

## Letter From the Editor



Welcome to the Spring 2021 issue of *Kattwalk*!

In this issue, we address the value of intellectual property law in the fashion and retail industry, as brick and mortar businesses and in-person shopping declines during the COVID-19 pandemic. We also explore how intellectual property rights will be impacted in the United Kingdom, including whether international trademarks will remain protected, as the Brexit transition period ends, providing answers to questions about eligibility and cost and how to apply for the new UK trademark.

We also offer five tips for protecting your brand, from making sure to secure your intellectual property rights and maintaining a consistent brand image, to being aware of renewal dates and other important deadlines.

Finally, in this issue, we discuss precedential rulings made by the Trademark Trial and Appeal Board (TTAB) and the United State District Court for the Southern District of New York on issues related to how the benefits of federal registration may not be available to trademarks that incorporate flag designs and key trademark, contract and public relations lessons for any brand operating in the modern social and digital landscapes. We also explore a new law issued by the US Patent and Trademark Office called the Trademark Modernization Act of 2020, which will go into effect on December 27 and assist trademark owners who are seeking to enforce their rights against infringers in Federal Court.

We hope you enjoy this issue!

**Karen Artz Ash**

## The Value of IP in Fashion/ Retail Insolvencies

By Sarah Simpson, Prav Reddy and Mark Johnson

*Tegan Miller-McCormack, a trainee solicitor in the Mergers & Acquisitions/Private Equity practice, contributed to this article.*

A strong brand creates a competitive edge; such a brand will often enhance consumer loyalty, not only because of the products offered, but also because of the name on the label. While a brand may have a strong customer base, in today's climate it, unfortunately, does not mean that the business has enough financial security to withstand the struggles faced by the declining traditional bricks and mortar shopping in the United Kingdom or the global COVID-19 pandemic. In the first six months of 2020, more bricks and mortar retailers went into administration in the United Kingdom, compared with the whole of 2019. With the sad reality that many brands are facing financial struggles, it is important to consider the value of a brand's intellectual property (IP) when such brands are facing insolvency.

A brand's IP can be made up of registered trademarks, the associated goodwill with those marks, designs (registered and unregistered), copyright and trade secrets, to name just a few. The IP is how consumers identify one product from another. The value of a brand is likely to have huge appeal for anyone looking to step in and purchase a company going through administration, especially when it comes to fashion. Particularly where a brand has a strong reputation, it can often continue to thrive after going through the insolvency process. Many brands have ceased trading in retail units following administration but have adapted to create or maintain a strong online presence.

Many UK businesses have followed suit and this year have announced (following administration) that they are closing all of their bricks and mortar shops and will only continue to trade online. Such brands include the prestigious footwear company, Oliver Sweeney; TM Lewin, the 120-year-old British formal



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## The Value of IP in Fashion/Retail Insolvencies (cont.)

- ▶ menswear brand; Antler, the luxury luggage company originally founded in 1914; and the retro fashion chain, Cath Kidston.

The timeline of buying a company that is in administration, and, therefore, the opportunity (if any) to carry out due diligence, is considerably shorter than the usual acquisition process. Additionally, any information provided by the administrators cannot be relied on, and no warranties or indemnities will typically be given. A buyer should, therefore, consider undertaking its own searches into the assets of a company. In relation to the IP, the following (at a minimum) should be considered:

1. **Identify the IP** – what IP does the brand have? Does the brand have registered trademarks (words/logos), designs protected by copyright or perhaps a registration, the ‘get-up’ of its websites or stores, or any potential databases such as customers or suppliers?
2. **Ownership** – it is important to consider whether the IP ownership sits with the correct party to ensure it will be validly transferred following completion of the acquisition. Any registrations should be in the name of the business, not an individual employee or contractor. If there are any discrepancies in ownership, steps should be taken to ensure a valid assignment could be put in place.
3. **Is it valid** – for any registered IP, a buyer should ensure the registrations have been renewed, as required, and subsist. For any unregistered rights such as copyright or designs, if possible, calculations should be made as to when the expiration dates might arise. For copyright, protection ends at the end of the calendar year following 70 years after the author’s death and for unregistered designs, protection ends a maximum of 15 years after the first creation.

For those brands facing financial difficulty, the importance of validly holding IP assets cannot be understated. Having IP correctly and validly held could help in uncertain times when financial assistance may be needed, particularly where the brand is of interest to bankruptcy bidders.



# Post-Brexit UK Intellectual Property Protection

By Sarah Simpson

Tegan Miller-McCormack, a trainee solicitor in the Mergers & Acquisitions/Private Equity practice, contributed to this article.

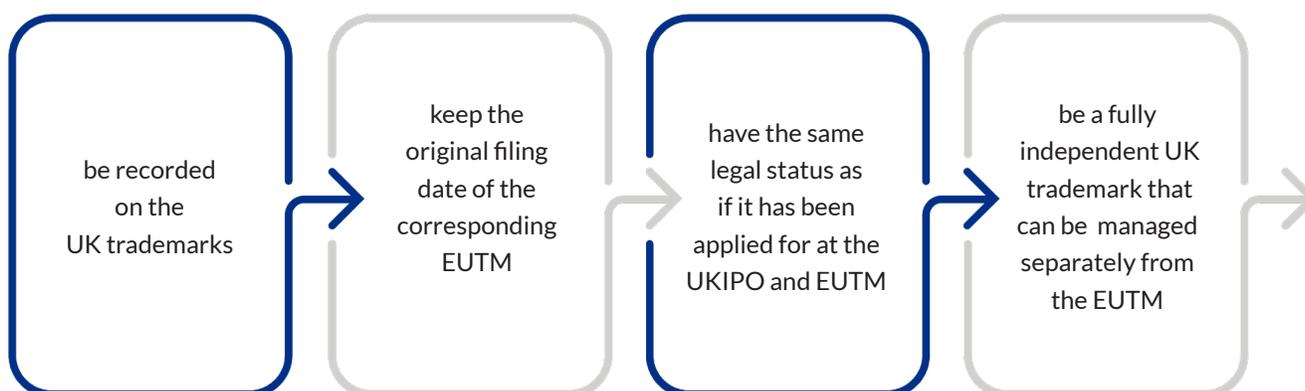
As the Brexit transition period ends at the end of this month, ensuring intellectual property rights remain adequately protected is at the forefront of many of our clients' minds.

We have pulled together our five most frequently asked questions in relation to Brexit, trademarks and registered designs.

## FAQ: POST-BREXIT EU TRADEMARKS

### 1. Will I still have protection in the United Kingdom under my existing EU trademark (EUTM) registration?

- Whilst existing EUTMs will no longer be protected in the United Kingdom, the UK Intellectual Property Office (UKIPO) will *automatically* create a comparable UK trademark for all right holders with an existing EUTM.
- This means if you hold an existing EUTM, your trademark will:



- To be eligible for a comparable UK trademark:
  - your EUTM must have been *registered* before 1 January; and
  - the new standalone UK trademark will need to be renewed separately from the EUTM, directly with the UKIPO.

### 2. Will I have to apply for and pay for the new UK trademark?

**No!** The new UK registration will be created automatically and free of charge.

Please note that the UKIPO has confirmed that a UK registration certificate will not be received. Instead, details will be available on the register, which can be searched online [here](#).

### 3. What happens to my EUTM application on 1 January?

- Holders of pending EUTM applications will need to apply to register the comparable UK trademark within nine months of the end of the transition period (i.e. up to and including 30 September).
- You can keep the original EUTM application date for your UK application.
- The UK application must relate to the same mark.
- The specification must contain goods/services that are identical to, or contained within, the EUTM application.
- The usual application fees will apply to register the mark.



#### 4. What if I don't need protection in the United Kingdom?

We are advising all of our clients to consider whether they need a separate UK mark. Key things to help you decide are whether your business is active in the United Kingdom or whether a separate UK mark could breach any existing agreements you have in place with third parties.

If you decide you do not require a standalone UK trademark, you can opt out, and the comparable right will be treated as if it had never been applied for or registered. Although, if you have initiated proceedings based on the comparable UK right or have assigned/licensed the mark, you cannot choose to opt out.

Opt-outs cannot be requested until 1 January. If you wish to opt out of a UK trademark, please contact us.

#### 5. What about the EU designation under my international trademark registration?

Similarly with EUTMs, any international trademark that designates the European Union will no longer enjoy protection in the United Kingdom. Instead the UKIPO will create a comparable UK trademark in relation to each EU designation, which has protected status immediately before 1 January.

If an EU designation has not been subject to a statement of protection before this, it will be treated in a similar way to the EUTM application (i.e. you will have to apply for protection before 30 September.)

As with EUTMs, there will be no cost for the comparable right, and the filing and registration date will remain identical to the international registration.

International registration holders should note that the comparable UK trademark will not be a designation but an independent UK registration, so it needs to be managed independently of the international registration.

### FAQ: POST-BREXIT REGISTERED COMMUNITY DESIGNS

#### 1. What happens to my Registered Community Design (RCD) on 1 January?

On 1 January, existing RCDs will only cover remaining EU states. The UKIPO will automatically create a comparable UK registered design that will:

be treated as if it had been applied for and registered with the UKIPO

retain the same application and registration dates as the original RCD, including inheriting

be fully independent from the RCD and may be challenged, assigned, licensed or renewed separately from the original RCD

be re-registered at the UKIPO at no cost to the RCD holder and with minimal administrative burden

#### 2. Will my RCD application automatically be transferred to the UKIPO?

RCD applications will not automatically be transferred. To ensure you obtain a comparable UK registered design, you must:

- Apply to register a UK design in nine months after the end of the transition period, up to and including 30 September;
- Ensure the application relates to the same design filed in the pending RCD application;
- Flag the original filing date of the pending RCD; and
- Pay the relevant fees under the UK fee structure.



### 3. What about renewals?

Like RCDs, UK registered designs can be renewed every five years up to a maximum of 25 years. A comparable UK registered design must be independently renewed from the RCD, including a separate renewal fee that must be paid to the UKIPO. The renewed design will retain the existing renewal date of the original RCD.

The UKIPO will send a renewal reminder to any UK registered design holders whose renewal dates fall more than six months after the end of the implementation period.

For any 'new' UK registered designs that expire within the six month period falling after 1 January, a reminder will be sent on the date of expiry, and you will have a further six months starting from the date of notice to renew the design.

### 4. Will the UKIP honour EU deferred publication periods?

An applicant can request the EUIPO to defer publication of a design by up to 30 months. Any RCD that has been deferred on exit day will be treated as being equivalent to a pending application (i.e. the applicant will have to file an application for registration in the United Kingdom by 30 September to retain the original EU filing date.)

However, the United Kingdom currently only allows applicants to defer publications by up to 12 months.

If you have less than 12 months of your EU deferral period left on the date of filing in the United Kingdom, and you are seeking to retain the earlier RCD application date, the UKIPO will defer your application until the date of the corresponding RCD application.

If you have more than 12 months left in your deferral period on the date of filing in the United Kingdom, the UKIPO will still only defer the UK application for a period of 12 months from the date of the UK application.

If you would prefer for your RCD and UK applications to be published on the same day, and the deferral period of the RCD is later than the UK application would allow for, you can wait to file in the United Kingdom 12 months before the expiry of the RCD deferment period. For example, if a RCD was filed at the EUIPO and deferred for 30 months on 31 December 2020, the deferral period would end on 20 June 2023. Instead of filing by 30 September, you could file the equivalent design in the United Kingdom on 20 June 2022 and defer for 12 months.

### 5. What if I don't need protection in the United Kingdom for my designs?

Similarly to trademark holders, RCD holders can opt out of an automatic UK registered design creation but only from 1 January; any opt-outs requested before then will be invalid. To opt out, a notice must be submitted in the required form confirming that any interested parties have been notified.

Any RCD holders who have assigned, licensed or entered into an agreement in relation to the design, or who have launched proceedings based on the design, must not exercise the opt-out right.

If you are thinking about opting out, then please contact us to discuss next steps.

If you have any questions about any of the above information, please do not hesitate to contact [Sarah Simpson](#) to discuss your brand protection queries.



# Intellectual Property: Top 5 tips for brand protection

By Sarah Simpson

Tegan Miller-McCormack, a trainee solicitor in the Mergers & Acquisitions/Private Equity practice, contributed to this article.

Protecting your brand can be of more value than you may realise. A brand with a strong reputation usually has a loyal returning client base. Whether you are selling luxury goods, offer online content sharing services or provide services to businesses or consumers, you want to maintain a strong, trustworthy reputation. Losing sales to infringers and brand dilution are not the only concerns a business should have when it comes to brand protection, but also protecting customers from potentially harmful goods and services and possible scam purchases.

Below are our top five tips to protect your brand:



- 1** **Secure your intellectual property rights!!** It might seem like an obvious point, but many businesses do not think about registering their IP rights until they are dealing with an infringement. The earlier you have your rights registered, the easier taking action can be.
- 2** **Be consistent with your brand image:** the more consistent your image is, the more likely your customers will recognise your products and/or services and be able to pick you out from a potentially crowded market place!
- 3** **Watch out for infringers:** investing in a trade mark monitoring service can save a lot of trouble further down the line. Remember having a monitoring service in place does not mean you need to have an endless plot of money to go after every possible infringement, but it does mean you can work with your advisors to identify and prioritise the biggest concerns for your business.
- 4** Instruct a lawyer to **keep a note of renewal dates and other key deadlines;** you do not want to lose your registration by accident!
- 5** It might be useful for future purposes to **collate and keep a record of any 'evidence'** that shows your use of particular trade marks or other intellectual property (such as any sector related publications, advertisement, volume of sales per country etc...)

# Is Identifying a Deceptively Misdescriptive Mark Entirely CLEAR?

By [Karen Artz Ash](#) and [Alexandra Caleca](#)

In July 2019, Dolce Vita Footwear, Inc. (Dolce Vita) filed two Intent-to-Use-based trademark applications with the US Patent and Trademark Office (USPTO) for the mark “CLEAR” covering footwear, various items of apparel, bags and related accessories in International Classes 18 and 25. The USPTO’s Examining Attorney initially refused registration of both applications on the ground that the proposed mark was merely descriptive of the identified goods, relying in part on the definition of “clear” as “[e]asily seen through; transparent” and arguing that the word “clear” is commonly used to describe a feature of such goods that would be immediately understood by consumers from Dolce Vita’s proposed mark as covering transparent items. In response, Dolce Vita amended its applications to explicitly exclude transparent goods, but the Examining Attorney refused registration yet again, and Dolce Vita appealed.

On April 29, the Trademark Trial and Appeal Board (TTAB) issued two nearly identical precedential decisions affirming the USPTO’s refusal of each application as too “deceptively misdescriptive” to be registered under Section 2(e)(1) of the Trademark Act, 15 U.S.C. § 1052(e)(1). Under the Trademark Act, the relevant test for determining whether a mark is deceptively misdescriptive has two parts: (1) whether the mark misdescribes the goods and/or services and, if so, (2) whether consumers are likely to believe the misrepresentation. Regarding the first part of the test, a mark is misdescriptive when the mark merely describes a significant aspect of the goods and/or services that the goods and/or services could plausibly possess but, in fact, do not. Regarding the second part, a reasonably prudent consumer test is applied in assessing whether consumers are likely to believe the alleged misrepresentation.

Here, the TTAB found that Dolce Vita’s restriction of its identification of goods to non-transparent or non-clear goods was sufficient to show (and in fact *conclusively established*) that the proposed CLEAR mark misdescribed a feature or attribute of the goods in that the applications themselves covered items that did not possess the characteristic of being “clear.” In fact, the TTAB rejected Dolce Vita’s contention that its proposed CLEAR mark did not describe a plausible feature of its goods because it had restricted its identification so that the recited goods did not include transparent footwear and clothing as “unavailing.” Judge Taylor, writing the precedential decisions, held that “[w]e cannot assume that consumers of Applicant’s goods will be aware that its identification is so restricted, and the restriction is not controlling of public perception.” Specifically, the “Applicant cannot avoid a finding of deceptive misdescriptiveness by excluding from its identification the very characteristic that its mark is misdescribing.”

Next, the TTAB rejected Dolce Vita’s argument that reasonably prudent consumers are unlikely to believe the alleged misrepresentation because footwear, clothing



## Karen Artz Ash Presents on Changing Landscape of Fashion to Brandeis University

New York Intellectual Property partner [Karen Artz Ash](#) co-presented a PowerPoint presentation titled, “The Changing Landscape of the Business and Law of Fashion” on April 13. Karen was joined by Executive Vice President and General Counsel of PVH Corp. Mark Fischer and Blogger and Author Marlene Fischer. During the presentation, the presenters discussed the embrace by fashion companies of social responsibility objectives in implementing sourcing and marketing programs, taking into consideration environmental sustainability, accommodations for disabilities and social justice, among other initiatives. Also discussed were topics ranging from the increase in social media use around the world, to the rise and impact of social media influencers as a form of brand promotion and marketing and regulation of influencers through the Federal Trade Commission Act.



# Following Supreme Court Win, Award Decreased in 2020 Decades-Long Trademark Dispute

By [Alexandra Caleca](#)

One year ago, in our Spring 2020 issue of *Kattwalk*, we wrote of a unanimous Supreme Court decision that settled a decades-long trademark dispute between Romag Fasteners, Inc. and Fossil Inc., whereby the Court held that although a defendant's mens rea is "a highly important consideration" in determining whether an award of profits is appropriate, a showing of wilfulness on the part of a trademark infringer is not an "inflexible precondition to recovery." *Romag Fasteners, Inc. v. Fossil, Inc.*, 140 S. Ct. 1492, 1497 (2020).

The Supreme Court remanded for further proceedings consistent with the ruling and, on April 29, US District Judge Janet Bond Arterton of Connecticut declined to reinstate a jury's \$6.7 million award to Romag and instead ordered Fossil to disgorge only \$90,000 in profits. Balancing the equities, the District Court found that Fossil's mens rea was, "at most, negligent," which suggested that a lower penalty was adequate to deter such infringement in the future, while preventing Romag from receiving a windfall and being rewarded for what the Court deemed litigation misconduct. "Romag engaged in chicanery in litigating this case by delaying commencement of this lawsuit to maximize its leverage over Fossil and made misrepresentations to the Court which should not be rewarded by an award that substantially exceeds its actual damages. This is particularly true in light of the fact that Romag forewent statutory damages which were designed to compensate plaintiffs in situations just

like this where harm is difficult to quantify (as is often the case with trademarks of smaller component parts) but where the infringement needs to be deterred," Judge Arterton wrote. "Again, Romag will not be rewarded for "gambling" and pursuing a more uncertain, but potentially higher, disgorgement award where



a remedy at law would have adequately compensated it, particularly as it smacks of its earlier gamble in delaying commencement of its suit to get a settlement advantage." Nonetheless, the Court still recognized that some amount of profits would reflect the jury's finding that Fossil did benefit from its infringement.

This decision provides useful guidance with respect to the threshold mental state of a defendant that may lead to a profits remedy in a trademark infringement suit, as well as the types of actions taken by a plaintiff that can serve to substantially reduce the award.

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## Is Identifying a Deceptively Misdescriptive Mark Entirely CLEAR? (cont.)

▶ and handbags are goods that buyers will visually inspect before they are purchased. To the contrary, the TTAB held that not all consumers would have the opportunity to visually inspect Dolce Vita's goods prior to purchase, especially in modern times: "If Applicant's goods were to be promoted by word-of-mouth or on social media or in print (e.g., in fashion blogs, magazine articles, or even Applicant's future advertising) without an image of the goods," Judge Taylor wrote, "a reasonable consumer seeking what the record shows to be a fashion trend would believe that Applicant's goods, promoted under the proposed CLEAR mark, would feature transparent or clear attributes."

In addition, based on the fact that Dolce Vita had, at one time, offered a shoe with clear accents, plus the current popularity of apparel, handbags and related accessories featuring transparent elements in the marketplace, the TTAB determined that pre-sale discussion and promotion leading to deception of consumers was likely in this case. With the second part of the two-part test clearly met according to the TTAB, both refusals to register Dolce Vita's CLEAR mark were affirmed.

These decisions illustrate how identifying a deceptively misdescriptive mark is not always a clear-cut analysis and provide interesting guidance to applicants attempting to overcome descriptiveness refusals.

## More NEWS to KNOW

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### Trademark Modernization Act of 2020 Strengthens Accuracy of the Federal Trademark Register

by [Karen Artz Ash](#) and [Alexandra Caleca](#)

On December 27, 2020, the US Patent and Trademark Office (PTO) signed into law the Trademark Modernization Act of 2020 (TMA) as part of a COVID-19 relief legislative package. The new law, which goes into effect on December 27, clarifies a trademark owner's burden in litigation and creates a uniform rule that makes the federal trademark register more reliable while addressing long-term issues caused by trademark filings that are based on false assertions of use.

[Read more.](#)

### New York Federal Court Issues Injunction on JLM Couture–Hayley Paige Dispute

by [Karen Artz Ash](#) and [Alexandra Caleca](#)

In *JLM Couture Inc. v. Hayley Paige Gutman*, the United States District Court for the Southern District of New York issued a preliminary injunction related to a dispute over the control and use of social media accounts between a leading bridal wear designer and the manufacturer from whose employ she recently resigned. The decision highlights several valuable trademark, contract and public relations lessons for any brand operating in modern social and digital landscapes, including revealing the legal risks associated with founding a namesake fashion brand as it becomes harder to separate an individual designer and a brand through social media.

[Read more.](#)

### TTAB Prohibits Trademark Registration With US Flag Design

by [Karen Artz Ash](#)

In *In re Alabama Tourism Department*, the Trademark Trial and Appeal Board (TTAB) issued an uncommon ruling that refused to register under Section 2(b) of the Lanham Act a trademark owned by the Alabama Tourism Department (ATD) on the ground that the mark includes a simulation of the United States flag. In doing so, the decision reinforced that the benefits of federal registration may not be available to trademarks that incorporate flag designs.

[Read more.](#)

### In-house counsel reveal how they protect suggestive trademarks

New York Intellectual Property partner Karen Artz Ash spoke to *Managing IP* about the best ways that brands can protect their trademarks in the wake of a recent trademark victory for Vagisil at the US Court of Appeals for the Fourth Circuit, which shed light on disputes that can arise over the difference between suggestive and descriptive marks. Tips include conducting thorough domestic and international clearances of trademarks and getting around claims from competitors that the marks are descriptive rather than suggestive.

[Read more.](#) (A subscription may be required to read this article).

# Katten

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