

Letter From the Editor



Welcome to the Fall 2019 issue of *Kattwalk*. In this issue, we are pleased to introduce you to Bret Danow, a partner in Katten's New York office with a broad-based trademark practice that covers the entire lifecycle of a brand, from selecting and clearing a trademark to protecting, monetizing and enforcing it. He and his team also address the Supreme Court decision on May 20 that held that trademark licenses are not terminated upon rejection in bankruptcy.

London Corporate associate Sarah Simpson and Tegan Miller-McCormack, a Transactional Tax Planning trainee solicitor, comment on British make-up artist and founder of beauty and skincare brand, Charlotte Tilbury Beauty, Charlotte Tilbury, and her success in her brand's copyright infringement claim. They also explore the new European copyright directive and the development of Intellectual Property protection in the United Kingdom.

Also in this issue, we address the Trademark Trial and Appeal Board's affirmation of a trademark refusal on the grounds of failing to designate the source. In addition, we also look at a New York District Court decision on transformative fair use and when attorney client privilege is waived. We hope you enjoy this edition and will check in with us in the winter for more.

Karen Artz Ash

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Bret Danow
Intellectual Property Partner
Katten Muchin Rosenman LLP

| PASSION |

Tell us about your background.

I am an Intellectual Property attorney with a broad-based trademark practice. I assist clients through the entire lifecycle of their brands, from selection and clearance of a trademark to protection, enforcement and monetization. I have spent my entire career at Katten, beginning as a summer associate 20 years ago and working my way up to partner. During that time, I have developed a particular niche in the fashion industry, working with brands ranging from those owned by small start-ups to large international companies.



Q&A With Bret Danow



| INSPIRATION |

What do you find interesting about working with fashion and branded retail clients?

It is particularly exciting to be part of the creative process that comes with the development and growth of our clients' brands. We are fortunate enough to work with some true visionaries and have the opportunity to collaborate with them to help them protect and expand their brands. With fashion and retail clients, we are able to engage and interact with their brands in a retail setting and see firsthand how a brand matures from the selection and ideation stage to product development and establishing a unique identity in the marketplace. Even though trademarks are considered "intangible property," there is something very tangible about our practice because you can see the results of the work every time you go to a mall or department store.

| MOTIVATION |

What's the most rewarding aspect of your work?

I really enjoy watching a brand grow and helping companies as they expand their customer base and product offerings while maintaining the authenticity that first made them popular. There are several brands that I have worked with from day one and throughout their entire lifecycle. These are brands that I have helped from the very beginning, from when they first select a trademark to working with them to cultivate a domestic and international niche for their brand in the marketplace. Our clients are diverse, and it is exciting to be able to guide their brand positioning and product expansion endeavors and see their brands come to life in retail and department stores, as well as online.

| INSIGHT |

What are some of the firm's strongest areas at the moment?

Katten has one of the most comprehensive and sophisticated fashion practices in the world. We have a multi-disciplinary team of attorneys who work closely to leverage their collective expertise and address all of a fashion company's legal needs in an effective and efficient manner. Given how much work we do in the fashion industry, we are in a unique position to serve as a "one stop shop" for our clients and provide them with assistance across the entire spectrum of legal issues that they may encounter.



| VISION |

What are some of the legal trends you are seeing in the fashion sector?

Brand collaborations are very popular at the moment. Whereas, in the past, many brands were often reluctant to pair their trademarks with those of another company in the same industry, collaborations are becoming much more common now as companies are seeing the benefits that come from putting a fresh spin on their brands and opening their products up to new audiences and new categories. We have been able to help several companies negotiate through collaboration agreements, ensuring the continued protection of their brands while pursuing the unique opportunities that come from collaborations.

| LIFESTYLE |

What do you do for fun when not working?

My practice is very fast-paced, and I make myself available to my clients pretty much 24/7. I have two boys at home, so my free time is typically spent with them, which usually means being on the sidelines cheering them on at lacrosse, baseball, soccer or karate. I am an avid griller, and when I am not in the office or at a youth sports event, I can often be found manning the BBQ and cooking up an assortment of food for family and friends.

October 29–30, 2019
WWD Apparel & Retail
CEO Summit

Katten is proud to be a sponsor of the annual [WWD Apparel & Retail CEO Summit](#) to be held at The Intercontinental New York Barclay on October 29–30, 2018. This event will gather together top retailers, brand executives, dealmakers and thought leaders, who will address how technology, the economic environment and today's social mores, priorities and lifestyles will affect consumers. This year's theme is "Movers and Makers" and will cover the new leadership imprint, disruptive business models, the culture of collaboration and an expanded creative vision for designers reimagining their roles and responsibilities for the modern era.



Supreme Court Holds Trademark License Not Terminated Upon Rejection in Bankruptcy

By Karen Artz Ash, Bret Danow, Jeff Friedman, Michael Hobel and Steven Reisman

In an 8-1 decision issued on May 20, the Supreme Court ruled that rejection of an executory trademark license agreement in a bankruptcy of the licensor is merely a breach, and not a termination or rescission, of the agreement. The licensee retains whatever rights it would have had upon a breach of the agreement prior to bankruptcy and can continue to use the trademarks pursuant to its contractual rights under applicable law. *Mission Product Holdings, Inc. v. Tempnology, LLC.*, 587 US ___, No. 17-1657 (May 20, 2019).

Background

Tempnology, a manufacturer of clothing and accessories designed to stay cool when used in exercise, marketed its products under the name "Coolcore" using trademarks to distinguish its products from other athletic apparel. In 2012, Tempnology granted Mission Product Holdings, a company that manufactures, markets and distributes athletic and performance apparel and accessories, a non-exclusive license to use the "Coolcore" trademarks. Approximately nine months before the agreement's July 2016 expiration, Tempnology filed a petition for relief under Chapter 11 of the Bankruptcy Code and, with the bankruptcy court's approval, rejected the license agreement under Section 365(a) of the Bankruptcy Code. Section 365(g)(1) of the Bankruptcy Code provides that "rejection of an executory contract . . . of the debtor constitutes a breach of such contract . . . immediately before the date of the filing of the petition." The rejection of an executory contract excuses the debtor from further performance, and any claim arising from the breach of contract is a pre-petition claim that typically is paid only cents on the dollar.

The parties agreed that rejecting the trademark license relieved Tempnology from further performing its obligations under the agreement and that Mission could assert a pre-petition claim for damages resulting from Tempnology's non-performance. But Tempnology subsequently sought declaratory relief that rejection of the license agreement terminated the rights of Mission to use the "Coolcore" trademarks. The bankruptcy court, relying on a negative inference drawn from special provisions in the Bankruptcy Code giving the counterparty to certain rejected contracts the right to keep exercising its contractual rights after rejection, held that because no such provision applies to trademark licenses, the rejection of the trademark license

agreement revoked Mission's right to use the trademarks. In particular, Section 365(n) of the Bankruptcy Code gives the counterparties certain rights to rejected patent and copyright licenses to continue to use the intellectual property, but that section does not apply to trademark licenses.

The split in the circuit courts

The Bankruptcy Appellate Panel (BAP) for the First Circuit, relying heavily on the US Court of Appeals for the Seventh Circuit's decision in *Sunbeam Products, Inc. v. Chicago AM Manufacturing, LLC.*, reversed the decision, holding that the rejection of the license agreement was merely a breach of the contract and did not "terminate the contract" or "vaporize" the counterparty's rights. 559 B.R. 809, 820-22 (B.A.P. 1st Cir. 2016) (quoting *Sunbeam*, 686 F.3d 372, 377 (7th Cir. 2012)). The US Court of Appeals for the First Circuit, in a 2-1 decision, rejected the BAP's and Seventh Circuit's view and reinstated the bankruptcy court decision, endorsing the bankruptcy court's negative inference drawn from Section 365(n). *In re Tempnology, LLC.*, 879 F.3d 389 (1st Cir. 2018). The Supreme Court granted Mission's petition for certiorari to resolve the split between the circuit courts.

Supreme Court ruling

Reversing the First Circuit's ruling, the Supreme Court reasoned that "both Section 365's text and fundamental principles of bankruptcy law" require a holding that the rejection of the trademark license is merely a breach of contract and that the counterparty retains whatever rights it would have had upon a breach of contract prior to bankruptcy (except that, in bankruptcy, its claim for breach damages is deemed to be a pre-petition claim).

The Court rejected Tempnology's two principal arguments – that executory contracts are terminated upon rejection unless there is a special exception in the Bankruptcy Code, and that forcing Tempnology, post-rejection, to monitor and exercise quality control over the goods sold with its trademarks was burdensome. The Court observed that the special bankruptcy exceptions that give tenants the option under rejected real property leases to remain in the premises, and licensees of patents and copyrights the option to retain their intellectual property rights, were not a carefully constructed scheme of narrowly tailored

exceptions but "emerged at different time[s] over a span of a half a century" to address specific problems. Although the legislative history regarding the enactment of section 365(n)'s protection for patent and copyright licensees makes clear that Congress intended to repudiate the holding of *Lubrizol Enterprises, Inc. v. Richmond Metal Finishers, Inc.* 756 F.2d 1043, 1045-48 (4th Cir. 1985) that rejection of a patent license terminated the licensee's rights, the Court rejected any negative inference that Congress intended that trademark licenses (and every other kind of executory contract) were otherwise subject to the *Lubrizol* holding. Moreover, the Court noted, Tempnology's argument failed to give any meaning to Section 365(g)'s general provision that rejection of an executory contract constitutes a breach.

The Court also rejected Tempnology's argument that because a trademark owner may need to expend resources to monitor and exercise quality control over the goods and services sold under a trademark license or risk losing the trademark or its value, anything short of termination of the license would leave Tempnology with an ongoing, post-rejection burden, hampering its ability to reorganize. Observing that under Tempnology's reading of Section 365, unless a contract falls within an express statutory exception, rejection of the contract constitutes termination, the Court rejected Tempnology's attempt to use the distinctive features of trademarks to have the Court adopt a construction of Section 365 that would govern not only trademark agreements, but nearly every executory contract. "However serious Tempnology's trademark-related concerns, that would allow the tail to wag the Doberman," the Court stated.

Agreeing that the Bankruptcy Code aims to make reorganizations possible, the Court cautioned that "it does not permit anything and everything that might advance that goal," and continued that, in allowing the debtor to escape its future contractual obligations through rejection, "Section 365 does not grant the debtor an exemption from all the burdens that generally applicable law – whether involving contracts or trademarks – imposes on property owners." In enacting the provisions of Section 365, the court explained that "Congress also weighed (among other things) the legitimate interests and expectations of the debtor's counterparties." According to the Court, Section 365(g)'s edict that rejection of an executory

contract constitutes a breach "expresses a more complex set of aims than Tempnology acknowledges."

Justice Gorsuch, the sole dissenter, believed that the case was moot and should not have been decided because the license had expired and he did not believe that Mission suffered any damages caused by Tempnology.

Conclusion

The Supreme Court's decision should give comfort to licensees of trademarks, who have the contractual rights to continue to use the trademarks after a breach by their licensor, that a rejection of the license in a licensor's bankruptcy will not strip the licensee of those rights. The decision also may afford trademark licensees a better set of rights in some respects than copyright and patent licensees under Section 365(n), particularly if the copyright or patent licensee does not require any further performance or turnover of intellectual property from the licensor. Section 365(n) requires licensees to elect whether to treat a rejected license as terminated or to keep its rights to the intellectual property (including exclusivity rights but excluding any other specific performance of the license). If the copyright or patent licensee elects to keep the intellectual property, it must make all royalty payments and waive any right of setoff it may have with respect to the license, as well as any administrative priority claim arising from performance of the license. No such waiver obligations are imposed on counterparties to trademark licenses or other executory contracts.

Section 365(n) was intended primarily as a shield to protect copyright and patent licensees from a forced termination of their rights to the intellectual property as the *Lubrizol* court held, but also required licensees to continue to pay royalties and waive certain rights. It is unclear after *Mission Product* whether copyright and patent licensees will have an option upon rejection to try to keep their rights as a counterparty to a breached contract without complying with Section 365(n) or whether Section 365(n) will become a sword for the bankruptcy estate, forcing compliance with its provisions as the only method by which copyright and patent licensees may retain their intellectual property after rejection of their license.

Charlotte Tilbury Succeeds in Copyright Infringement Claim

By Sarah Simpson and Tegan Miller-McCormack

Charlotte Tilbury, the famous celebrity make-up artist, founder and CEO of the beauty and skincare brand Charlotte Tilbury Beauty Limited, and whose work regularly appears in fashion magazines such as Vogue and Vanity Fair, has successfully claimed copyright infringement against Aldi. The German discount supermarket was found to have infringed copyright of two artistic works belonging to the beauty brand. Aldi produced and sold a lookalike copy of Tilbury's famous Filmstar Bronze & Glow palette, which consisted of two elements: the "Starburst Design," which decorated the lid of the palette, and the "Powder Design" embossed on the make-up held within the palette. Aldi's palette "Lacura Broadway Shape and Glow" incorporated the same "sculpt" and "highlight" concept and was enclosed in packaging that was almost identical to that of Tilbury's palette.

Whether copyright can exist in a design that disappears when a product is used?

Aldi argued that copyright did not exist in the Powder Design because when it was used, the design disappeared and, so, was not "fixed." Aldi's arguments in defense were based on a previous case, where protection was sought for the make-up of a musician, but it was found not to be protectable because there was no medium in which it was fixed.

Tilbury responded with both copies of images/drawings of the design and put forward a prior case that confirmed that under the English Copyright, Designs and Patents Act 1988 there is a requirement for literary, dramatic and musical works to be fixed, but there is no such requirement for artistic works.

The court agreed with the arguments of Tilbury. The Deputy Master stated that he was in no doubt that the design embossed on the powder could be subject to copyright protection. The Master made comparisons to sand sculptures and wedding cake makers, who would have copyright protection in their artistic works.

Tilbury's ownership called into question

Tilbury created its designs for the Starburst Design and Powder Design working in collaboration with a design agency. At the time of the creation, only an oral agreement was in place that Tilbury would own the intellectual property rights in the artistic works created.

Aldi, therefore, also tried to attack Tilbury's ownership of the copyright. Aldi argued that proving title to copyright is a "technical

but essential point" and that the oral agreement was not enough to transfer a legal title, which must be in writing.

Luckily for Tilbury, the designers involved agreed that the intention was for Tilbury to own the designs.

The court considered both arguments, along with a number of witness statements provided by the Tilbury and agency designers. On balance, the court was satisfied that Tilbury had established title and ownership in the artistic works.

Aldi infringes filmstar palette

The court carried out a visual comparison of the designs (including both the Starburst Design featured on the lid and the Powder Design embossed on the make-up) and concluded the similarities were substantial both from a quantitative and qualitative perspective.

Tilbury quoted Aldi's slogan "like brands, only cheaper," which was perhaps taken on board by the court — arguably demonstrating the supermarket's ethos for selling lookalike versions.

Aldi also admitted their designers had been aware of the Tilbury packaging at the time their designs were created, which led the court to conclude that Aldi had committed copyright infringement.

Always ensure your rights are assigned

This is a positive result for fashion and beauty brands who are tirelessly fighting cheap knock-off versions of their products. In the United Kingdom, it strengthens the position brands have when trying to enforce copyright protection, since under English law, copyright is an automatic right subsisting upon creation rather than a registerable right, so it can often be difficult to enforce.

Clients should, however, take this as a reminder of the importance of properly executing the assignment of Intellectual Property rights.

Tilbury was perhaps lucky in this instance that the design agency confirmed that ownership of the copyright had been assigned orally.

Ensuring all relevant assignments are executed at the beginning of a project is essential. If you have any questions or any possible collaborations coming up, then please contact the Katten IP team, who will be happy to assist you with securing your IP rights.

More NEWS to KNOW

New York District Court Issues Transformative Fair Use Decision

by [Karen Artz Ash](#) and [Jerry Jakubovic](#)

In *Andy Warhol Foundation for the Visual Arts Inc. v. Goldsmith et al.* No. 17-CV-2532, 2019 (S.D.N.Y. July 1 2019), the US District Court for the Southern District of New York addressed the question of whether Andy Warhol's (Warhol) use of a photograph of Prince Rogers Nelson, best known as Prince, constituted violations of the Copyright Act. Granting the Andy Warhol Foundation's (AWF) motion for summary judgment, the court found that although the at-issue photograph was protected by copyright, AWF had a viable fair use defence.

[Read more](#)

When is Attorney-Client Privilege Waived?

by [Karen Artz Ash](#) and [Jerry Jakubovic](#)

In *Universal Standard Inc. v. Target Corp.* (S.D.N.Y., No. 18 Civ. 6042), the US District Court for the Southern District of New York addressed the question of whether sharing attorney-client privileged communications with a public relations firm destroys that privilege. The court found that Universal Standard waived the privilege by including its public relations firm, BrandLink, in emails discussing strategy related to the lawsuit.

[Read more](#)

TTAB Affirms Trademark Refusal on Grounds of Failure to Designate Source

by [Karen Artz Ash](#) and [Jerry Jakubovic](#)

This article explores a precedential holding by the Trademark Trial and Appeal Board (TTAB) that an applied-for term fails to function as a trademark. In *In re TracFone Wireless, Inc.*, TracFone filed a trademark application to register the phrase UNLIMITED CARRYOVER on the Principal Register based on "acquired distinctiveness." TracFone had owned a registration for the mark on the Supplemental Register, covering various telecommunication services. The USPTO examiner had refused to register the mark on the Principal Register on the grounds that the phrase was "informational and common." TracFone appealed the refusal to the TTAB.

[Read more](#)



Fashionably Direct: The New European Copyright Directive and Development of Intellectual Property Protection in the UK

By Sarah Simpson and Tegan Miller-McCormack

On April 15 the European Council formally voted in favour of a controversial new Copyright Directive that is set to bring big changes to the way copyright is produced, distributed and exploited via the online world throughout the European Union (EU). Directive (EU) 2019/790 of the European Parliament and of the Council of April 17 on copyright and related rights in the Digital Single Market (the Directive) has already faced significant opposition owing to a number of controversial provisions that introduce new liabilities and potential costs for many online platforms. Member States have until June 7, 2021 to implement the Directive into their own national laws.

Enforcing copyright protection in fashion

In the United Kingdom, while the good news for designers is that copyright is an automatic right (i.e. there are no costs involved in having to register designs as holding copyright because copyright is automatically granted upon creation of the design), not having an official registration can often make it difficult for designers to prove and enforce existence and ownership of copyright to their designs in the first place.

Copyright exploitation has increased in recent years, not just in fashion but in many industries, with the ever evolving digital world and new technologies expanding the platforms that are available online for infringers. It is a recognised issue that fashion brand owners regularly face difficulties in monitoring and taking down infringing content online. Such content may include photographs of genuine products advertised by infringers, which then turn out to be fakes once a customer has purchased and received the item (if the item is in fact ever received at all!). Tackling copyright infringement online is a long, onerous and often expensive process, with rights holders having to send a multitude of notices to internet service providers or digital platforms only to see the infringing content being reposted after it has been taken down (if it is taken down at all). As set out in the explanatory memorandum by the European Parliament, the Directive aims to “clarify the role of online services in the distribution of works and other subject-matter.” But how has the Directive, aiming to give further protection to rights holders, become so controversial?



Katten IP Attorneys Recognized in *Legal 500*, *Managing IP*, *New York Magazine* and *New York Super Lawyers* and *Rising Stars*

New York Intellectual Property partner **Karen Artz Ash**, Los Angeles Litigation partner **David Halberstadter** and Chicago Intellectual Property Litigation partner **Floyd Mandell** were recognized for their work in the copyright space by *Legal 500*. In addition, Karen, Floyd, Chicago Intellectual Property partner Kristen Achterhof, and Washington, DC Intellectual Property chairman Roger Furey were recognized by *Legal 500* for their work in their trademark space. *Legal 500* notes that the “proactive” attorneys are “excellent communicators” and “experts in domestic and international matters” and that Karen ensures “that nothing is overlooked.”

Two Intellectual Property attorneys at Katten were selected as part of *Managing Intellectual Property's* 2019 “IP Stars.” Karen was recognized as one of the publication's “Top 250 Women in IP.” This special list honors leading female IP practitioners in private practice who have performed exceptionally for their clients and firms in the past year. Other factors that contributed to appearing on the list included an activities in the IP community and corporate and social responsibility initiatives. Deepro Mukerjee, national co-chair of Katten's Patent Litigation practice, was also recognized in the 2019 US edition of *IP Stars Handbook*.

Karen was also recognized for the eighth year in a row in *New York Magazine* as one of New York's Leading Lawyers and a Women Leader in Law for 2019. *New York Magazine* notes that “fashion and beauty businesses seek Karen Artz Ash, National Co-Chair of Katten's Intellectual Property Department, because of her unique industry expertise.”

Twenty of Katten's attorneys were also named to the 2019 “New York Super Lawyers and Rising Stars” list, including Karen.


Article 13: What do you meme?

Article 13, dubbed the “meme ban” is one of the most notable provisions of the Directive (this has been redrafted and is now Article 17).

Essentially, the Article removes the protection previously afforded under Directive 2000/31/EC to online content sharing platforms, such as Facebook, Instagram and YouTube, to freely share third party content. Such platforms will now be held personally accountable for copyright infringement under the Directive, where infringing content is posted and stored on their sites, whether the platform was aware of it or not. The Directive imposes an obligation on the platforms to take active steps to ensure material infringing copyright is not available on their sites. But how are these platforms supposed to monitor, identify and remove this content?

The Directive requires such providers to obtain authorisation from rights holders before content is posted; for example, by way of a license. Questions are raised, however, on how this would work in practice. Would users be required to enter a license agreement each and every time something is uploaded or only at the beginning of the relationship? The latter suggestion raises questions about how it would be possible to license material that has not yet been uploaded or possibly even created? For the fashion world, this means that the use of such platforms to effectively advertise their products may become less attractive. For example, many high profile fashion brands use influencers to advertise their goods. Such influencers often use content owned by the brands themselves to do so. Under the Directive, technically, the platforms may need to establish individual licenses with such influencers and the brand owners themselves to legally allow such content to be posted. This could become a logistical nightmare!

It's not all doom and gloom!

One benefit to come out of the Directive is the text and data mining (TDM) exception. Many fashion brands use algorithms to predict what customers want. Such algorithms predict what the consumer will want, and what fashion brands will therefore produce, based on social media activity, such as the “likes” given, who customers follow and the content they share. 

Katten Featured as Recommended Legal Counsel for Fashion Companies in *Women's Wear Daily*

Katten was featured as one of only five law firms recommended as legal counsel for fashion companies in a recent article in *Women's Wear Daily* about the importance of the help that companies in the fashion industry receive on issues that they are less familiar with, from recruitment and financing to law. The article describes Katten's fashion law practice as advising companies on intellectual property issues, including assisting with IP portfolios and new marks and designs, enforcing and monitoring trademarks, licensing and transactional matters.

"We are fully immersed with our clients on everything IP," said New York Intellectual Property partner Karen Artz Ash.

Within fashion, Katten also advises clients on litigation matters and contracts of every type, including licensing, distribution and endorsement agreements, among others. The article states that Katten represents top companies in the fashion industry such as Kenneth Cole, Calvin Klein, Marc Jacobs and Aeropostale.

Fashionably Direct: The New European Copyright Directive and Development of Intellectual Property Protection in the UK (cont.)

- ▶ To collect this data, researchers often mine millions of photographs that are available on platforms such as Instagram to assess patterns, clothing styles and use of certain fabrics and colours. By training a machine-learning algorithm, the researchers can identify graphic trends and predict variation over time and in different locations, therefore identifying customer preferences around the world. Pretty neat! However, are such mining techniques lawful?

With regards to Instagram, by making content publicly available, users essentially grant Instagram and its affiliates a wide license to use the content however they want, even if the user deletes their account. This means that traditionally, unless fashion brands mining such data are affiliated with Instagram, then they are not authorised to create such databases containing millions of images for the purpose of predicting the next season's trends.

However, on this point, the Directive comes to the rescue! A specific TDM exception has been included in the Directive in Article 3. This exception allows any type of TDM (both commercial and non-commercial), but it is limited to "research organisations in order to carry out text and data mining works or other subject matter to which they have lawful access for the purpose of scientific research". Hurrah!

Enforcing design rights within the UK

The adoption of the Directive comes at an interesting time for design rights holders – not just those owning copyright protected works. In recent months, the Intellectual Property Office of the United Kingdom has published its "Research into Design Infringement" (the Report), which explores design right infringement in the UK and how effective (or perhaps ineffective) the English legal system really is when it comes to the protection of designs.

The Report found that 98.3 percent of design rights owners had experienced some form of design infringement but those who had actually taken action to protect their designs was minimal. So, why do designers go to such lengths to protect their Intellectual Property or to create innovative products/designs but take no action when faced with infringement?

The Report found that designers avoided bringing court action due to significant costs, time away from the business and fear that the total cost would not justify the potential benefit. Similar to most sectors or areas of the law, it became evident that larger fashion brands are more

likely to litigate than smaller brands. This perhaps highlights the lack of real protection for smaller/independent designers. While the option to initially protect designs is reachable for designers via both unregistered designs and registered designs, the current legal system is ineffective in helping fashion designers to actually enforce these rights, which comes at a significant price. For example, 37 percent of respondents reported losing revenue of between £1,000 to £500,000 as a result of infringed designs.

Call the fashion police

The reform of the Registered Designs Act (RDA) in 2014 introduced a new criminal offence for the intentional copying of a registered design in the course of business. Since it is often impractical for fashion brands to register all of their designs, owing to volume and the constant change in trends and production of at least two collections per year, the question is whether there is scope to extend the law to include the intentional copying of an unregistered design as a criminal offence.

Perhaps, the first thing to consider would be the amount of infringed registered designs that are currently prosecuted as a criminal offence. Almost five years after this offence was enacted, it appears to be very rarely, if ever, used. The criminal justice system is already strained, and it is probably fair to say that design infringement offences are not at the top of the Crown Prosecution Service's priority list. So, is there any alternative way to enforce these criminal sanctions?

There is another option available to rights holders that is, perhaps, not utilised as much as it could be. The Prosecution of Offences Act 1985 enables design rights holders to bring private prosecutions by a private individual (or entity), who is not acting on behalf of the police or any other prosecuting authority, within the UK. This allows the design rights holders to bring a private prosecution for infringement under the RDA. Supporters often suggest that private prosecutions are cheaper and quicker than civil litigation. They also have the added benefit of the powers and sanctions available, including the threat of a custodial sentence and a criminal record.

The option to be criminally sanctioned is not uncommon in the UK IP world, with both trademarks and copyright laws

providing criminal sanctions for infringers. A practical example is the Police Intellectual Property Crime Unit (PIPCU), an initiative established in London in 2013 shortly after "Operation Creative" was launched. The PIPCU works with the creative and advertising industry to disrupt and prevent websites from providing unauthorised access to copyrighted content.

So, perhaps, there is scope and appetite for the RDA to be extended to include unregistered designs, as well as registered designs, and to simply call it the "Designs Act"? Let's watch this space!

The future of IP rights in the UK regarding the directive and design rights enforcement?

It is now up to each Member State to interpret and implement the Directive into their own laws by the end of the two-year implementation period. With the current uncertainty surrounding Brexit, it is yet to be decided whether the Directive will find itself permanently within English law; although it should be noted that any UK or other third-country based businesses providing services within the EU will still be obliged to comply. So, the likelihood is that the UK will choose to implement the Directive under English law.

With regards to the enforcement of design rights, perhaps the key is educating those who hold them. The Report concluded that knowledge around design rights is generally lower than other IP rights. Private prosecution and police units like PIPCU need to be advertised and explored further so that they can be utilised in the fight to tackle IP infringement.

For any clients considering how to protect or enforce their IP rights, there are a number of cost efficient options available, all of which Katten would be happy to explore with you. Please contact us for further information.

Katten

For more information, contact: Karen Artz Ash

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Katten is a full-service law firm with one of the most comprehensive fashion law practices in the nation. We provide innovative advice on the legal and business issues faced by national and international manufacturers, designers, marketers, licensors, licensees and retailers of fashion items including a full range of apparel, footwear, jewelry, cosmetics and luxury goods.

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