

GARRIGUES

NEWSLETTER
FASHION & LAW

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Some practical
advice
on reporting
to boards
of directors

Color marks:
Opinion of the
advocate-general
at the (CJEU) in the
Louboutin vs Van
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Use in advertising
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Fashion and
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SOME PRACTICAL ADVICE **ON REPORTING TO BOARDS OF DIRECTORS**

“ The expression “it is a complicated issue” might seem like an insult to the intelligence of those listening, as if they were incapable of understanding what is about to be explained to them. It is better to say “it is a technical issue”, since that means it is “another boring legal issue” but that the lawyer knows what he/she is talking about. ”

■ CLAUDIO DORIA

When reporting or making a presentation on legal matters to the board of directors, in all likelihood almost all general counsels, board secretaries or legal advisers at companies will at some time have come up against certain limitations when conveying important legal information or attempting to gain the attention merited by the matter during a board meeting.

As a result of conversations held with different board members and lawyers, we lightheartedly offer a number of useful suggestions when preparing remarks in these cases.

- Most members of the board are not lawyers and even if they have studied law, they have probably never practiced. Thus “legal jargon” tends to be boring or incomprehensible and should therefore be reduced to the bare minimum.
- In general, board members may not think much of lawyers: they are vague, they sit on the fence, they complicate everything, etc.
- For the rest of the board members, the matter to be explained by the lawyer will not generally be the main point or focus of the meeting. It will just be “another boring legal issue” that has only been included in the meeting agenda at the insistence of the secretary or lawyer.
- If it isn’t “another boring legal issue”, it is bound to be “bad news”. Regardless of whether it is bad news or just a boring issue, it will undoubtedly be right at the end of the agenda, thereby diminishing interest and attention.

The above are unavoidable and form part of the challenges faced in presenting or explaining legal issues to the board. To prevent further difficulties, we suggest avoiding the following phrases or expressions in presentations:

- Saying that an issue “is interesting” can appear very intellectual but can give the impression of not being particularly committed to or engaged in finding a solution. If you think about a doctor saying the same thing to a patient (“what you have is very interesting”), it probably doesn’t inspire much confidence.
- Using phrases like “on the one hand” or “from a different perspective” could display an inability to form a clear and concrete opinion. It is better to say “while others may think that..... our opinion is that...” In any case, it is better to avoid citing case law and legal theory, since that is of no interest to anyone; the board is only interested in the lawyer’s opinion.
- The expression “it is a complicated issue” might seem like an insult to the intelligence of those listening, as if they were incapable of understanding what is about to be explained to them. It is better to say “it is a technical issue”, since that means it is “another boring legal issue” but that the lawyer knows what he/she is talking about.
- Suspense should be avoided, meaning that the questions, solution or conclusion should be clearly set out before starting the presentation. This will help those listening to follow you better.
- Any errors or change of opinion with respect to a previously addressed item should be admitted, without trying to cover them up or apportion blame (since that will only make things worse). This helps you to retain credibility and it is sufficient to explain the reasons or grounds for the error or change of opinion and the mechanisms or solutions applied to prevent it happening again.

In short, presentations should be clear, concise and honest.



COLOR MARKS:

OPINION OF
THE ADVOCATE-
GENERAL AT THE
(CJEU) IN THE
LOUBOUTIN VS
VAN HAREN CASE

CINTIA BERNHARDT AND GABRIELA OLIVIÉ GARCÍA

At this point, who hasn't heard of the sought-after red sole Louboutin shoes?

The origin of the sole, which has become the firm's hallmark, dates back to the beginning of the 90s. According to the company's website¹, the shoes were created by the designer Christian Louboutin in 1993 when he was working on the "Pensée", a shoe inspired by Andy Warhol's "Flowers". However, he felt something was missing. His assistant happened to be painting her nails at the time and, acting on impulse he snatched the bottle and coated the sole in the famous vibrant red.

However, the firm did not try to register the red sole trademark until much later, and since then, its validity has been questioned time and time again in various countries.



LOUBOUTIN SHOES



VAN HAREN SHOES

The issue is currently under debate in the context of a trademark infringement lawsuit filed in 2013 at the District Court of the Hague by Christian Louboutin and Christian Louboutin, SAS against Van Haren Schoenen BV (part of the German Deichmann group).

Specifically, the conflicting trademark (no. 0874489) registered in January 2010 in Benelux consists of "the color red (Pantone 18 1663TP) applied to the sole of a high-heel shoe" (the contour of the shoe is not part of the trademark, its only purpose is to show the positioning of the mark):



LOUBOUTIN REGISTERED TRADEMARK

Van Haren, far from acquiescing, alleged that the trademark was invalid and submitted that the color ... could be regarded as an integral part of the shape of the sole and that said shape "gives substantial value to the goods (which in trademark law is known as aesthetic functionality)". Therefore, in the defendant's opinion, the ground for invalidity set forth in article 3. 1 e) of the Trademark Directive² which prohibits the registration of signs which consist exclusively of: (i) the shape which results from the nature of the goods themselves; (ii) the shape of goods which is necessary to obtain a technical result; (iii) the shape which gives substantial value, is applicable to this case.

¹ http://us.christianlouboutin.com/us_en/news/en_behind-the-rouge/

² DIRECTIVE 2008/95/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL Of October 22, 2008 to approximate the laws of the Member States relating to trademarks



The objective pursued by this provision is to prevent a trademark owner from monopolizing technical solutions or the functional characteristics of a product, which the user is likely to seek in competing products.

In view of the litigant's arguments, the District Court, requested a preliminary ruling from the Court of Justice of the European Union ("CJEU") regarding whether *said provision was limited to three-dimensional properties of the goods, such as their contours, measurements and volume (which should be expressed in three dimensions) or also refers to other (non-three-dimensional) characteristics of the products, such as their color.*

The CJEU has yet to hand down its decision, but we already have the *Opinion of the Advocate General*, Maciej Szpunar, on the matter, which was delivered on **June 22, 2017**.

The Advocate General first analyzed how the registered trademark should be classified. Is it a trademark that consists of a color *per se* or is it integrated in the shape?

The answer to this question will determine the applicability of said article 3.1.e) of the Directive.

After analyzing case law by the CJEU as a result of the *Libertel*³ judgment, Szpunar concluded that **signs consisting of a color per se do not fall within Article 3(1) (e) of Directive 2008/95**, and may therefore acquire distinctive character through use that is made of them. However, if the color is indissociable from the shape, registration must be considered in the light of the same factors as underpinned by that provision.

³ *Libertel Groep v Benelux Merkenbureau* (case C-104/01), 6 May 2003.



“ The issue is currently under debate in the context of a trademark infringement lawsuit filed in 2013 at the District Court of the Hague by Christian Louboutin and Christian Louboutin, SAS against Van Haren Schoenen BV. ”

As opposed to the cases in which the aim is to register a color *per se*, when the color is applied to a specific part of the goods, according to Szpunar, it should be regarded as being an integral part of the shape of the product. He therefore concludes that **the contested mark should be equated with one consisting of the shape of the goods** and seeking protection for a color in relation to that shape, rather than one consisting of a color *per se*. Therefore, **Louboutin's trademark could potentially fall within the prohibition contained in article 3.1.e).**

In any event, it appears that the question with regard to the applicability of said article will be settled by the deadline for transposing new trademark Directive 2015/2436 (January 2019). The prohibition established in the new Directive is extended since it now indicates that trademarks consisting exclusively of iii) the shape, or another characteristic, which gives substantial value to the goods shall be liable to be declared invalid.

So far, there seems to be bad news for Louboutin.

However, the Advocate analyzed a third aspect: the interpretation of **'shape which gives substantial value to the goods'** contained in article 3.1.e).iii) of the Directive. In this regard, Szpunar, is of the opinion that **this concept relates only to the intrinsic value of the shape, and does not permit the reputation of the mark or its proprietor to be taken into account.** He therefore seems to imply that the mark should only be declared invalid if it is proven that it is functional, because a red sole in a shoe is an element that is objectively attractive for consumers, but not if it is due to its connection with Christian Louboutin's reputation.

With this analysis, which is not the question that is referred for a preliminary ruling, the Advocate General appears to be indicating a possible way to save the trademark registration, if Louboutin can prove that its red sole is much more than a functional element.

USE IN ADVERTISING OF USER-GENERATED CONTENT

ESSENTIAL LEGAL ASPECTS TO BE BORNE IN MIND WHEN
DESIGNING A USER-GENERATED CONTENT CAMPAIGN

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■ MAGDALENA COSTALES

Thanks to social networks, copywriters are no longer the only ones who can create adverts. Digital marketing based on the idea that consumers themselves or fans of the brand can create, star in and produce content (photos, videos, articles, comments, etc.) in which they share their experience of the products has placed users at the heart of advertising design and creation. However, this does not mean that the legal issues that affect traditional advertising are left to one side in these types of campaigns.

We summarize below the main legal aspects that you need to bear in mind when designing an advertising campaign based on User-Generated Content (UGC). One thing is for certain though: the success of the campaign will depend on how creative your followers are.

• THE PARTY LIABLE FOR THE LEGALITY OF CONTENT IS THE ADVERTISER

Even where the content is created by non-professional users, their creations will be directly or indirectly linked to a brand or product.

Linking certain content to the brand can take place upfront, for example through a contest or draw organized by the advertiser which encourages users to upload content with some more or less predefined characteristics. It can also occur subsequently, as a result of a fan or user of the brand spontaneously uploading interesting content and the advertiser deciding to request his/her consent to use the content on its channels.

This link to the brand means that the advertiser can be held liable for any violation of rights or legal infringement resulting from the content since it is considered advertising content.

• OBTAIN THE NECESSARY CONSENT IN RELATION TO IMAGE RIGHTS

In order to use content containing a user's image, understood as his/her recognizable physical features, name or voice, their express and unequivocal consent must be obtained, preferably in writing, specifying in all cases how their image will be used.

It is therefore necessary to provide information on where, how and when the content will be published or broadcast, either through legal conditions that users accept when participating in the contest or draw, or through individual authorizations.

• OBTAIN THE NECESSARY CONSENT IN RELATION TO COPYRIGHT

The person that created the content may hold a copyright in the content in question (the photograph, video, text, etc.). The law affords authors of creations a series of exclusive rights which enable them to authorize or prohibit their reproduction, distribution, public communication and transformation.

Consequently, in order to exploit content (host it on the brand's digital channels, adapt it, etc.) prior written authorization must be obtained from the copyright owner for the specific use that is going to be made. The authorization should specify how long the acts will be performed, the territory in which the exploitation will take place and the forms of exploitation.

• AVOID USING MINORS' CONTENT

Children under the age of 14 cannot consent to the use of their image or intellectual property rights and therefore authorization must be obtained from their parents or legal guardians.



Minors over the age of 14 can only directly give consent if they are considered "sufficiently mature", a concept that in the digital world is difficult for the advertiser to verify since consent is obtained by distance communication.

It is therefore always advisable not to use content generated by minors or that includes the image of individuals aged under 18 in these types of campaigns.

• AVOID THE USE OF CONTENT THAT INCLUDES THIRD-PARTY IMAGES, WORKS OR BRANDS

Given the nature of UGC, it is to be expected that users will create content that includes works or affects the rights of third parties other than the creator (for example, music, brands or images) without the relevant authorization.

It is therefore always advisable to ask users to only include original content in their creations and to obtain the



rightholders' consent for everything they use. Nonetheless, if it is clear that they have included items without obtaining prior consent, the use of such content should be ruled out.

- **DO NOT USE OFFENSIVE CONTENT**

Certain content could affect the right to honor of certain groups, individuals or companies and could prove contrary to the values with which the brand wishes to be associated. Consequently, it is always advisable for the legal terms and conditions regulating the rules for participation to indicate that content that may be considered offensive or which violates third-party rights may be disqualified.

- **DO NOT ENCOURAGE CONTENT THAT MAY BREACH THE ADVERTISING LEGISLATION APPLICABLE TO THE PRODUCTS ADVERTISED**

Depending on the product or service advertised, there may be specific provisions or industry self-regulation

codes (for example, in relation to alcoholic beverages, food products, toys etc.) which, despite not being known by users who create UGC, must be borne in mind when designing the theme of campaigns that encourage participation by users, and when selecting content.

- **REVIEW THE POLICIES OF PLATFORMS AND SOCIAL NETWORKS**

Finally, it should be borne in mind that the platforms on which users host their content may have specific terms of use that stipulate the use that can be made of the hosted texts, photos or videos. It is also necessary to review the rules regulating the use of these platforms to ensure the campaign does not encourage conduct that runs contrary to such rules. For example, Facebook has advertising policies that apply to commercial content located on Facebook.

FASHION AND COPYRIGHT

VARSITY BRANDS VS STAR ATHLETICA: U.S. SUPREME COURT ISSUES LANDMARK DECISION FOR THE FASHION INDUSTRY

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BEATRIZ GANSO AND LUCÍA CAMPO

On March 22, the U.S. Supreme Court delivered a decision on the first case of its kind to reach America's highest court since 1954, addressing the much-discussed issue of clothing design protection and copyright.

The case began in 2010, when Varsity Brands, leading company in the sector of cheerleader uniforms, filed a copyright infringement action against its competitor Star Athletica, claiming design infringement of Varsity designs, considering that some designs marketed by Star Athletica were substantially similar to their own designs. Star Athletica argued that the designs at issue were not copyrightable, since as they were designs aimed for a useful article, the pictorial, graphic or sculptural elements of such designs were neither physically or conceptually separable from the cheerleading uniforms.

Copyright law in the United States is regulated under the *Copyright Act* of 1976, which, despite covering a wide range of creative and artistic work ("applied arts") grants very limited protection to fashion design. Traditionally, the "useful article" doctrine has been fashion's most insurmountable obstacle when seeking protection for designs, as this theory denies copyright protection for articles that have an intrinsic utilitarian function, as is the case with garments and clothing¹.

• FASHION & LAW



Despite the fact that the Copyright Act excludes useful articles from its protection scope, there is one specific case in which the design of a useful article might be suitable for copyright protection, namely when that design includes "pictorial, graphic or sculptural features that can be identified separately from, and are capable of existing independently from the article." The need to fulfill these requirements in order to obtain protection has led different courts to implement several types of "separability tests" in order to determine when a useful design should be granted protection. Thus, depending on the particular "separability



test” implemented, different courts may grant or refuse copyright protection to the same design.

Analyzing the case at hand, the issue is to decide whether the design features of the cheerleader’s uniform, that is, the combinations of specific chevrons, zigzags and stripes, can be identified separately and exist independently from the design of the useful article, namely the garment, and thus obtain copyright protection. In other words, where does the strictly functional or useful design of a cheerleader’s uniform end, and where does the creative content of the graphic design begin?

The District Court held that the clothing designs copyrighted by Varsity Brands had a merely functional purpose, and that it was not possible to identify them separately or independently from the garment and its purpose to “cover the body, wick

¹ “Useful” articles are defined as those having an intrinsic utilitarian function that is not merely to “portray the appearance of the article” or to “convey information”. The “utilitarian” function of clothing was defined in 2002 by the U.S. District Court for the Southern District of Indiana, in the case of *Celebration Int’l, Inc. v. Chosun Int’l*, considering that the purpose of a garment was “to cover the user’s body and protect it from the elements.”

away moisture, and withstand the rigors of athletic movement". It also indicated that the colors, lines and chevrons and other similar designs features typically associated with cheerleaders uniforms, served to identify the uniform as such. Therefore, Varsity Brands' copyright protection claim was denied to its designs, and the claim against Star Athletica was dismissed.

Varsity Brands appealed this decision and the Sixth Circuit Court ruled in favor of the company, holding that it is possible to separately identify the pictorial, graphic or sculptural elements of registered designs regarding the features of the uniforms. That is, a simple white skirt and top would continue to fulfill these functional purposes and could be easily identified as a cheerleader's uniform even if it did not have these lines, chevrons and zigzags designs. Having determined that the designs could be identified separately from the garment, the Court ruled that they could also exist independently from it, as it was possible to transfer the designs features to other articles aside from a simple garment (for example, to jackets, t-shirts, or even to a picture on the wall). Finally, it concluded that as they fulfilled the two requirements for the "separability test", the Varsity Brands designs were entitled to protection under the Copyright Act.





DESIGN 299A

DESIGN 299B

DESIGN 074

DESIGN 078

DESIGN 0815

In view of the legal uncertainty raised in relation to the “separability test” for determining whether or not a useful article should be protected by copyright, this judgment not only resolved this particular case, but finally laid out an straightforward two-part test to apply in order to determine whether or not a design of a useful article can be identified separately from the clothing and exist independently from it.

Before the *Star Athletica* judgment, it was necessary to distinguish between physical separability², and conceptual separability³ when applying the “separability test”. This conceptual, case-law division, which had been in force since 1954, having raised significant interpretative problems when it came to applying conceptual separability, has now been abandoned by the Supreme Court, establishing that a feature of the design of a useful article may be copyrightable if:

- a) It can be perceived as a two-dimensional or three-dimensional work of art if imagined separated from the useful article and
- b) It can be qualified as a *pictorial, graphic or sculptural* work in itself, or fixed in a tangible medium other than that of a useful article.

In the case in question, the Supreme Court found that the designs in dispute satisfied both test requirements, as

- (a) having transferred the design to a different medium (see for example, the canvas of a painting) it would constitute a work of two-dimensional art and
- (b) it is possible to identify the graphic and pictorial qualities in the composite design of stripes, chevrons and zigzags.

It is too soon to predict how this decision will impact the fashion industry and how copyright protection will from now on be granted to fashion designs, which to this date were practically devoid of obtaining such protection at all. However, this decision is unquestionably a case-law landmark, and has finally managed to unify the “separability test” applicable to useful articles.

² Considering as such when it is possible to separate the design of the useful article leaving the useful aspects intact.

³ Defined by the *Copyright Office* as a test that permits a feature of the useful article to be easily recognized as a graphic, pictorial or sculptural work, despite the fact that it cannot be physically separated from it.

⁴ The issue of the “separability test” was raised for the first time in the emblematic case of 1954 *Mazer v. Stein*, the only judgment of the US Supreme Court in this field until the *Star Athletica*, concerning an issue over the possibility of granting copyright to a lamp design the base of which replicated the sculptured figure of a dancer.

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