cruise and other specialties. Something is always changing. Currently, the fine jewelry business is changing due to a shift in regulation and commodity pricing. There is no rest for the fashion lawyer, regardless of the segment.

Licensing in the Fashion World

Licensing plays a significant part in fashion law because it is often an effective way to create or expand a product line without a significant financial investment from the licensor and a quick way for the licensor to become a player in a new category. It allows growth without existing supplier relationships or the expertise to expand into a new category, for example, an expansion from clothing to handbags.

Licensing is a prime example why you need to understand how your client does business. There is a general structure to a license and most licenses will cover many of the same terms, such as a product, minimum sales, royalty rates, duration/renewal, and indemnification. However, there are many nuances to the fashion license and knowing the niche business for which you are doing a license is essential.

License Relationships

License relationships are delicate. In times of financial hardships, such as what we have termed the “new economy,” you are often advising your clients on dealing with downside risk. In fact, a good lawyer always advises on downside risk, even in good economic times. You need to tailor your counsel to your client and its position in a transaction. How far do you want to push? If your licensee has not reached its minimum sales, does your client-licensor want to call a default? Do you want to force the licensee to pay minimum royalties in a bad year, when such action could force the licensee out of business? Is the licensor not cooperating with your licensee-client? Not providing useful feedback in a timely manner? Rejecting product without guidelines or explanation? How do you address an issue in a constructive manner? These are examples of the real world issues that should be considered when drafting a license.

I encourage you to investigate the potential licensor or licensee, as applicable, with whom your client is considering entering into a license. Particularly with small clients as the licensor, your client may not want to dig too deep or “rock the boat.” Get that boat rocking while still securely tied to the dock and before your client is out in deep water. What other licenses has the licensee done? Can you speak to a current or past licensee? What is the licensee’s distribution network? I have negotiated a few licenses in which the deal was a first license for the would-be licensee. I had a client who had a license in which the licensee had resisted investing in an advertising and marketing budget, rejected minimum sales obligations and minimum royalties, and did not commit to a marketing launch. That licensee did not have a design or sales staff dedicated to my client’s product and did not even have a phone number or email account dedicated to the product. These are signs that the licensee is not sufficiently committed and, sure enough, the arrangement was short-lived. If you foresee such a situation, make sure your licensor can get out of the contract relatively pain-free or, at least, make the initial term quite modest. A little Internet research into a potential license party can be a surprisingly good investment before your client commits and takes what may be a ride on a very small boat out onto a very big and tempest-tossed sea.

When negotiating a license, know your audience, which would be the attorney on the other side of the table and that attorney’s client. If you are representing or negotiating against a public company, the requirements are going to be stricter in the license. An average license with a public company can be well over fifty pages, whereas a license between two small private companies may be ten pages or less. For public companies, topics such as factory conditions are crucial. A public company will need inspection rights. Who will do the inspections, how often, and who will pay for them should be addressed in the license. What happens if an inspection is failed? The large company also will have very specific reporting mechanisms for product and sales—make sure your licensee can comply with the reporting requirements. A license between two small companies or a small company and an individual designer will be less formal. However, many of the same issues still remain and you should encourage your client to really spell out all key issues in the license. It will save a lot of aggravation later. The fashion lawyer also can share in the fashion industry’s eternal optimism and anticipate a long-term success that results in the participants staying in the

relationship and becoming bigger entities so make sure the documentation deals effectively with future restructurings and rights of assignments, among other boilerplate provisions.

Understand the Nuances of a Fashion License

Attorneys who are skilled lawyers but not experienced with fashion clients may decide to simply negotiate a license for a new fashion client, concluding that one can learn as one goes. This strategy might work or it might not. One of my favorite license debacle stories happened about four years ago. I represented the licensee and we were negotiating a license with a very famous brand to expand its product line. Counsel for the future licensor, who was a partner at a prestigious firm, sent over its proposed license to start the conversation. As I was reading the license, I noticed that it did not include minimum sales or minimum royalties for the renewal period. The license simply stated the figure that my client needed to reach in net sales to renew the license. I called an executive at my client's company and asked him to review—was I hallucinating? Apparently not. The client and I made a quick decision, let's not negotiate each point that may be more favorable to the licensor. Rather, we got the license signed because we could live with many terms favorable to the licensor given that, in exchange, we had no minimums for the whole renewal period! Sure enough, the famous licensor recently came to us to fix this “mutual mistake” and to “agree” to minimums in the renewal period. We said that in fact there was no mutual mistake, we had negotiated for and knowingly bargained for no minimums during the renewal period. The licensor was quite upset and we have since learned that the licensor has changed counsel. Ouch!

A new client hired me to address problems with one of her licensees that had resulted from her license agreement. The license required the designer to create original designs for fabric and the licensee, a prominent fabric manufacturer, would offer the designer's fabric collection. The arrangement worked fine for about two years. Then, the fabric manufacturer stopped fulfilling orders for the designer's collection and fabric customers contacted my client complaining that they could not get their orders filled. This lack of cooperation by the licensee hurt my client's reputation and her royalties. If you simply read the license, it appeared on its face to be reasonable. But

you needed to dig deeper. What was the license missing? The license said nothing about who owned the designs or what recourse my client had in this situation. The license had no minimums and, in fact, had no obligation to produce the actual designs after a first run of the pattern, but the licensor had no right to take the design to a new manufacturer until the term expired. Such a license is not as uncommon as you may think. The fashion lawyer should advise clients against such an arrangement because as surely as the upside will take care of itself, the downside needs to be covered by the specific terms of the agreement.

Certain language may sound innocuous but, as a fashion lawyer, you need to tread carefully. What if a license provides that the licensee can renew the license on terms “substantially similar” to the current license provided the licensee meets a designated sales figure? If you are the licensor, this term is great, it gives you wiggle room. If you represent the licensee, this clause can be a death sentence. Your client has just spent two, three, four, or more years building up this business. You want the right to an automatic renewal on the exact terms you already negotiated—there should be no new negotiations and no arguments over “substantially similar” terms. The only requirement for the renewal should be meeting your sales and royalty obligations.

Some Basic Terms of a Fashion License

There are far too many nuances of a fashion license to discuss all such points in this chapter, but here are just a few highlights of a standard fashion license:

Trademark

What *trademark* is being licensed? If you are the licensor, you want to make it very narrow, for example, just the mark JANE SMITH. The licensor wants to maintain flexibility. If you are the licensee you will want the rights to the mark to be very broad, for example, the mark JANE SMITH and all derivative marks that include “JANE” or “SMITH” and any sub-brands marketed or developed in connection with the JANE SMITH mark. Why is it important to have such a large scope of rights as the licensee? Because unless the license clearly gives such expansive rights to the licensee, then

the licensor may create a new sub-brand such as JANE BY JANE SMITH or FOR YOU BY JANE and compete in the same space or perhaps create a less expensive line that competes with your client's license, which can significantly damage licensee sales. Decreases in sales are never welcome, but it could be disastrous if your client can no longer reach the minimum sales figure stated in the license because the licensor has effectively cannibalized the license.

Product

What *products* are being licensed? Again, as the licensor, you want to be very narrow, very specific. Do not just say “bags” or “handbags.” You need to list exactly what bags are covered, if you do not, there will be questions later.

Design Process and Product Approval

The design process often is a collaboration between the licensor and the licensee. The license should include a product development calendar and very clearly state the different stages of design and approval and the related timelines. Different parts of the fashion industry will have different product approval mechanisms, with different timelines. For example, the prestige shoe industry often has twenty-four hours for product approval of the final sample in order to get the shoes in the quarterly shows. The licensor must have a mechanism to review and approve/ reject within the twenty-four hour window. If you represent licensees in this situation, you often will be required to explain the product development calendar to licensor's counsel and why licensor must be required to respond within twenty-four hours or the product must be deemed approved.

Ownership of New Materials

Think carefully about which party is being credited with creating new designs and whether it is subject to intellectual property protection. If your client is a designer, s/he may create designs for use by the licensee of fine china. The designer would want to own the design and have the ability to use or interpret the design for products beyond a particular license, for example, the same design for china may translate well for tablecloths or placemats. Be careful that the license clearly identifies who owns the design

and that the grant is of a limited license to use the design on fine china only. If you represent a licensee with multiple, unrelated licensors, be careful of language that a particular license agreement gives that licensor ownership of all product designs and that the licensee will not manufacture “confusingly similar” products for other parties. Such a standard for functional items may be too subjective. I often negotiate for a standard of “identical or nearly identical,” which is more objective and better protects the licensee.

General Contracts in the Fashion World

Although licensing is a big issue in the fashion industry, a fashion lawyer may do many other kinds of contracts, including agreements covering manufacturing, distribution, sourcing, technology, real estate, sponsorship, advertising, general corporate matters, factoring, finance, employment, and other topics that cover just about every lawful business activity. As previously noted, no attorney has deep expertise in all of these areas but in-house generalists at fashion companies do tend to have a wide breadth of experience in many of these areas. As outside counsel, you tend to develop an expertise in some areas but seek specialists in others. For example, although my specialty is intellectual property, I have drafted quite a few employee separation agreements for clients, particularly for those I serve as an unofficial general counsel. That said, I have an excellent form agreement that I begin with and I always have an employment specialist bless the final document.

Trademarks and Branding at Home and Abroad

Selecting the Brand

Will the client consult with you before selecting the brand name? Unfortunately, often, no. There are many reasons why counsel was not consulted. The client may have started the brand out of a parental garage and simply picked a name that had meaning to the client who thought it unique. Or, the client may have started the brand under the then current family pet’s name without giving it a second. In an ideal world, the client will come to you to before selecting a name to allow you to investigate the potential mark. I started my career as a trademark attorney, so this is one of my specialties. No client wants to adopt a mark, spend time and money

building-up the goodwill in the brand, and then learn that there are conflicts with the mark or that it cannot be registered or protected. *See*, 15 U.S.C. §§ 1051-1141 (2006), which is the federal statute for trademark law. Most states also have trademark statutes and unfair competition and fraud laws that help protect trademarks.

Trademark Searching

As trademark counsel, you run various types of searches to determine the availability of the mark. You then present the client with the results of these searches and your opinion on the availability of the mark. This may sound simple but it is sophisticated, strategic work and the stakes are high. Before conducting searches of the mark, learn the client's plans for the brand, because that will influence how you search and evaluate the mark. Is the client interested in world domination or, will the mark only be used in one or two countries? This is a key issue. The client may have no intention of expanding outside the United States but you might want to cover North America when you do file and search internationally anyway because circumstances change and a good attorney needs to be prepared for product and geographic expansion.

There are methods to search online in over sixty trademark country-specific databases around the world. These databases are wonderful resources that provide a good idea of what marks are registered all over the world. You need to carefully structure your search to get the best search results. For example, searching clothing might be obvious if the client wants to select a new brand name for a t-shirt collection. But what about jewelry, bags, and other accessories? What if the mark is clear for clothing but not for jewelry or backpacks? Is that ok? You will not know or be able to counsel effectively unless you do the search.

To be truly effective, it helps to have a working knowledge of many local laws to identify if the hits revealed by the search outside of the United States are an issue. If your budget permits, recommend that local counsel review the search results or run their own searches and provide you with an opinion as most of us are not licensed outside of the United States. Sometimes I am shocked by what is considered a conflict in other countries. For example, BILLY for dresses easily can block SILLY for

men's wear in China. Do not assume that United States trademark law is world law. It is not. Next, you will want to ask local counsel if the potential mark has a negative connotation in the local language. If you find out later that your client's mark means "smelly feet" in French or Russian, you may have a very annoyed client when the brand debuts in those countries.

In common law countries, including the United States, you would be prudent to conduct a more in-depth search, which can be obtained from a third party vendor. This search can reveal marks in use but not necessarily registered with the United States Patent & Trademark Office (USPTO). These "common law" marks give a prior user certain senior rights to the mark, so I always recommend such a search for an important new brand so that you can find what is out there that may cause a conflict.

Finally, let's talk budget. All these searches cost money, so recommend a workable scenario with a reasonable budget to your client. Then, discuss what your client's budget permits and do the broadest searches possible within the budget that is established. Make sure the client understands that the more limited the budget and the resulting search, the higher the odds of unexpected surprises down the road.

Trademark Registration

Once you have cleared the mark for the designated goods in the designated countries, it is time to start a trademark filing program. Again, formulate a strategy and a budget with your client. Your client, for example, swears to you that the brand only will be used for women's clothing that only will be sold in the United States. Hmmm.... So you file a USPTO trademark application to register the mark in connection with "women's clothing." A year later the same client calls and wants to expand the brand to men's clothing and cosmetics and start selling in Europe. What if a third party has filed applications that now block these other new categories in the USPTO. What if the mark is blocked in Europe for men's clothing? Hence, the need to carefully consider your strategy—do as much as you can within the budget provided. Ideally, ask the client annually or semi-annually where they plan to take the brand over the next twelve months—or five years. Get your filings in place or you may get blocked because your client's short-term

success in an initial market can result in that blocking. Discuss that possibility with your client in a sensible way to make sure that the short and longer term are both considered at the outset of your registration program.

While counseling, remember to think internationally. The United States is part of the Paris Convention, which means that a USPTO filing gives you six months to file abroad claiming your USPTO filing date. So, you have six months reserved for no cost to see how the brand develops and to determine any issues with the USPTO. It is a good tool to use. The United States also is a member of the World Intellectual Property Association (WIPO). Through WIPO, you can file an international application to designated member countries based upon your USPTO application. There are certain advantages and disadvantages to using WIPO, but it can be a cost effective method to protect your client's mark internationally. A final thought on international protection—select local counsel carefully. Often, an application may receive a refusal to register. There are many ways to get the local examiner to withdraw the refusal but you need creative counsel to work with you to fight for the mark. Many foreign counsel simply report the refusal without suggestions on how to overcome it. As with many problems involving foreign jurisdictions, there often is a solution, you just need to figure it out.

Why Trademark Registration Matters

Here are just a few reasons why your client should seek trademark registration for its brand.

1. Registration provides nationwide rights in the United States in and to the brand for the goods listed in the registration (subject to prior senior rights that may be in use in a geographic region);
2. Registration gives certain desired presumptions in a trademark infringement lawsuit;
3. Registration entitles your client to statutory damages in counterfeiting cases;
4. Registration in the USPTO will block other marks that the trademark examiner considers confusingly similar;
5. Licensees, distributors and even manufacturers, often require proof of registration in the countries of interest;

6. Licensees often require representations and warranties that the licensor owns the mark and has the right to license the mark - the trademark registration is the best proof of that right and you can draft the language accordingly;
7. A potential investor or purchaser of the brand will require the requisite trademark registrations;
8. US Customs requires a trademark registration to protect the mark with Customs;
9. In most countries outside the United States, the only way to create trademark rights is via a trademark registration; and
10. Registration provides actual and constructive notice to third parties of your client's rights in and to the mark.

Beyond Trademark Protection

Ideally, your client has selected and protected its fashion brand with your able assistance. Below is a quick primer on other methods to protect your client's fashion products.

Patents

In the United States and in many countries internationally, you can register the ornamental features of a design, for example, select elements on a handbag or a shoe. Patent registration gives your client access to statutory damages and attorneys' fees. *See* 35 U.S.C. §§ 1-376 (2006) for specifics.

Copyright

You can register fabric designs that are considered "sufficiently creative" with the United States Copyright Office. If you register the design before a third party infringement or within ninety days of first publication of the design, the copyright owner is entitled to statutory damages and attorneys' fees. In the United States, you cannot protect the actual design of clothing under copyright, as clothing is considered functional. The European Community does offer some limited protection for clothing designs. *See*, 17 U.S.C. §§ 101-1332 (2006).

Nontraditional Trademarks / Trade Dress

- Secondary Marks: Think outside the brand box. Monograms and designs are increasingly popular and often can be placed on the physical product rather than simply inside the product. This strategy increases consumer recognition of the brand, for example, the Louis Vuitton “LV” is everywhere on its products. The Chanel “CC” also can be found on a variety of Chanel products, including its jewelry.
- Trade Dress—Product Packaging: An ornamental product package, for example, a distinct perfume bottle or lipstick case also can serve as a source identifier, subject to trademark protection.
- Trade Dress—Product Design: Through significant use and, therefore, the ability to show acquired distinctiveness, a fashion company may be able to protect non-functional, purely ornamental product design as well. While building-up “acquired distinctiveness,” a design patent can protect the product. When a patent expires, trade dress protection still may be available, provided you protected the design from third party infringers and the design indicates a single source. The Hermes Birkin bag is a great example of a product design whose elements are subject to various federal trademark registrations and Hermes has been vigilant in protecting its design of the Birkin bag.

Contract

Before sending original designs to manufacturers, enter into a contract protecting the designs and perhaps even providing for liquidated damages if the manufacturer misuses designs. Obtain a nondisclosure agreement before sharing design ideas with any third party. If your client works with a factory when creating or finalizing designs, you want a contract that makes clear that your client owns the final designs and that the factory cannot use those designs except for your client’s products. “Designs” can be fabric patterns, jewelry, packaging, handbags, and many other items if properly defined. Although contracts may not stop bad behavior, it is an additional weapon to discourage such behavior and to protect your client’s interests when it occurs. Generally, a contract is better than no contract and a good contract is better than one that doesn’t follow the best practices described here.

Cases of Interest

Here are a few representative cases that illustrate the topics discussed above.

Trademark Selection

- *Glow Industries Inc. v. Lopez*, 273 F. Supp. 2d 1095 (C.D.Cal. 2003); *see also*, Bo Burlingham, *The Sweet Smell of Settlement*, Inc. Magazine (Dec. 1, 2003). Dispute over the mark GLOW BY J.L.O for perfume brought by Glow Industries, owner of the registered trademark GLOW for skin soaps, bubble bath, skin lotions, and skin moisturizes. Good example of the risks associated with selecting a mark.
- *Masters Software Inc. v. Discovery Communications Inc.*, 725 F. Supp. 2d 1294 (W.D.Wash. 2010). Although not a fashion law case, a good example of the risks of not conducting a trademark search. In this case, Masters Software had used CAKE BOSS for at least two years prior to the show launch in connection with her bakery website and bakery software. Court granted preliminary injunction against use of CAKE BOSS by the television show owned by Discovery Communications. Parties settled.

Licensing

- *The Lery Group Inc. v. L.C. Licensing Inc. and Liz Claiborne Inc.*, No. 650034/2010 (N.Y. Sup. Ct. Jan. 21, 2010), *available at* <http://iapps.courts.state.ny.us/webcivil/FCASMain>. The case demonstrates why defining the parameters of the license grant is so important. Plaintiff licensee sold “Liz Claiborne” outerwear in the “better zone” trade channels, such as Macy’s. Defendant did a deal to bring the “Liz Claiborne” brand to JC Penney’s. Plaintiff sued alleging that the license between the parties prevented licensor from “downgrading” the “Liz Claiborne” brand. Plaintiff licensee alleged that “better zone” stores would no longer carry plaintiff’s licensed products and that JC Penney’s could not match the volume of the lost “best zone” trade channel. The court found that

the specific language of the license created no obligation by defendant to maintain the mark at the “better zone” level and that the contract language clearly permitted defendant to develop the brand at its discretion, except for the products clearly carved out and licensed to plaintiff.

- *The Snack Factory LLC v. Eizen, Fineburg & McCarthy P.C.*, No. 09-6483 (D. N.J. filed Dec. 24, 2009). Although not a fashion law case, this is an excellent example of the dangers of negotiating a sophisticated license without the proper licensing experience and experience in the relevant industry. In this case, Snack Factory sued its counsel for malpractice for allegedly botching a license with Pepperidge Farms. Case details the expertise needed to negotiate the license at issue.

Trademark Rights

- *JA Apparel Corp v. Abboud*, 682 F. Supp. 2d 294 (S.D.N.Y. 2010). This case is a hybrid between trademark ownership and licensing. Fascinating case that exemplifies the absolute importance that a fashion contract addressing trademark rights (license, purchase agreement, distribution agreement) clearly spell out the exact rights in the trademark and, when applicable, the rights of the designer to use his or her own name after selling the name as a trademark. After spending \$65.5 million for the exclusive right to the JOSEPH ABOUD name and mark, the court found that under the contract terms Mr. Abboud still had limited rights to use his name commercially.
- *L.A. Triumph, Inc. v. Madonna Louise Veronica Ciccone*, No. 10-6195 (C.D. Cal. filed Aug. 19, 2010). Plaintiff owned a trademark registration for the mark MATERIAL GIRL for clothing and alleged use of the mark since 1997. Madonna claimed rights to the mark via her 1985 hit song and the alleged sale of \$85 million worth of “Material Girl” merchandise throughout the 1980s. Judge S. James Otero, however, disagreed, stating that “singing of a song does not create a trademark” and that selling concert-related goods is not the same as selling a clothing line. Case pending.

Protection of Fashion Designs

- *Hermes International v. Thursday Friday Inc.*, No. 11-580, (S.D.N.Y. June 6, 2011). Defendant created a canvas tote bag with pictures of the iconic Birkin Bag on each side of the tote. Hermes sued for trademark infringement, unfair competition, and dilution. Hermes provided significant proof of secondary meaning of the design of the bag, including federal trademark registration of the design. Defendant agreed to a permanent injunction.
- *Bernardo Footwear LLP v. Brown Shoe Company Inc.*, No. 06-1613 (S.D. Tex. filed May 11, 2006). Plaintiff owned design patents for ornamental designs for two sandal styles. Sued a host of third parties alleging that each party infringed the design patents and demanded royalties, permanent injunction, attorney's fees and costs.

Success as a Fashion Lawyer

What makes for a successful fashion lawyer? Loving the business and being willing to learn and understand how it works. Empathy and respect for your clients is a necessity. As for lawyers practicing fashion law? If you are working with small businesses, realize that you may need to get other clients to pay your bills because you may not be able to make a living from small fashion clients alone given the economics of fashion start-ups.

Be flexible with your practice. While I began as a traditional IP attorney, my skill-set now is far more wide-ranging. I draft and negotiate all types of contracts for my clients, who include fashion companies and other clients, including online store agreements between suppliers and the brand owner, website terms and conditions, manufacturing and distribution agreements, licenses, non-disclosure agreements, and financing agreements that include a variety of promissory notes and instruments. I litigate when necessary, although I always make sure I have an expert litigator at my side. There are many areas, in which I seek counsel for my fashion clients early in the process. If you want to be a fashion lawyer generally, you will need a strong network of specialists to assist you. For example, issues beyond the relatively mundane that concern immigration, tax and now privacy/data security are increasingly besetting fashion lawyers' clients, for which I would consult a specialist to assure that my client is well served.

Joining a Fashion Network

Fashion is a multibillion dollar business and many of the fashion leaders have their headquarters in New York City, making it a world leader of fashion and the related businesses that support fashion. Fashion Week in New York is nearly a sacred event for those in the business. Fashion is definitely part of the pulse of New York and the New York City Bar Association (City Bar) wants to be the place for fashion lawyers.

I have chaired the City Bar Trademark and Unfair Competition committee for the last three years and have found that there is a significant overlap between IP generally and fashion. Because I have represented many clients in the fashion industry, I know that fashion is something more and somehow different. When the City Bar decided to create the Committee on Fashion Law, they invited me to serve as the inaugural chair. The Committee is comprised of thirty members from all aspects of the legal spectrum. We have solo practitioners who work with developing designers and small fashion houses. We have attorneys who practice in some of the country's largest law firms and represent fashion conglomerates and big box retailers. We have in-house counsel from a variety of retailers, including large department stores, national and regional discount clothing chains, prestige fashion houses, and beauty/cosmetic companies. The specialties of our committee members are just as diverse as their employers. Our committee's mission is to be a place where those who practice law in the fashion industry and thereby legitimately have created the "fashion law" category, can share ideas and concerns, debate new judicial decisions, discuss new laws, explore different viewpoints, and network. As to networking, I would quote an attorney on the committee who is the general counsel for one of the largest discount clothing retail chains. He confided that he "used to think networking was a waste of time and then I joined a few committees and attended a few conferences. Slowly I started building up a network of people with whom I could ask questions, seek ideas, and suggestions, discuss common concerns. I found it to be very useful. That is why I joined this committee."

If you want to be a fashion lawyer, go to places where you will interact with fashion lawyers and people in the fashion industry generally. Develop a network of those who make a living in fashion. Live what you love and

follow my advice by learning the business of fashion generally and then your clients' businesses specifically. By joining committees, attending conferences, and engaging in similar activities, you literally are "in the fashion world," exposed to trends and concerns that are confronting your fashion clients. Not to mention that you will be building a network that will be a source of information and perhaps referrals for your practice.

As part of the committee's first year activities, we are presenting two programs that are open to the public. The first program is "The Business of Beauty," featuring in-house counsel from four leading cosmetic and fragrance companies headquartered in New York City. Early in 2012, we will conduct a parallel program, "The Business of Fashion," which will feature leading in-house counsel from various fashion houses and retailers located in New York. Both programs will focus on what makes these businesses unique, what the attorneys who serve them often confront, what trends they are seeing, and what career paths they followed to become "fashion lawyers." We also will offer a CLE program on licensing and intellectual property focused the fashion industry. These programs are essential for a fashion lawyer, first as a point of entry and then to stay current. You owe the first to yourself and the second to both yourself and your clients, most especially your clients. Fashion is tough and having a good lawyer is a necessity. For the fashion lawyer, a little networking, as well as the right CLE program, helps to provide the client with a good fashion lawyer. That is one of the goals of the Fashion Law committee, which is shared by each of its members. Hopefully, that goal has also been served by this discussion.

Conclusion

Be passionate about the fashion industry and driven to work with your clients to help them succeed in this hyper-competitive industry. Develop a legal expertise needed in the fashion industry and stay current in this area. Understand the limitations of your clients' budgets and advise them on various strategies, offering different options and different cost structures. Develop and expand your network of industry insiders, both on the business and the legal sides.

Key Takeaways

- Learn the fashion business. Fashion law, as with fashion itself, is ever-changing and you must stay current to succeed.
- Know when to hire some outside smarts. You cannot be an expert in every aspect of fashion law, so do not be shy about bringing in some help.
- Do not skimp on branding and the registration of trademarks. International protection often is worth it in the long term.
- Always consider “non-traditional” types of protection for your client’s fashion designs. Work with your client to develop a reputation for aggressively protecting its designs.
- Understand the unique nature of the client’s business before advising and negotiating on a fashion contract or license.

Related Resources

- Women’s Wear Daily, www.wwd.com.
- Guillermo C. Jimenez and Barbara Kolsun, *Fashion Law: A Guide for Designers, Fashion Executives, and Attorneys* (Fairchild Books 2010).
- Law of Fashion Blog, <http://lawoffashion.com> (last visited Oct. 5, 2011).
- New York City Bar Association, Fashion Law Committee webpage, <http://www.abcny.org/fashion-law> (coming November 2011).

Monica Richman is a partner of SNR Denton’s Intellectual Property and Technology practice and co-chair of the Fashion Law industry sector. She has broad experience in the areas of trademark and copyright law, including counseling, brand development and protection, licensing, trademark portfolio management, international aspects of IP, and intellectual property issues related to secured transactions, mergers and acquisitions, and litigations. Ms. Richman has a special focus on the fashion industry, representing a wide-range of clients from high-profile designers to international fashion houses covering diverse areas such as intellectual property, marketing, manufacturing and distribution, online

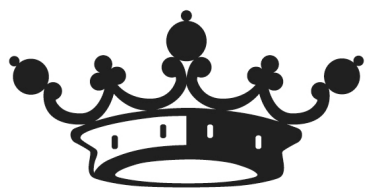
store development and management, and litigation. She currently serves as the inaugural chair of the Fashion Law Committee for the Bar Association for the City of New York.



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