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# Evaluation of the Design Piracy Prohibition Act: Is the Cure Worse than the Disease? An Analogy with Counterfeiting and a Comparison with the Protection Available in the European Community.

By Silvia Beltrametti\*

*“You may imitate but never counterfeit.”  
Honoré De Balzac*

¶1 Is the Design Piracy Prohibition Act a necessary addition to the Intellectual Property panorama of the United States? American designers and other creative minds do not have any means to protect their innovative design creations because none of the existing intellectual property measures can be tailored to the protection of design rights. To explore this issue, I go back to the underlying reasons for prohibiting the trade of counterfeit goods and I argue that counterfeiting and design piracy are analytically similar and there is no reason justifying a different legal treatment of these two issues, especially given the close interrelation of these two phenomena. After demonstrating that the current intellectual property measures are inadequate for the protection of design rights, I provide arguments for the need of such protection and include a full analysis of the Design Piracy Prohibition Act. Finally, I compare the Design Piracy Prohibition Act with the European design protection system and argue that much can be gained from looking at the European experience.

## I. ISSUES

¶2 By passing the Counterfeiting Act in 1984, Congress explicitly acknowledged the evils of counterfeiting and imposed severe penalties on activities associated with it. Counterfeiting involves the use of a spurious trademark on non-original merchandise, most frequently on clothes and fashion accessories, such as bags and sunglasses. The fake labels and logos are usually applied on copies of products that have proved successful in the market. This means that before the logo is applied to a product, the design of the real item has to be copied. The copy of a design is in fact a counterfeit without a label, but not legally recognized as such. The aim of this paper is to illustrate the need for the protection of fashion designs.

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¶3 The fashion design industry in the U.S. is part of intellectual property's negative space as fashion designs do not *per se* enjoy intellectual property protection. Explanations for the existence of this negative space rely mainly on public choice theory; historically, intellectual property legislation was enacted when a sufficiently well-organized and well-funded group lobbied for protection without potent opposition. Although Congress considered up to seventy bills advocating some form of legal protection for fashion designs since 1914,<sup>1</sup> the major reason for refraining from enacting legislation directly covering design rights has been lethargy and lack of coordination of a united voice within the fashion community. Its fast-moving nature and peculiar creative dynamics are also part of the reason why fashion is one of the few innovative industries that is not protected by tailored intellectual property laws. Given the lack of a legal tool designed for the exclusive enforcement of clothing and fashion accessory designs, designers have to rely on the existing copyright protection, occasionally on trade-dress, and otherwise on design patents. However, these standard intellectual property options are only capable of offering a rather uncertain protection and can be cumbersome and time-consuming to attain.

¶4 On the other side of the Atlantic, in the European Union, a well grounded system for design protection has been in place since 2002. This system grants a two-tier protection to registered and unregistered designs. The winning weapon in the European scenario is the protection for unregistered designs: without the need to register, designers have the choice of enforcing their rights. It has been argued that the paucity of cases that make it to court testifies to the fact that designers do not really insist on applying their rights. This is not necessarily true, but is rather a sign that design disputes are resolved through confidential settlements. However, this trend is slowly changing as two strong precedents have been laid down recently.

¶5 Partly to reach some sort of alignment with European design protection and partly to comply with the public policy goal of rewarding effort and incentivizing innovation, the Design Piracy Prohibition Act (DPPA) was introduced in the U.S. in 2006. There is a lot of controversy around the proposed legislation, which is still pending in Congress. This paper will demonstrate that the DPPA is a good start for the introduction of design rights in the U.S. even if some aspects would have to be revised. Although this measure is a less powerful tool than its European counterpart, much can be gained from looking at the European experience and even if historically the Americans have a more litigious nature, in the end it is difficult not to see how this bill would improve the legal scenario governing the fashion industry in the U.S. The rapid pace of technological innovation enables faster copying in larger quantities at the expense of creative design, and makes the present low IP equilibrium no longer justifiable. In addition, in this challenging economic environment, the current inadequacies that reward copycats and act as a

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<sup>1</sup> Anya Jenkins Ferris, Comment, *Real Art Calls For Real Legislation: An Argument Against Adoption Of The Design Piracy Prohibition Act*, 26 CARDOZO ARTS & ENT. L.J. 559, 564 (2008). See also Susan Scafidi, *Intellectual Property and Fashion Design*, 1 INTELLECTUAL PROPERTY AND INFORMATION WEALTH, 119-121 (2006) for a historical account of the most important acts designed to protect textile and clothing designs considered by Congress over the 20th century, the most important ones being the 1913 Kahn act and the 1926 Vestal Bill. See Maurice A. Weikart, *Design Piracy*, 19 IND. L.J. 246-56 (1944) and *Self-Protection of Design Creation in the Millinery Industry*, 49 YALE L.J. 1290 (1940) for a description of other forms of action taken by U.S. clothing and textile manufacturers to supplement the lobbying efforts to achieve design protection—like the establishment of the Fashion Originator's Guild of America in 1932.

disincentive to creators negatively impact the ability of American designers to compete in the global market.

¶16 I will deal with the issues raised above in the following order. First, in section II, I suggest that there is no rationale in distinguishing counterfeiting from design piracy. After that, in section III, I inspect to what extent the current intellectual property laws available in the U.S. are capable of protecting clothing designs and fashion accessories. In section IV, I put forward the reasons in favor of passing the DPPA, and in section V, I analyze the proposed piece of legislation and its shortcomings. In section VI, I explain how the framework of the DPPA could gain by bringing its legal standards closer to the ones set out in the European Regulation on Design Rights. Finally, I conclude that, for the time being, the DPPA is an appropriate and non-excessive initiative, but that, in the long run, more needs to be done in order to achieve optimal protection for the design industry.

## II. CONSTITUTIONAL INTENT AND ANALOGIES WITH COUNTERFEITING

¶17 The U.S. Constitution permits the protection of intellectual property of U.S. citizens who deserve to reap the benefits of their creativity and inventions: Article I, Section 8 of the Constitution empowers Congress to “promote the progress of science and useful arts.”<sup>2</sup> Congress can award exclusive rights for a limited amount of time to compensate creators and inventors for the time and effort they devoted to their own intellectual investments, as this will ensure the development of creative industries. This type of incentive is thought to be crucial for America to maintain a leading position for innovation in the global marketplace.<sup>3</sup> Although the constitutional standpoint emphasizes that it is creative individuals and not the financial well-being of the fashion industry that has to be protected, the mechanism of giving out intellectual property protection should not occur automatically. It is crucial that rights are given out when clear benefits are present and the economic growth of the country is not adversely affected.

¶18 Piracy means taking somebody’s design and replicating it in such manner that nobody would know the difference between the original and the copy, and passing off the copy as the original. That is clearly wrong and the law must address it. The lack of legal protection for fashion designs is odd, especially if we think of design piracy as a similar, but in many ways more subtle beast than counterfeiting. Counterfeiting involves the “knowing use of a spurious mark which is identical with or substantially indistinguishable from a registered trademark, in connection with the trafficking of counterfeit merchandise.”<sup>4</sup> Usually, “counterfeit merchandise is made so as to imitate a

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<sup>2</sup> U.S. CONST. Art. I, § 8, cl. 8. *See also* ROBERT DESTY & ALBERT BRUNNER, *THE CONSTITUTION OF THE UNITED STATES* 22 (2d ed. Sumner Whitney, 1884).

<sup>3</sup> Intellectual property makes up more than half of all U.S. exports, driving 40% of the country's growth. *See* <http://www.uschamber.com/IP.htm> (last visited on Mar. 13, 2010). U.S. intellectual property is worth \$5-5.5 trillion - more than the gross domestic product (GDP) of any other country. *See* <http://washingtontechnology.org/community/forums/post/628.aspx> (last visited on Mar. 13, 2010). According to the U.S. Patent and Trademark Office, intellectual property in this country is worth more than \$5 trillion - about twice the amount of the current federal budget. *See* Sean Silverthorne, *Monetizing IP: The Executive's Challenge*, HARVARD BUSINESS SCHOOL WORKING KNOWLEDGE (June 9, 2008), available at <http://hbswk.hbs.edu/pdf/item/5925.pdf>.

<sup>4</sup> Trademark Counterfeiting Act of 1984, Pub. L. No. 98-473, Tit. II, §1502(a), 98 Stat. 2178 (1984). *See* 15 U.S.C. § 1127 (2008) (for definitions); 15 U.S.C. § 1116 (d) (2008) (for civil actions); 18 U.S.C.

well-known product in all details of construction . . . .”<sup>5</sup> Also, within the realm of fashion, counterfeiting generally starts with design piracy: before a counterfeited trademark is applied to a bag or piece of clothing its design must first be copied. A copy of a design is really a counterfeit without the label. If no design piracy existed, there would probably be no counterfeiting. Piracy and counterfeiting are in many ways interrelated and both deserve to be addressed by effective legislative measures, otherwise a young designer with no brand recognition is left defenseless against the problem of piracy, and famous designers will only be protected if, in addition to their designs, their trademarked labels are taken too.

9 Congress has responded to the threat of counterfeiting with various legal measures.<sup>6</sup> Among them is the Counterfeiting Act of 1984, which imposes severe penalties on counterfeiting charges. Counterfeit remedies include criminal penalties, *ex parte* civil seizure orders and statutory damages, as well as mandatory attorney’s fees and treble damages. It is to be noted that the remedies listed above apply absent “extenuating circumstances” where the use of the counterfeit mark was intentional, in which case the legal treatment can be even harsher.<sup>7</sup> These severe punitive measures go far beyond remedying the usual harms of a trademark owner, such as diverted sales, loss of goodwill and reputation and dilution of the mark’s distinctiveness. They exist to redress other potentially more far reaching injuries to the public.<sup>8</sup> Counterfeit operations have a very serious effect on the global economy, such as lost jobs and tax revenues and, in addition, counterfeited items can pose a substantial threat to health and safety. Just think of a children’s dress made of highly flammable fabric or eyeglasses made of toxic material. There is also evidence linking counterfeit activities to organized crime and terrorist organizations, which use counterfeiting as a money laundering and funding device.<sup>9</sup> These illegal economies that thrive under globalization, and on which consumers unwittingly feed, explain the need for the far reaching legal measures imposed on product counterfeiting, a \$250 billion business that translates into 750,000 lost jobs.<sup>10</sup>

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§2320 (2008) (for further statutory and criminal remedies).

<sup>5</sup> 5A J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 25.01 (3d ed. 1992).

<sup>6</sup> Section 301 of the Trade Act of 1974, 19 U.S.C. § 2411 (2008), allows the U.S. to sanction countries that fail to provide “the right of establishment or protection of intellectual property rights.” The Anticounterfeiting Consumer Protection Act 1996, Pub. L. No. 104-153, 110 Stat. 1386 (1996), imposes liability on to those who unknowingly or unintentionally participate in the importation of goods, including attorney’s, CPA’s, freight forwarders, custom’s brokers, etc. *See also* Copyright Felony Act, Pub. L. No. 102-561, 106 Stat. 4233 (1994); Racketeer Influenced and Corrupt Organizations Act, Pub. L. 91-452, 84 Stat. 941 (1970); Money Laundering Control Act of 1986, Pub. L. 99-570, 100 Stat. 3207 (1986).

<sup>7</sup> *Id.*

<sup>8</sup> GINSBURG, LITMAN & KELVIN, TRADEMARK AND UNFAIR COMPETITION LAW 958 (Foundation Press, 4th ed. 2007).

<sup>9</sup> *See* The International Anti-Counterfeiting Coalition, <http://www.iacc.org> (last visited on Mar. 13, 2010); Barbara Kolsum, *Global Enforcement*, 517 PLI/PAT 533 (1998); Bruce Siegal, *Developments in Counterfeiting Legislation Enforcement*, 468 PLI/PAT 441, 453 (1997); Katherine C. Spelman, *Combating Counterfeiting*, 417 PLI/PAT 309, 337 (1995) (“counterfeiting has become a core activity for organized crime because of the big rewards and low risk of prosecution”).

<sup>10</sup> Data taken from <http://www.uschamber.com/press/releases/2006/september/06-158.htm> (last visited on Mar. 23, 2010) (“Counterfeiting and piracy cost the U.S. economy more than \$250 billion a year and an estimated 750,000 jobs,” said David Hirschmann, senior vice president of the U.S. Chamber of Commerce.). *See also* *The Spread of Counterfeiting: Knock-offs Catch On*, ECONOMIST, Mar. 4, 2010, available at [http://www.economist.com/business-finance/displaystory.cfm?story\\_id=15610089](http://www.economist.com/business-finance/displaystory.cfm?story_id=15610089). The

¶10 Sophisticated counterfeiting strategies do not only operate in a domestic ambit, they operate globally. This is the result of the unprecedented rise of technology that we have been witnessing in the past decade. The widespread use of scanners, laser copiers and the Internet enable counterfeiters and pirates in developing countries to copy and manufacture products even before the original items hit the market. Counterfeiters thereby free-ride on the enormous investments that designers have incurred launching new brands and design collections. Counterfeiting must be addressed on an international level since often the copies of the original goods are produced in countries where labor is cheap, and then imported into other countries. There have been several responses to this global problem. For example, customs cooperation measures between many countries are in place to stop the entry of counterfeit goods at the borders, and the advent of the World Trade Organization (WTO) together with the implementation of its Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs) have forced many countries around the world to recognize the value that lies in the protection of intellectual property rights and the necessity to combat counterfeiting on a global scale.<sup>11</sup> Although much remains to be done in terms of effective enforcement, many underdeveloped countries started to understand that they have a vested interest in protecting intellectual property rights because it attracts foreign investment.

¶11 Counterfeiting and design piracy are analytically similar and to a certain extent complementary problems developing in the same globalized world. Oddly, the former one is legally prohibited while the latter one is not. There is no reason why this different treatment of similar issues should continue, especially given the close interrelation of these two phenomena. In some instances, not only does the legal copying of fashion designs harm their creators, it also provides manufacturers with a mechanism for circumventing the current campaign against counterfeit trademarks. U.S. Customs are entitled to stop, seize and destroy fake trademarked apparel and accessories entering the U.S. If, however, the same items are shipped without labels, they can freely enter the country. In this scenario, distributors attach the counterfeit labels and logos at a later stage, once the goods are inside the country, so that there is less chance of detection by law enforcement. The continued exclusion of most fashion designs from IP protection thus undermines federal policy with respect to trademarks by perpetuating a loophole in the intellectual property law system.

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Economist reported that

The OECD estimates that the international trade in counterfeit and pirated goods was worth around \$250 billion in 2007. The International Anti-Counterfeiting Coalition (IACC), a lobby group, says the true figure is actually closer to \$600 billion, because the OECD's estimate does not include online piracy or counterfeits that are sold in the same country as they are made. Counterfeit goods make up 5-7% of world trade, according to the IACC. In 2008, the value of fake goods seized at America's borders increased by nearly 40% over the year before. It subsequently fell by 4% last year—far less than the 25% decline in imports overall.”).

*Id.*

<sup>11</sup> The Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs) is Annex 1C of the Marrakesh Agreement Establishing the World Trade Organization (WTO), signed in Marrakesh, Morocco on April 15, 1994. Part II of TRIPs sets out standards concerning the availability, scope and use of intellectual property rights and Part III specifically deals with enforcement measures. *See also* World Trade Organization, *WTO Trade Topics: Textiles Monitor Body* (TMB), [http://www.wto.org/english/tratop\\_e/texti\\_e/textintro\\_e.htm](http://www.wto.org/english/tratop_e/texti_e/textintro_e.htm) (last visited on Mar. 27, 2010).

¶12 Similar legal standards should apply in similar instances. Both counterfeiting and design piracy involve illicit imitations that deny a creator the fruits of his labor. Intellectual efforts are being copied and exploited without permission and to the detriment of the legitimate owner. These analogies justify the introduction of intellectual property protection for design rights. Of course granting only the right is not enough; enforcement and an effective court system that deals with violations must be put in place in order to create an efficient mechanism of protection. In addition, cooperation with the industry in order to combine enforcement efforts can be crucial to understand the real need for legislation and the best way to implement rules. Once this is in place, a wider global cooperation to tackle the piracy problem with harmonized regulations can be envisaged. This can be done by building on the enforcement mechanisms of national and international anti-counterfeiting measures already in place.

¶13 The absence of proper intellectual property rights that give designers standing to enforce their rights gives rise to trade distortion. If counterfeited items are prohibited, pirated design copies deserve the same treatment. The bottom line is the same: in both cases, the losses created are passed on in the form of higher prices and increasingly consumers are being exposed to dangerous materials from which the copies are made. A myriad of reasons have been brought forward for the legal prohibition of counterfeiting—there is no reason why they should not apply to design piracy too.<sup>12</sup>

### III. CURRENT DESIGN PROTECTION IN THE U.S.

¶14 In the United States, designers currently rely on three existing forms of protection: copyright, trade dress, and design patents. I will now proceed to illustrate the scope of these existing measures.

#### A. Copyright

¶15 United States copyright laws protect original forms of expressions fixed in a tangible medium for the life of the author plus 70 years.<sup>13</sup> Copyright protection covers diverse works such as literature, art, music and architectural drawings, and if the originality threshold is met, it punishes the creation of substantially similar works.<sup>14</sup> One would think that fashion designs are encompassed,<sup>15</sup> but this is not the case given the existence of a long established doctrine known as the “utilitarian doctrine” which prohibits the extension of copyright protection to useful articles. Allowing copyright protection of useful articles raises legitimate concerns as it has the potential of resulting in far-reaching competitive advantages, but whether this is the case in the fashion design industry is

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<sup>12</sup> There may be some theoretical economic arguments in favour of counterfeiting. For example, one may argue that counterfeiting puts downward pressure on prices, which ultimately benefits consumers. However, the main argument here is that design piracy should be treated the same way as counterfeiting, not to argue for the legal prohibition of counterfeiting per se.

<sup>13</sup> The Sonny Bono Copyright Term Extension Act extended the term of copyright protection for most works to life plus 70 years. *See* Pub. L. No. 105-298, 112 Stat. 2827 (1998) (amending chapter 3, title 17, U.S.C., to extend the term of copyright protection for most works to life plus 70 years).

<sup>14</sup> Copyright Act, 17 U.S.C. § 101 et seq. (2008).

<sup>15</sup> This statement is made following the reasoning by analogy approach. H.R. REP. NO. 94-1476, at 55 is clear in showing that legislative history specifically excluded “ladies’ dress” from the subject matter of copyright law.



debatable. Consumer choice seems to attach more importance to the aesthetics of a clothing design, and the status and prestige the design confers, rather than its functional aspects.

¶16 In any case, the Copyright Act is clear: copyright doctrine protects original works insofar as their form but not their utilitarian aspects are concerned.<sup>16</sup> One way to secure some protection is to separate original artistic parts from functional ones: designs of useful articles shall be protected only to the extent that they incorporate pictorial, graphic, or sculptural features that are capable of existing independently of the utilitarian aspects of the same article.<sup>17</sup> The fact that a useful article is attractively shaped does not render it eligible for copyright protection; only some non-useful features, which can be identified separately, might qualify for protection.<sup>18</sup> This involves a considerable degree of physical or at least conceptual separability.

¶17 It follows that some design elements, such as original fabric designs, have the potential of being the adequate subject for copyright protection, but clothing designs do not because their shapes are considered to have the primary utilitarian functions of covering the human body and keeping it warm.<sup>19</sup> In most cases, fashion designs fail the separability test because creative expression is extrinsically compounded with practical utility.<sup>20</sup> As one court concisely put it when addressing fashion designs' copyrightability: "artistic and utilitarian elements are conceptually indivisible and, therefore, not copyrightable subject matter."<sup>21</sup> In the recent case of *Galiano v. Harrah's Operating Co.*<sup>22</sup> the Court of Appeals for the Fifth Circuit held that casino uniforms could not be copyrighted because the aesthetic value of clothing cannot conceptually be separated from its utilitarian function, namely the necessity of wearing it to perform one's job adequately.

¶18 It is going to be very difficult to succeed in proving separability between the design and its utility. Only a few design piracy cases have been pursued under this legal theory, and only the most egregious cases have been successful.<sup>23</sup> In *Kieselstein-Cord v. Accessories by Pearl*<sup>24</sup> the majority held that the metal belt buckles designed by Barry

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<sup>16</sup> *Id.*

<sup>17</sup> *Id.*

<sup>18</sup> 37 C.F.R. §202.10 (c) (1959), revoked on Jan. 1, 1978 by 43 Fed. Reg. 966 (1978) and codified in the Copyright Act of 1976, 17 U.S.C. § 101.

<sup>19</sup> The Copyright Act 1976 allows for the copyrightability of patterns but until then the applicable principles of law were set out in *Cheney Brothers v. Doris Silk Corp.*, 35 F.2d 279 (2d Cir. 1929). Cheney was in the business of producing silk fabric and Doris copied Cheney's patterns. The Trial court found for Doris and the Appellate Court affirmed because at the time the Copyright Office was not accepting "patterns" as copyrightable subject matter. The Appellate Court held that although Cheney had suffered harm no remedy did exist at common law and that it was up to the legislature to amend copyright law to address the issue.

<sup>20</sup> MELVIN B. NIMMER, NIMMER ON COPYRIGHTS § 2.08[B][3]. Nimmer differentiates between fabric designs and dress designs and concludes that fabric designs are generally copyrightable since they could be marketable as art but clothing designs are not. See also Olivera Medenica, *Designers Seek to Prevent Cheaper Knockoffs*, NAT'L L.J., Aug. 28, 2006. In *Marzer v. Stein*, 347 U.S. 201 (1954), the Supreme Court found that some ceramic statues at the base of a mass-produced lamp were eligible for copyright protection as they were separable from the functional aspects of the lamp.

<sup>21</sup> *Galiano v. Harrah's Operating Co.*, 416 F.3d 411, 414 (5th Cir. 2005).

<sup>22</sup> *Id.*

<sup>23</sup> In *Poe v. Missing Persons*, 745 F.2d 1238 (9th Cir. 1984), the Court awarded copyright protection to a swimsuit design that was so elaborately crafted it had little chance of being worn.

<sup>24</sup> *Kieselstein-Cord v. Accessories by Pearl, Inc.*, 632 F.2d 989, 989-90 (2d Cir. 1980).

Kieselstein reached out to the level of creative art,<sup>25</sup> but the position of the dissenting judge was unbendable: “Innovations of form are inseparable from the more important function they serve—helping to keep the tops of trousers at waist level.”<sup>26</sup>

¶19 This further exemplifies that copyright would only protect against unauthorized use and copying of artistic elements that exist independently of the utilitarian aspects of the article. The protection is limited to design elements such as individual patterns as well as fabric collections that present some elements of originality.<sup>27</sup> The threshold for originality is low, only some minimum degree of creativity has to be displayed. Copyright registration in the U.S. is a straightforward process only requiring filing a short application and paying a nominal fee.<sup>28</sup>

¶20 Over the past few years, designers have become more aggressive in pursuing infringers that are knocking-off their fabric designs. As of October 2007, Forever 21, a fast-fashion merchandiser making a business out of copying high-end designers, has been the target of more than 20 lawsuits; some of them have been settled and others are still pending.<sup>29</sup> Designers Diane von Fürstenberg and Anne Sui seem to be very keen on enforcing their copyrights in fabric design as this is currently a powerful tool to succeed against copiers.<sup>30</sup>

### B. Trade Dress

¶21 The protection of trade dress, as governed by the Lanham Act, encompasses design and appearance of a product together with the elements making up the overall image that serves to identify the product presented to the consumer.<sup>31</sup> To successfully pursue a claim for trade dress infringement a design must be non-functional, it must have acquired secondary meaning or be inherently distinctive, and its appropriation must be likely to cause confusion as to the origin of the product.<sup>32</sup> Although far from easy, proving the non-functionality requirement is not as lethal as the “utilitarian” aspect of copyright law, and fashion designs are likelier to overcome this hurdle under this legal theory.

¶22 The real challenge lies in proving inherent distinctiveness or secondary meaning. This is further complicated by the U.S. Supreme Court decision in *Samara Brothers v. Wal-Mart*,<sup>33</sup> where the Court held that clothing designs are very rarely inherently distinctive and that distinctiveness would always require proof of secondary meaning, in the sense that consumers must regard the design feature as indicating the source of the

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<sup>25</sup> *Id.*

<sup>26</sup> *Id.*

<sup>27</sup> In *Knitwaves, Inc. v. Lollytags Ltd.*, 71 F.3d 996 (2d Cir. 1995), the Court held that pattern can be protected as “writing or prints” under the Copyright Act.

<sup>28</sup> Forty-five dollars for a basic registration or thirty-five dollars if registration is filed online. United States Copyright Office, *Fees*, <http://www.copyright.gov/docs/fees.html> (last visited on Apr. 18, 2010).

<sup>29</sup> Lisa Pearson et al., *From Fashion Catwalks to the Courts*, COPYRIGHT WORLD, Apr. 2008, at 23; see also Scott Hemphill & Jeannie Suk, *The Law, Culture, and Economics of Fashion*, 61 STANFORD L. REV. 1147, 1174 (2009).

<sup>30</sup> Forever 21’s \$32 “Sabrina” smock dress looks suspiciously similar to Diane Fürstenberg’s \$325 “Cerisier” design, but the only way Diane von Fürstenberg could prove her rights was by asserting her copyright in the fabric of the dress.

<sup>31</sup> Section 43(a) of the Lanham Trademark Protection Act, 15 U.S.C. § 1125(a) (1994).

<sup>32</sup> JEROME GILSON & ANNE GILSON LALONDE, GILSON ON TRADEMARK PROTECTION AND PRACTICE § 2A.01[1] (2006).

<sup>33</sup> *Samara Bros., Inc. v. Wal-Mart Stores, Inc.*, 165 F.3d 120, 128-29 (2d Cir. 1998).

item. This seems to imply that, in order to be protected under §43(a) of the Lanham Act, a design needs to symbolize a unique source identifier. The Court's ruling in *Samara Brothers* severely limited the scope of intellectual property protection for clothing designs under the trade dress heading, since the short life span of "clothing's marketability more or less precludes its attaining a secondary meaning until the item is no longer *in fashion*, at which point a suit to protect would be meaningless."<sup>34</sup> The Court acknowledged that most fashion designs are of volatile nature and are not intended to identify source but rather to render products more appealing. He distinguishes packaging design, which usually is an automatic indicator of origin and therefore protected under §43(a) of the Lanham Act, from fashion design, which mainly appeals for its aesthetic function. Although the Court did not carry this argument out any further, the thinking that the appeal of fashion designs lies in their aesthetic function seems to suggest that innovative designs are often insufficient proof of source for customers. Many designers have attempted to secure their creative work for an entire garment under trade dress protection, arguing that the product's overall image justifies protection because it qualifies as a source of origin,<sup>35</sup> but following the *Samara* ruling, only a few have been successful. In *Coach Inc. v. We Care Trading Co.*,<sup>36</sup> Coach was able to introduce enough evidence showing that its handbag design had gained secondary meaning: satisfactory expert testimony, consumer surveys and evidence of advertising. The Coach case is the exception that confirms the rule: only in very rare circumstances will fashion design be source-identifying as this is a very high standard for a product to meet.

### C. Design Patents

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In order to have a valid design patent the claimed design depicted in the drawings must be "novel, non-obvious and non-functional ornamental design for an article of manufacture."<sup>37</sup> Design patents grant their inventors a monopoly over their innovative designs by giving them the exclusive right to manufacture, use and sell the patented design for a term of 14 years from issuance. However, the difficulties in meeting the requirements for this form of protection with respect to fashion design are many. Strict standards apply. Considering that most fashion designs consist of slight variations of articles of clothing already on the market, the standard of non-obviousness can be very hard to meet. The design has to be non-obvious in the eyes of someone skilled in the art, a fashion designer in this case. If these obstacles are overcome, the protection granted is far-reaching,<sup>38</sup> but at the expense of time and money. It takes an average of two years to receive approval (or a rejection) from the U.S. Patent and Trademark Office (USPTO) and the cost of a design patent application together with government fees and the added costs of a design patent attorney can amount to several thousand dollars.<sup>39</sup> In a fast-

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<sup>34</sup> Samantha L. Hetherington, *Fashion Runways Are No Longer The Public Domain: Applying The Common Law Right Of Publicity To Haute Couture Fashion Design*, 24 HASTINGS COMM. & ENT. L.J. 43, 55 (2001).

<sup>35</sup> *Id.* at 58.

<sup>36</sup> *Coach, Inc. v. We Care Trading Co.*, No. 99 Civ. 11672, 2001 WL 812126, at \*15 (S.D.N.Y. July 18, 2001).

<sup>37</sup> 35 U.S.C. §§ 171-73 (1988).

<sup>38</sup> *Id.* Design patents last for 14 years.

<sup>39</sup> According to 37 C.F.R. § 1.16(b)(1) and Fee Code 1012/2012, the basic filing fee for a design patent

moving industry where the success of a particular design cannot be accurately predicted, companies are reluctant to invest large sums *ex ante*. Jimmy Choo, a fashion house that is generally very keen on protecting its intellectual property rights and started to build up a design patent portfolio several years ago, now owns about 270 issued design patents.<sup>40</sup> About 50 of those relate to bags, but the majority, approximately 170 designs, relate to shoes. However, most luxury fashion-houses still do not have any design patents as the overall process is too cumbersome and the prospects of protection are too uncertain given that the USPTO rejects roughly half of the applications that are filed. Additionally, design patent infringement is found in only approximately half of the cases brought to court.<sup>41</sup>

#### D. Evaluation of the Current Protection

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There is no magic bullet for the protection of design rights. A remedy can be sought within the patchwork of protections, which typically apply only to a limited aspect of the design and for too long a term to fit a fast-moving industry.<sup>42</sup> As I have explained above, the scope of protection afforded by each of these areas may differ significantly, and it is often difficult to foresee and select the form of protection that will provide the broadest scope of rights. Notably, judges have shown a very narrow attitude when the protection of fashion designs is at stake, and they have always tried to keep their interpretations as tight as possible. The case law reviewed above has shown that, most of the time, courts recognized only clothes' utilitarian function in the ambit of copyright and refused to find indication of source in the realm of trade dress. This is indicative of the courts' unwillingness to apply intellectual property protection to fashion designs in the absence of a clear authorization to do so. There is some wiggle room, but it can only lead to uncertainty and inconsistent predictions so that one might say with enough confidence that the legal remedies currently available are insufficient to grant fashion designs adequate intellectual property protection.<sup>43</sup>

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filed on or after December 8, 2004 is \$220 and \$110 for small entities. Following 37 C.F.R. § 1.18(b) the issuance fees of \$860 and \$430 for small entities must be paid. Julie P. Tsai, Comment, *Fashioning Protection: A Note on the Protection of Fashion Designs in the United States*, 9 LEWIS & CLARK L. REV. 447, 457 (2005), notes that the average attorney fees amount to \$1,100 per design.

<sup>40</sup> At the time of writing, January 2009, an extensive search was performed on United States Patent and Trademark Office, *Patent Full-Text and Full-Page Images Database* at <http://www.uspto.gov/patft/index.html>.

<sup>41</sup> Richard G. Frenkel, *Intellectual Property in the Balance: Proposals for Improving Industrial Design Protection in the Post-TRIPS Era*, 32 LOY. L.A. L. REV. 555 (1999).

<sup>42</sup> In this sentence "too long a term" refers to the long terms of years that the current intellectual property options cover. As mentioned above, copyright protection lasts for 70 years post mortem autorem, a design patent for 14 years, and a trade dress for as long as it is used/renewed. Tsai, *supra* note 39 (arguing that 14 years of protection for design patents is excessive for protecting fashion works that have a short life span).

<sup>43</sup> Another interestingly related argument is explored by Scott Hemphill and Jeannie Suk, *supra* note 29 ("Designers who are protected by trademark and trade dress innovate in ways that play to these legal advantages. The resulting effect on the direction of innovation is to favor innovation by designers who already enjoy existing protection by other aspects of intellectual property law, over innovation by designers—particularly small, new designers—who are not thus protected. The existence of some kinds of intellectual property protection combined with the absence of design protection also gives designers the incentive to create some kinds of products over others.").

## IV. ANALYSIS OF THE DESIGN PIRACY PROHIBITION ACT

¶25 The Design Piracy Prohibition Act (“DPPA”), originally introduced by Congressman Bob Goodlatte in the House of Representatives on March 30, 2006, is intended to fill in the gap by amending Chapter 13 of the Copyright Act of 1976 so as to encompass fashion designs.<sup>44</sup> In short, the DPPA would allow a designer to photograph a garment, digitally archive it, and register it for copyright protection for a nominal fee.<sup>45</sup>

A. *Is There Need for This Legislation*

¶26 There is a need for legislation because the numbers show that design piracy is harming the design industry and consumers. The U.S. Chamber of Commerce estimates that \$12 billion in revenues were lost in 2006 because of piracy of apparel and fashion goods accounting for 5% of the nation’s \$196 billion apparel market.<sup>46</sup> The numbers in this study also include counterfeited items as usually every counterfeit garment starts as a pirated design—the real figure could actually be much higher due to the fact that design piracy is not outlawed. However, the nature and the extent of the harm suffered by fashion designers due to the lack of legal protection is demonstrated not only in the economic loss of the fashion market, but also in the loss of goodwill and dilution which are not reflected by the above numbers.

¶27 The fact that the DPPA is stalled in Congress shows that the U.S. fashion world is split on the issue. There is a sharp divide among legal scholars and representative members of the fashion community as to the potential benefits of the DPPA. Representatives of the California Fashion Association argue that if the bill is passed, designers’ inspiration would be stifled and many retailers would be exposed to frivolous lawsuits that would drive them out of business. On the other side, designer-supporting organizations, such as the Council of Fashion Design America and the New York Council of Fashion Design, clearly support the initiative; many designers, among them Narciso Rodriguez, Diane von Fürstenberg and Zac Posen, complain that their designs have been pirated so much that their value is now diluted and their reputation damaged.<sup>47</sup> Other big

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<sup>44</sup> Design Piracy Prohibition Act, H.R. 5055, 109th Cong. (2006). The proposed legislation would amend chapter 13 of title 17 of the United States Code. The change will be de minimis: the words “article of apparel” at § 1301 (b) would include fashion designs within the scope of copyright protection. In addition it would just be another exception to the utilitarian doctrine, see vessel hulls and architectural designs.

<sup>45</sup> The exact amount is unclear as different sources give different values, but it will lie somewhere between \$50 and \$100.

<sup>46</sup> *The U.S. Apparel Market 2007 Dresses Up . . . Way Up*, BUS. WIRE, Mar. 18, 2008 (U.S. apparel sales reached \$196 billion in 2007), available at [http://www.npd.com/press/releases/press\\_080318.html](http://www.npd.com/press/releases/press_080318.html). Definite numbers on the costs of counterfeiting are hard to come by, but one study entitled “Economic Analysis of the Proposed Anti-Counterfeiting and Piracy Initiative” prepared for the Coalition Against Counterfeiting and Piracy (CACCP) by LECG, November 2007 states that “the lost revenues due to counterfeiting and piracy of the apparel and fashion industry are estimated to be about \$12 billion annually.” For more thorough information and market analysis figures on the Apparel Market in the United States, see *Trends – An Annual Statistical Analysis of the U.S. Apparel and Footwear Industries*, Compiled on Behalf of AAFA in Part By Sandler, Travis & Rosenberg. Annual Reports for years 2005, 2006, 2007 available at <http://www.apparelandfootwear.org/Statistics.asp> (last visited on Mar. 18, 2010). See also Maggie Overfelt, *When Piracy Is Legal*, FORTUNE, Apr. 28, 2008, [http://money.cnn.com/2008/04/23/smbusiness/whos\\_stealing\\_piracy\\_legal.fsb](http://money.cnn.com/2008/04/23/smbusiness/whos_stealing_piracy_legal.fsb).

<sup>47</sup> See Eric Wilson, *O.K., Knockoffs, This Is War*, N.Y. TIMES, Mar. 30, 2006, at G1. The stories of individual designers can be found at <http://www.counterfeitchic.com>.

players, such as the National Retail Federation, do not take a public position due to a lack of internal consensus on the issue. The academic world is also split. Professor Susan Scafidi is a strong proponent of the DPPA<sup>48</sup> whilst Professor Sprigman and Professor Raustiala argue against it.<sup>49</sup> The lack of unity around the proposal raises questions about the political economy of fashion. It might be true to a certain extent that the fashion industry has thrived commercially without an explicit framework for intellectual property protection, but it is also true that design piracy cuts into sales, tarnishes a brand's reputation and constitutes a major barrier for young designers trying to establish their identity in the marketplace.<sup>50</sup> I will now assess which of these arguments should be given greater weight.

### 1. Technological Advance

¶28 Early in the 20th century, the impact of copies of original fashion designs was more modest. Designers enjoyed first mover rights by profiting from the exclusivity of their designs before competitors could copy them at a cheaper cost. In that time gap, the designers reaped generally high profits from their original designs, before moving to the next trend. In this scenario, the time lag between when a design was launched and when a copy could be reproduced would typically amount to several months, and the competitive advantage gained by the original creator in those months might be the best explanation on why the industry was able to thrive for so long without intellectual property protection.

¶29 More recently, technological advances to the means of textile and garment production eroded that advantage by enabling fast manufacturing in places with cheaper labor. Especially for developing countries, design piracy is efficient and lucrative: pirates copy designs from photographs of catwalks posted on the Internet and produce accurate copies even before real items are introduced into the market.<sup>51</sup> It is also common for copycats to send spies to showrooms and take photographs of the garments.<sup>52</sup> It is these technological advances that increase the need for intellectual property protection. The legal principle exempting fashion from copyright protection to encourage the growth of the industry seems to be outdated in this era of sophisticated and instantaneous mass copying. New technologies threaten designers' ability to compete with the products of lower cost countries, because the distribution of images of new designs and the automation of copying and manufacturing occur in the blink of an eye. The days when Coco Chanel would say "copying is the highest form of flattery" are now over—piracy threatens the very existence of fashion designers. In many cases, costs will not be recovered, and in the other cases only small margins will result from a severely limited first mover dynamic.

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<sup>48</sup> Susan Scafidi, *F.I.T.: Fashion as Information Technology*, 59 SYRACUSE L. REV. 69 (2008); *see also* Scafidi, *supra* note 1.

<sup>49</sup> Kal Raustiala & Christopher Sprigman, *The Piracy Paradox: Innovation and Intellectual Property in Fashion Design*, 92 VA. L. REV. 1687, 1692 (2006).

<sup>50</sup> Robin Givhan, *The End of 'Gown in 60 Seconds'?*, WASH. POST, Aug. 10, 2007, at C02.

<sup>51</sup> Teri Agins, *Copy Shops: Fashion Knockoffs Hit Stores before Originals As Designers*, WALL ST. J., Aug. 8, 1994, at A1.

<sup>52</sup> MARY GEHLHAR, *THE FASHION DESIGNER SURVIVAL GUIDE* 248 (Kaplan Publishing 2d ed. 2008).

¶30 Copying generates inefficiencies in the market which result in economic losses to designers who are prevented from reaping a fair return on their investments. If costs are not recovered, designers are forced to charge consumers higher prices. Proponents of the bill have explained that one of the ideas behind it is to protect highly innovative designs at a time when they are sold at high prices, so that the costs can be recovered by prohibiting the sale of substantially similar items that would undercut the market. The DPPA would guarantee a protection term of three years, which appears to be a modest term calibrated to address the specific problem of cost recovery and granting a reasonable expectation of exclusivity.

## 2. Split Markets

¶31 Landes and Posner suggest that copyright protection is not always necessary to incentivize creators because there are several factors that would limit copying even in the absence of copyright laws.<sup>53</sup> They argue that the inferior quality of a plagiarized copy makes it an imperfect substitute for the real thing and that as a consequence there might not be negative effects on the market. If this argument is taken and equally applied to the fashion design industry context, the result would be that the markets for top-end fashion and mass-market retailers would split because arguably no revenues are lost if consumers would not pay money for the original item in the first place. The difficulty with this argument, and Landes and Posner recognize it later on, is that the fact that some customers of pirated copies would not have paid for the original item does not imply that all of them would not have paid.<sup>54</sup> It is very difficult to ascertain the fraction of consumers who bought the pirated item, but would have been willing to pay the higher price of the original piece.<sup>55</sup>

¶32 It might be true that original designs and copies address different market segments and that therefore, designers do not lose customers and revenues, but this does not take into consideration that copying can occur between parties at the same level of the fashion industry. One example of this horizontal copying occurred when Yves Saint Laurent successfully sued Ralph Lauren over a dinner jacket dress under French copyright law, and was awarded \$395,000.<sup>56</sup> No matter at what level of the pyramid the copying occurs, as long as the parties are at the same level it is certain that someone will be hurt economically.

¶33 Vulnerability to economic loss can materialize even when copying occurs between different segments of the pyramid. Lately we have been witnessing a democratization of style, that has shown that creative design does not only stem from haute couture fashion houses, but it may originate from many different sources and at all price levels. Although

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<sup>53</sup> WILLIAM M. LANDES & RICHARD A. POSNER, *THE ECONOMIC STRUCTURE OF INTELLECTUAL PROPERTY LAW* 41 (Belknap Press of Harvard University Press 2003).

<sup>54</sup> *Id.* at 47.

<sup>55</sup> *Id.*

<sup>56</sup> *Societe Yves Saint Laurent Couture S.A. v. Societe Louis Dreyfus Retail Mgmt. S.A.*, [1994] E.C.C. 512, 514 (Trib. Comm. Paris); PAUL R. PARADISE, *TRADEMARK COUNTERFEITING, PRODUCT PIRACY, AND THE BILLION DOLLAR THREAT TO THE US ECONOMY* 77 (Greenwood Publishing Group 1999) (“A French court ruled in favor of Yves Saint Laurent for ‘counterfeiting and disloyal competition’ against Ralph Lauren for copying a black tuxedo dress that was created in 1966. Saint Laurent was awarded \$395,000 in 1994.”); *see also* Jennifer Mencken, Comment, *A Design for the Copyright of Fashion*, 1997 B.C. INTELL. PROP. & TECH. F. 121201 n.75 (1997).

a lot of copying still involves retailers copying high-end designers, this trend is slowly changing as some of the most aggressively copied designs are popularly priced. For example, the Croc clogs for the summer and the Ugg boots for the winter have been copied widely at every level of the pyramid. This emphasizes the need for design protection for every level of the industry that makes use of creative endeavor.

¶34 In addition, within the past few years the threshold of creativity between different levels of the pyramid has become blurred as high-end designers have shown an increasing willingness to collaborate with large retailers through designer partnerships. For example, Isaac Mizrahi has agreed to design for Target, Chanel designer Karl Lagerfeld and Jimmy Choo created lines for H&M, Mark Eisen launched a sportswear collection for Wal-Mart, and many others followed on the same track.<sup>57</sup> These collaborations allow top-end designers to apply their creativity to more affordable materials and the result is innovative design at a lower price, which means a greater percentage of the consuming public can afford the designs. Given the weakness of the current IP regime, the designers, high-end or not, remain unprotected whether they create for Chanel or H&M. Accordingly, a change in copyright law to incorporate fashion designs would enhance consumer welfare by increasing designers' incentives to disseminate their creative work cheaply.<sup>58</sup>

¶35 In addition, notwithstanding the level at which the copying occurs, cheaper imitations do dilute original couture designs rather than serving as an advertising tool to the benefit of the designer. Congress recognized a dilution cause of action under trademark law, and identified the harm associated with dilution as "the lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of . . . likelihood of confusion, mistake, or deception."<sup>59</sup> Consumers like the prestige that is conveyed by a trademark, by a design or by both of them together. The industry suffers if a design becomes diluted, because its aspirational value drops. Economic loss is not always present when the claim is one for dilution, sometimes unauthorized copying has no direct economic impact, but nonetheless it lessens the prestige and uniqueness of the product. This mirrors the Landes and Posner scenario described above where the markets are separate because the plagiarized copy is of inferior quality, but other times the dilution of a design can cut into sales, for instance when a design is dropped by the industry when it becomes too widespread or associated with a less exclusive image.

¶36 Tailored copyright protection would prevent dilution to a certain extent and it would give high-end designers the means to make credible commitments about separation to consumers who expect to get an exclusive product for the price they are paying. This would leave the door open for derivative works<sup>60</sup>—if designs are inspired by existing works no infringement claims should be possible especially in an industry

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<sup>57</sup> See Adam Jones & Elizabeth Rigby, *A Good Fit? Designers and Mass Market chains Try to Stitch Their Fortunes Together*, FIN. TIMES, Oct. 25, 2005.

<sup>58</sup> It may also be argued that an increase in legal protection covering designs would decrease consumer welfare by allowing designers to charge higher prices due to the lack of competing alternatives. Which of the effects predominates in practice is an empirical question which is outside the scope of this article.

<sup>59</sup> Federal Trademark Dilution Act of 1995, 15 U.S.C. § 1127 (2006).

<sup>60</sup> LANDES & POSNER, *supra* note 53, at 109 (quoting Paul Goldstein, *Derivative Rights and Derivative Works in Copyright*, 30 J. COPYRIGHT SOC'Y 209, 229 (1983)).



where some level of cross-pollination is crucial to its workability. It turns out to be a question of degree, an issue that I discuss later.

### 3. The Fashion Cycle of the Low IP Equilibrium

¶37 In a piece titled “The Piracy Paradox: Innovation and Intellectual Property in Fashion Design” Professors Sprigman and Raustiala analyze the proposed legislation in light of the fashion cycle maintenance, their own theory of interpretation of the fashion industry.<sup>61</sup> According to them, legislation prohibiting design piracy is unnecessary because the low intellectual property equilibrium and the resulting “reinterpretation, derivative reworking and copying” of designs is part of the very nature of the industry because it keeps the fashion cycle moving.

¶38 They bring forward an argument, “induced obsolescence,” which describes how haute couture designers create fashion trends for a limited and exclusive clientele who generate a consistent profit in the immediate future. When these high-end trends are then reinterpreted by mass market designers to be sold at a cheaper price, haute couture designers develop a subsequent distaste towards these cheap reinterpretations; “what is initially chic can rapidly become tacky . . . as it diffuses into the broader public”<sup>62</sup> and it is this distaste that spurs them to move on and create newer looks. This rapid spreading of copied designs leading towards exhaustion suggests that copying does not hinder creativity; on the contrary, it produces greater incentives to innovate among designers.

¶39 This leads to their second argument: copying and reinterpreting successful designs helps “anchor” seasonal trends, which benefits the industry as a whole. Raustiala and Sprigman see the equation “copying = contributing to the creation of a trend” as a key element of the fashion economy. They claim that after being created by top-end designers, trends have to be communicated by the rest of the fashion pyramid because it is trends that drive the consumption of fashion: every season new trends come into being because they appeal to the masses.<sup>63</sup>

¶40 Both arguments are in line with the truth that fashion designs have a short life, that people buy clothes to keep up with the latest style, and it is this that encourages designers to move forward and create new looks, but it does not take into account the complexity of the taste dependency of fashion. Sprigman takes it a step further by saying that the industry has “developed an ecosystem that depends on copying,”<sup>64</sup> but even here, it is difficult to see how the value of inciting people to conspicuous consumption can have any social benefits.

¶41 It might be true that the phenomena identified above, which are peculiar to fast moving industries, have allowed the industry to move on quickly, and that the introduction of intellectual property protection has the potential of making the fashion cycle slower and less trend-driven. Springman and Raustiala offer a comprehensive analysis explaining why they perceive that the fashion industry as a whole works well and continues to be creative, however a breaking point must be defined when

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<sup>61</sup> Kal Raustiala & Christopher Sprigman, *The Piracy Paradox: Innovation and Intellectual Property in Fashion Design*, 92 VA. L. REV. 1687, 1692 (2006).

<sup>62</sup> *Id.*

<sup>63</sup> Mary Wood, *Sprigman Urges Congress to Keep Fashion Copyright-Free*, Virginia Law, News & Events, July 31, 2006, [http://www.law.virginia.edu/html/news/2006\\_spr/sprigman.htm](http://www.law.virginia.edu/html/news/2006_spr/sprigman.htm).

<sup>64</sup> *Id.*

“referencing” becomes “pirating.” The DPPA should be construed so that referencing is permitted and pirating prohibited. The ability of creating a trend by being referenced is a motive of flattery for designers, and since the proposed bill would apply to garments “as a whole” it won’t prohibit original remixes. It is widely accepted that nothing is entirely new or original in fashion design because the focus is on the re-contextualization and the recycling of previous ideas. However, as mentioned above, the DPPA does not want to reshape the prerogatives on which fashion design is grounded—it’s scope should be to encompass literal copies only. Once a strict standard of interpretation has been agreed on, the rhythm of the fashion cycle would not be disrupted.

#### 4. The Piracy Business Model versus The Industry of “Young” Designers

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The price of fashion at every level of the pyramid is justified by the time and effort designers spend researching fabrics, ideas and techniques.<sup>65</sup> Becoming a fashion designer takes years of training in design schools and as apprentices, large investments of money for the development of new and unusual fabrics, not to mention the high expenses associated with the marketing and the runway shows, which include models, samples, photographers, stylists, space etc. Although it is to be noted that copyright law in the U.S. has never recognized the “sweat of the brow” doctrine,<sup>66</sup> which states that someone can gain IP rights through efforts expended in labor and not necessarily resulting in original work, all this hard work must justify some sort of protection because originality in this segment of the industry will generally be appreciated by the public only once the hard work part has been satisfied.<sup>67</sup> It is not just the free ride on research costs that justifies intellectual property protection in the fashion industry, but copiers also avoid the deadweight loss<sup>68</sup> of the designs that turn out to be unpopular, but where resources have been spent already. The absence of protection for fashion designs in the U.S. made the economic position of young designers particularly vulnerable as companies with piracy as a business model became widespread. These companies’ business is based on warehousing cheap material and copying successful designs. They do not invest any capital in paying designers since their designs can be freely appropriated anyway, and saving on designers equals saving the costs listed above, mainly the ones associated with

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<sup>65</sup> Wilson, *supra* note 47.

<sup>66</sup> Feist Publ’n, Inc. v. Rural Tel. Serv. Co., 499 U.S. 340, 345 (1991).

<sup>67</sup> *Design Law – Are Special Provisions Needed to Protect Unique Industries: Hearing on H.R. 2033 Before the H. Subcomm. on Courts, Internet and Intellectual Property of H. Committee on the Judiciary*, 110th Cong. (2008) [hereinafter *Hearing*] (statement of William Delahunt, House Representative); *id.* (statement of Narciso Rodriguez, Counsel of Fashion Designers); *see also* Susan Scafidi, *Washington Fashion Week 2: The Design Piracy Prohibition Act*, COUNTERFEIT CHIC, Feb. 19, 2008, [http://www.counterfeitchic.com/2008/02/Washington\\_fashion\\_week\\_2\\_the.php](http://www.counterfeitchic.com/2008/02/Washington_fashion_week_2_the.php) (referring to Narciso Rodriguez’s statement, “[h]is very personal prepared statement told the story of a Cuban-American boy who took out loans to attend Parsons and got his big break when he made a wedding gown for his dear friend Carolyn Bessette’s marriage to John F. Kennedy, Jr., only to see it copied nearly 8 million times. He sold 40. Publicity may be nice, but it doesn’t pay the bills.”).

<sup>68</sup> In economic terms, a deadweight loss is a loss of economic efficiency that comes into play when the equilibrium for products or services is not optimal and improvements can be made. For an accurate definition of deadweight loss see HAL R. VARIAN, *INTERMEDIATE MICRO ECONOMICS* 431-34 (Norton 2006).

the runway. They focus on the output and on maintaining low prices. As Scafidi put it, “[t]he copyists are professionals, in the game for cash, not creativity.”<sup>69</sup>

¶43 If the DPPA is passed, mass market retailers would face the peril of lawsuits being filed over exceedingly similar copies and this will force them to hire designers, which would benefit the public in two ways: more jobs and a richer choice of designs would be on the market. Right now, the jobs that could employ young American designers are sacrificed in favor of sweatshop labor in developing countries, where the copies are manufactured. No wonder that emerging Asian economies are growing industries based on copying, manufacturing and exporting American fashion designs as long as it is legal. This piracy business model also hinders the export opportunities for America.

¶44 Knockoffs devalue designs to the point that wholesale orders are cancelled,<sup>70</sup> and this is threatening for young designers especially. More settled designers rely on their well-established trademarks as these are the essence of their revenues and profits, because they are protected by anti-counterfeiting provisions. Alain Coblenz, a lawyer hired by the Council of Fashion Designers, gives voice to the legitimate concerns of designers: “designers now must ask what is the incentive to innovate if you know your creation is going to be stolen within days and your designs are going to be used before you have a chance to use them for yourself?” And this goes back to the constitutional intent of copyright law.

¶45 It has been questioned whether the DPPA is more concerned with protecting creativity or luxury fashion houses with money. It is to a certain extent true that the top slice of the fashion pyramid has better means to afford pursuit of legal actions for design infringement, but the bill will also give a strong weapon to creative young minds who come up with brilliant new ideas. It would be a massive improvement for every designer, regardless of whether well-established or young, given that the status quo only allows for custom recordal options and for the sending of a cease and desist letter trying to persuade the infringing party with moral and uncertain legal arguments.<sup>71</sup> Cease and desist letters based on the new legislation would contain compelling reasons to refrain from copying and in the case of lawsuits, copiers will be likely to settle.

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<sup>69</sup> The copyists recognize that in certain instances, when the particular design falls in one of the traditional intellectual property doctrines (discussed above) there are costs of copying—but these are calculated beforehand, so that in the end it is still more convenient for them to pay the damages than to hire designers. It must also be acknowledged that many companies who adopt this piracy business model, offer a vast variety of choice of goods which have been copied from the most different sources, so that in the eventuality of a lawsuit their whole business plan is not ruined.

<sup>70</sup> Consider the example of Ananas, a relatively young (5-year-old) handbag label. Its co-founder, a young wife and mother working from home in the suburbs of Washington successfully promoted her handbags, which retailed between \$200-\$400. In 2006, she received a call cancelling a wholesale order. The buyer explained that he found virtually identical copies of her bags at a lower price. Copies of her bags were popular on the Internet, too. Ananas is still in business at present, but this loss of both wholesale and retail sale was a significant blow to a small business.

<sup>71</sup> It can also be argued that design protection is more important for young designers following the argument made by Scott Hemphill and Jeannie Suk, *supra* note 29 (“Luxury firms are already well protected by the existing trademark and trade dress legal regime, brand investments, and the relatively small overlap between markets for the original and for the copy. The main threat posed by copyists is to innovation by smaller, less established, independent designers who are less protected along all of these dimensions. Affording design protection would level the playing field with respect to protection from copyists and allow more such designers to enter, create, and be profitable.”).

¶46 The U.S. fashion industry is vibrant, but it is young.<sup>72</sup> The bill would defend young designers who are not so well established and still vulnerable prey to mass market copiers by giving them three years in which they can exploit their ideas in the marketplace by themselves. It does not seem that this is asking Congress for too much. During the three years of protection that the DPPA envisages, designers can decide to pursue design patents for their most successful creations, if they want to seek continuing IP protection. The businesses adopting the pirating strategies described above are lobbying against the DPPA saying that the costs of facing lawsuits and the difficulty in obtaining financing would drive them out of business.<sup>73</sup> This is not true, they will just be forced to adapt their business model to the new intellectual property laws and employ more innovative young designers instead of relying on piracy.

## V. THE DPPA AND ITS SCOPE

¶47 Now that I have ascertained that there is harm and therefore, a need for a legislative measure in this direction, I will evaluate if the proposed bill is satisfactory. If it creates a successful mechanism that combats the harm caused by the copying that occurs at every level.

¶48 The DPPA, if passed, would amend the section devoted to the “Protection of Original Designs,” under Chapter 13 of Title 17 of the United States Code, which currently protects vessel hulls, so as to include fashion designs.<sup>74</sup> Fashion designs would receive protection for “the appearance as a whole of an article of apparel, including its ornamentation” with “apparel” defined to include “men’s, women’s, or children’s clothing, including undergarments, outerwear, gloves, footwear, and headgear . . . handbags, purses, and tote bags . . . belts and . . . eyeglass frames.”<sup>75</sup> The Register of Copyrights would determine whether the purported design fits the category, and if it does, then it will be registered. Damages for infringement can reach the amount of \$250,000 or \$5 per copy, whichever is greater, and designers could eventually appeal for the destruction of pirated goods. The envisaged term of protection is three years (non-renewable) upon the earlier of the date of publication of the registration<sup>76</sup> or the date the design is first made public.<sup>77</sup> Exempt from protection are fashion designs that were made public more than three months prior to the filing of the registration application. The act prohibits the making of closely and substantially similar copies of original work. Civil actions can be brought against people who “make, have made, import, sell or distribute any article embodying a design, which was created with knowledge or reasonable grounds to believe that the design was protected and copied.”<sup>78</sup> The doctrines of secondary infringement and secondary liability can be applied to actions related to original designs. Importantly the bill does not apply retrospectively. Finally, if a claim under other intellectual property categories is possible, it shall not be precluded.

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<sup>72</sup> *Hearing, supra* note 67 (statement of William Delahunt, House Representative).

<sup>73</sup> *Hearing, supra* note 67 (statement of Steve Maiman, Stony Apparel Corp.).

<sup>74</sup> 17 U.S.C. § 1301 (2007).

<sup>75</sup> Design Piracy Prohibition Act, H.R. 2033, 110th Cong. § 2(a)-(b) (2007).

<sup>76</sup> 17 U.S.C. § 1313(a) (2007).

<sup>77</sup> 17 U.S.C. § 1310(b) (2007).

<sup>78</sup> 17 U.S.C. § 1308 (2007).

### A. *Potential Problems of the DPPA*

¶49 The legislation is far from perfect. The biggest paradox is that the DPPA extends copyright protection to fashion designs without resolving questions concerning the functionality barrier<sup>79</sup> to serve as a legislative exception to copyright's utilitarian doctrine as discussed above.<sup>80</sup> Also, many questions surrounding the actual scope of protection of the Act could make enforcement complex.

#### 1. Flexibility of Copyright Law

¶50 As we have seen above, the useful article doctrine of copyright law impedes the protection of fashion designs under copyright law, notwithstanding whether the creative expression is such as to make some of them adequate subject matter of copyright protection. The current bill proposes to add "fashion design" under a general design protection statute. Up to now, the copyright statute has allowed copyright protection of useful articles and then restricted the definition of useful articles to vessel hulls. By granting vessel hulls a sui generis, but copyright-like form of protection, copyright's useful articles rule was ignored and forms of expression compounded into useful objects that could otherwise not have been protectable under copyright now are. It can be argued that instead of ignoring a well-established doctrine that prohibits the protection of items which serve a useful function, a better way to deal with the protection of fashion designs could have been negotiated through the expansion of copyright protection.

¶51 A doctrinally more integral way to approach the protection of fashion designs would be limiting the scope of the useful article rule, instead of eliminating it. This happened already in 1990 with the Architectural Works Copyright Protection Act,<sup>81</sup> where Congress changed the application of the useful articles rule and extended copyright protection to "built" architecture (architectural designs embodied in actual buildings) without disturbing the broader coherence of copyright laws. As Congress has demonstrated a willingness to be flexible in expanding Copyright laws with respect to architecture, the same action could be taken with respect to fashion. This way Congress would reverse the traditional presumptions of the useful articles doctrine instead of eliding it.

#### 2. The Standard of Originality

¶52 Definitions in the DPPA are not specific enough in defining what designs would merit copyright protection. The wording of the DPPA grants copyright protection to "the appearance as a whole of an article of apparel, including its ornamentation"<sup>82</sup> and further provides that "a design shall not be deemed to have been copied . . . if it is original and

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<sup>79</sup> 2 JAY DRALTER, JR., *INTELLECTUAL PROPERTY LAW: COMMERCIAL, CREATIVE, AND INDUSTRIAL PROPERTY* § 1.02[5] (1991) ("The doctrine of functionality nicely separates the domain of trademarks from that of utility patents by precluding trademark protection for any product feature that is dictated by its utilitarian function.").

<sup>80</sup> Kamal Preet, *Why America Needs a European Fashion Police*, 3 J. INTELL. PROP. L. & PRAC. 386, 390 (2008).

<sup>81</sup> 17 U.S.C. § 101 (2007).

<sup>82</sup> Design Piracy Prohibition Act, H.R. 2033, 110th Cong. § 2(a)(7) (2007).

not closely and substantially similar in overall visual appearance to a protected design.”<sup>83</sup> Sometimes it might be difficult to determine originality because many designs are inspired by existing designs and trends. There is a fine balance to be drawn if the fashion industry is not to be stifled and more guidance is needed for the evaluation of infringement as a whole in order to save the court the trouble of applying imprecise standards.

¶53 It is clear from the Committee minutes that the bill is not trying to extend copyright protection to trends; on the contrary, there was uniform agreement on the necessity of protecting the development of specific styles.<sup>84</sup> The language used by the bill suggests that only closely and substantially similar garments will be infringing. Some commentators argue that the “substantially similar” standard is too broad and that a “virtually identical” standard would be better. The latter would prohibit line-to-line copying only and this would avoid different courts coming out with different definitions. However, if the definition is restricted in this way, clever copyists would continue copying by moving small details, such as a zipper or a button and argue that the new item cannot be a virtually identical copy. The prohibition of identical or virtually identical copies is too narrow and will not catch copies that have been modified only slightly, whereas substantially similar copies may generate too much debate and prove to be costly and unpredictable.

¶54 The substantially similar approach is a better standard because it is more flexible. This would allow judges to be strict when comparing two designs, but at the same time it would allow them to be able to outlaw copies that have been amended only slightly but are in fact clear plagiarisms. The “substantially similar” standard works best if coupled with a formalist approach. This way, only objectively close copies would be prohibited, and safe and predictable interpretations would be possible. In case of doubt, courts should be free to consult fashion industry experts, or other generally accepted standards of the fashion community.<sup>85</sup>

¶55 Prohibiting closely or substantially similar copies is consistent with the generally applied standard in copyright law. With regards to literary or artistic work, copyright has been clearly capable of allowing trends and styles and punishing plagiarism—why should the same not work within the fashion industry? It is crucial that legal rights are only given out to truly novel designs and only close copies should be prohibited. It is expected that designers will register selectively and only non-commonplace designs will secure protection. This will enable the bill to catch copies and allow trends—which is the underlying intention of the bill.

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<sup>83</sup> Design Piracy Prohibition Act, S. 1957 § 2(c)-(d) (2007).

<sup>84</sup> *A Bill to Provide Protection for Fashion for Fashion Design: Hearing on H.R.5055 Before the Subcomm. on Courts, the Internet and Intellectual Property of the H. Comm. on the Judiciary*, 109th Cong. (2006).

<sup>85</sup> The division in formalist, intentionalist and institutionalist approaches has been developed by Professor Alfred Yen and its application to the standards set out by the DPPA has been developed by Elizabeth Johnson. See Elizabeth F. Johnson, Comment, *Defining Fashion: Interpreting the Scope of the Design Piracy Prohibition Act*, 73 BROOK. L. REV. 729 (2008).

### 3. Adjudicative Powers

¶156 According to the bill the Copyright Office won't take any position as to the merits of a design; on whether it is sufficiently original or distinctive enough to enjoy protection. The Copyright Office would only be in charge of making a determination as to whether or not the application relates to a design which is subject to protection according to the categories proposed by the bill.

¶157 Originality thresholds will be determined by courts of law, because they are thought to be in a better position to weigh the evidence that will help them in making a more informed determination. Ominous voices say that because of the wide-ranging cross-pollination in the development of trends, identifying an original design is already difficult for someone within the industry. Thus, how can we expect courts to get it right? This would raise issues as to the fair enforcement of the Act.

¶158 The risk of broad interpretations of the DPPA is balanced by the traditionally narrow and careful attitude of common law judges towards widely drafted legislation. American judges would most probably refrain from libertarian moves when interpreting the DPPA and stick to a more conservative reading. This can be safely assumed after inspecting the overly careful attitude adopted in the case law involving the protection of fashion designs under the current regime, as I explained above in section III.

### 4. Remedies

¶159 Also the scope of remedies should be revised; seeking \$250,000 or \$5 respectively for infringement does not reflect the real injury occurring to a designer, the popularity of the design, the speed with which it appears on the market, the ex ante costs incurred and the profits made. Some kind of broader remedial flexibility is needed.<sup>86</sup>

¶160 In addition, the bill would increase the overall damages available under Chapter 13. A penalty of \$250,000 would exceed the maximum award of statutory damages available for copyright infringement, which amounts to \$150,000 in cases of willful infringement. There is some skepticism about whether the maximum award for infringement of a protected design should exceed the maximum award for copyright infringement. In addition, it is not clear whether the damages should be of compensatory nature only or if the court is given discretion to make a determination as to what it thinks is just.<sup>87</sup> Clearer guidance relating to the calculation and availability of damages is warranted.

## VI. THE EUROPEAN COMMUNITY DESIGN AND THE DPPA COMPARED

¶161 The European Community Design Protection Regulation, which became directly applicable in all member states on March 6, 2002 created a unified design protection system within the European Union.<sup>88</sup> The Regulation establishes a two tier protection system: first through the automatic creation of the unregistered community design (UCD)

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<sup>86</sup> Laura C. Marshall, *Catwalk Copycats: Why Congress Should Adopt a Modified Version of the Design Piracy Prohibition Act*, 14 J. INTELL. PROP. L. 305 (2007).

<sup>87</sup> *Hearing*, *supra* note 67.

<sup>88</sup> Council Regulation (EC) No. 6/2002 of 12 December 2001 O.J. (L 3, 1.2002, p. 1), *amended by* Council Regulation (EC) No. 1891/2006 of 18 December 2006 O.J. (L 386, 29.12.2006, p.14), *available at* <http://oami.europa.eu/en/design/pdf/6-02-CV-en.pdf>.

as from first disclosure of the design in the community and second, the protection of a registered community design (RCD) through registration at the Office for Harmonization in the Internal Market in Alicante (OHIM).<sup>89</sup> Both provide designers with exclusive rights to use their designs in commerce, take legal actions against infringers, and claim damages. The Community Design has equal effect throughout the EU so that registrations, transfers, surrenders, invalidity actions, and prohibited use will have effect in twenty-seven countries simultaneously. Because or despite this Regulation, Europe remains the hub of haute couture.<sup>90</sup> Notably in many EU countries the Regulation works in tandem with national laws protecting the national fashion industry and because of their ongoing historical importance in the fashion design scene it comes as no surprise that the French and the Italians have the most stringent national regimes.<sup>91</sup>

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The crucial difference between the design rights as set out in the DPPA and the European Regulation is that the American system extends copyright protection to incorporate design rights whilst the European system grants an exclusive and independent right that does not interfere with other statutorily protected intellectual property rights. Doctrinally, the latter approach is preferred as it is easier and more dynamic to rule on a self-standing right than attempting an interpretation which has to take into consideration the whole law on copyrights. European designs do not need to cover non-functional products as long as the aesthetics are not entirely dictated by its function. It would be more convenient for the U.S. to have an independent body of laws regulating the protection of fashion designs so that the confrontation with the utilitarian doctrine is avoided, but for the time being an extension to copyright protection seems an acceptable solution.

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<sup>89</sup> Office for Harmonization in the Internal Market in Alicante, Spain, [www.oami.europa.eu/](http://www.oami.europa.eu/) (last visited on Mar. 16, 2010).

<sup>90</sup> Preet, *supra* note 80, at 386.

<sup>91</sup> UMA SUTHERSANEN, *DESIGN LAW IN EUROPE: AN ANALYSIS OF THE PROTECTION OF ARTISTIC, INDUSTRIAL, AND FUNCTIONAL DESIGNS IN EUROPE, INCLUDING A REVIEW OF THE E.C. DESIGN REGULATION, THE E.C. DESIGN DIRECTIVE, AND INTERNATIONAL DESIGN PROTECTION 13-010* (London: Sweet & Maxwell 2000) Suthersanen notes that:

Registered design protection is available under Book 5 of the [French Intellectual Property] Code. Due to the availability of copyright protection, the *sui generis* design law has become something of a white elephant. Whether this position will change with the implementation of the E.C. Directive remains to be seen as the latter does not attempt to curtail the wide protection offered under the French copyright law.

*Id.* at 13-010. She also notes that:

French law has firmly adhered to the totally cumulative approach towards the protection of designs and models since the 1940s. Under this approach, simultaneous protection for designs is assured under both design and copyright laws. . . .

The Italian design law adopts a patent-style protection scheme for designs upon registration, a design patent is conferred on the applicant. . . .

The [Italian] design patent lawyer is granted an exclusive right to use his design. The initial term of protection is fifteen years from the day following the filing of the application. . . .

*Id.* at 13-012, 15-054, 15-054; *see also* Scafidi, *supra* note 1, at 118 (“France has the world’s strongest legal protections for fashion design, and Paris remains the world’s fashion capital.”).



### A. Registered Community Design

¶63 Applying for a RCD is easy and affordable. One application in one language and one fee payment<sup>92</sup> to OHIM is enough in order to gain EU wide protection. The RCD lasts five years and can be renewed up to an additional four times, which grants a maximum protection of twenty-five years. The design right proposed by the DPPA is similar to the RCD but with the shorter duration of three years.

¶64 What is different is that with the RCD there is no upper limit to the number of designs in one application,<sup>93</sup> which means that a single application can contain multiple designs. Although it is not imperative that the designs bear relation to each other, this is useful if a collection of similar clothing designs is being launched on the market. A revised version of the DPPA should take this into consideration.

¶65 Another difference concerns the time lag between the placing of a design on the market and registration. In the EU, publication in the Community Design Bulletin<sup>94</sup> can be deferred on request and there is a twelve month grace period. Grace period means that disclosure of the design either with or without the will of the owner is not taken into account to assess novelty or individual character of a claim if it has happened “during the 12 months period preceding the date of filing of the application or, if priority is claimed, the date of priority.”<sup>95</sup> This means that if the success of a design is uncertain, the designer can test the market for a year and enjoy unregistered design rights before seeking a RCD. Applications for design rights under the DPPA can be filed within three months from the launch of the design, which in many instances is not enough to test the success of a design.

### B. Unregistered Community Design

¶66 The DPPA does not envision the possibility of unregistered design protection which is in fact the Herculean weapon in the European design battlefield. In order to enjoy UCD protection, all that is needed is to make the design available to the public within the Community. Disclosure to the public does not exclusively mean availability on the market, but also its presentation at trade exhibitions, fairs or advertisement in various media. The UCD lasts for three years from first disclosure. The unregistered design can be a very powerful tool for fashion businesses that regularly launch far ranging collections into the market and do not have enough resources to keep up with registrations. Especially in the fashion industry, the length of the protection provided is not as important as the need to dispense with formalities and expenses of registering designs pre-launch. It is also often difficult to predict which designs will be successful and consequently copied. The main difficulty with the UCD is proving the existence of

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<sup>92</sup> Registration fees for one design are €230 plus €120 for publication, attorney costs will usually not exceed €700, but additional costs can come into play if extra drawings or photographs are to be submitted with the application.

<sup>93</sup> As long as they belong to the same Locarno class, but each design application has to be paid for individually.

<sup>94</sup> See Community Designs Bulletin, EU Office for Harmonization in the Internal Market, <http://oami.europa.eu/en/design/bull.htm> (last visited on Feb. 23, 2010).

<sup>95</sup> Council Regulation (EC) No. 6/2002 of 12 December 2001 O.J. (L 3, 1.2002, p. 1), *amended by* Council Regulation (EC) No. 1891/2006 of 18 December 2006 O.J. (L 386, 29.12.2006, p.14) ART 5, §1(b).

the right, but once the necessary legal grounds for protection can be made out, the right becomes extraordinarily useful in the fashion industry where turnovers are high and designs have only a seasonal life. The DPPA does not envisage unregistered designs, and this is unfortunate because it seems that the protection afforded by it bears a much more realistic application to the way the fashion industry works. Unregistered design rights should be included in the DPPA if a comprehensive system is to be put in place.

### C. Threshold for the Protection of the RCD and the UCD

¶167 The common elements of the two types of protection available under the Regulation include their unitary character, definitions and their scope of protection. “Design” is defined as “the appearance of the whole or part of the product resulting from its features and, in particular, the lines, contours, colors, shape, texture and/or materials of the product itself and/or its ornamentation.”<sup>96</sup> There are two requirements for design protection: novelty and individual character. A design is new if no identical design has previously been made available to the public and it is considered to have individual character if the overall impression produced by it on the informed user differs from the overall impression made by any design previously available to the public.

¶168 The definitions are more accurately articulated in the European legislation. European designs will be protected only once proof of novelty and individual character can be shown, as opposed to the proposed American legislation that does not define the specifics of originality but only adds that it should not be “closely and substantially similar in overall visual appearance to a protected design.”<sup>97</sup> Unsurprisingly, the comprehensiveness of the definitions in the European Regulations trace back to a civil law approach whilst common law countries rely less on definitions and more on convention and judicial restraint. Although U.S. judges are likely to rule as severely even in the absence of detailed legal specifications, awareness of the European definitions might provide useful analytical tools against which to test an American design.

### D. Case Law in Europe

¶169 Some American pundits like to argue that despite such powerful and efficient tools, there has not been much case law relating to the enforcement of the registered and unregistered European Designs. This fact is exploited to maintain that the underutilization of EU protection evidences the efficiencies accruing with a low IP environment, but this is a misconception. The reason why case law has been scarce is because parties usually reach confidential settlements in this area of law, which are made public only in the most blatant circumstances. For example, Jimmy Choo received over £80,000 in compensation from NewLook, which was forced to withdraw thousands of “Bonbon” shoes from the market following threatened legal action, and Chloe received around £12,000 from Topshop who plagiarized its lemon yellow dungaree dress.<sup>98</sup> None

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<sup>96</sup> Council Regulation (EC) No. 6/2002 of 12 December 2001 O.J. (L 3, 1.2002, p. 1), amended by Council Regulation (EC) No. 1891/2006 of 18 December 2006 O.J. (L 386, 29.12.2006, p.14) ART 3(a).

<sup>97</sup> 17 U.S.C. §1309 (e) (2007).

<sup>98</sup> Dan Newling, *Thousands of £20 High Street Bags Trashed for Looking too Similar to a £650 Jimmy Choo*, THE DAILY MAIL, Nov. 12, 2007; Emil Dugan, *Topshop Ordered to Destroy Dresses 'Copied from Chloé Design'*, THE INDEPENDENT, July 27, 2007; Martin Beckforth, *Topshop Destroys its 'Chloé' Dresses*,

of these cases made it to court, and this highlights the importance of the very recent *Karen Millen* and *Jimmy Choo* cases in laying down precedents for registered and unregistered design protection. These latter cases further illustrate how judges set a threshold for protection and that unregistered rights are of inestimable importance in this branch of the industry.

## 1. Karen Miller

¶70 Karen Millen won a landmark victory against Dunnes Stores, an Irish retailer, after long-lasting court hearings in Dublin's commercial court.<sup>99</sup> Karen Millen claimed that Dunnes Stores had directly copied three unregistered designs of ladies' clothing. It was clear from the evidence that was brought forward that it was the intention of the defendant to copy those designs. The crux was whether Karen Millen's designs qualified for UCD protection, whether they could be considered "new" and with "individual character." The designs were held to be new because no identical ones had been previously available on the market. By determining whether the design had individual character, the court had to decide whether the overall impression it produced on the informed user differed from that produced by the existing body of designs available on the market. Ms. Justice Mary Finlay Geoghean defined an informed user as "a woman with a keen sense of fashion, a good knowledge of designs of women's tops and shirts previously made available to the public, alert to design and with a basic understanding of any functional or technical limitations on designs for women's tops and shirts." Although the defendants had identified and submitted a number of prior designs that contained elements of the Karen Millen designs, the judge held that there was great scope for variation in the previous designs and therefore the overall impression of the disputed items on the notional informed user clearly differed from the prior art. Thus, Karen Millen was held to possess valid unregistered Community Design rights that it could enforce against Dunnes. Delivery of all infringing items and an accounting of profits made in respect to the sales of the infringing items were ordered. Dunnes has reportedly appealed and two further cases dealing with similar issues have been adjourned pending the outcome of this appeal.<sup>100</sup> The results are anxiously awaited in the industry.

## 2. Jimmy Choo

¶71 In January 2008, Jimmy Choo brought an action against retailer Towerstone for infringing registered and unregistered design rights in its Ramona bag.<sup>101</sup> The court found that Towerstone's handbag infringed Jimmy Choo's Community Registered Design, because, in essence, from the overall impression the "informed user" would

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THE TELEGRAPH, July 26, 2007; Tenisha Anderson, *Topshop. More like Copy-shop.*, iPAPIER, July 27, 2007.

<sup>99</sup> *Karen Millen Ltd. v. Dunnes Stores*, [2007] I.E.H.C. 449 (H.Ct., 21st December, 2007) (Ir.) available at <http://www.bailii.org/ie/cases/IEHC/2007/H449.html> (last visited Feb. 23, 2010); see Margaret Tofalides & Lauren Orakwusi, *Fashion Victim: Clothing Copycat Victory Under EU Design Regulations*, COPYRIGHT WORLD, Apr. 2008, at 13.

<sup>100</sup> Whistles and Coast have brought actions against Dunnes stores too.

<sup>101</sup> *J Choo (Jersey) Ltd. v. Towerstone Ltd.*, [2008] E.W.H.C. 346 (H.Ct., 16th January, 2008) (U.K.), available at <http://www.bailii.org/ew/cases/EWHC/Ch/2008/346.html>; see Simon Clark & Gavin Llewellyn, *Innocence Defence Goes Out of Fashion*, COPYRIGHT WORLD, Apr. 2008, at 13.

regard two handbags as being the same. In addition, the Court held that Choo's unregistered design right had been infringed. For infringement to be found, the infringing design must have copied the unregistered design. The Court found that the number of similarities between the two handbags was such that the only explanation was that the Towerstone handbag was a copy.

## VII. FINAL COMMENTS

¶72 In a world where simultaneous copying rages and piracy has become a business model, legislation addressing fashion designers' rights is a necessary addition to U.S. intellectual property law and a fair complement to anti-counterfeiting measures. The DPPA is designed to protect innovative designers and ensure that they gain benefits from their intellectual investments. This is the very basis of intellectual property protection, and it should be applied to the fashion industry at a very basic level. If anti-piracy legislation passes, it would be a first step towards an international alignment of design rights and it would provide a basis for a more global enforcement. Lawyer Alain Coblenz, hired by fashion trade groups in Milan and Paris, said that the impetus for lobbying Congress came from meetings with French and Italian designers who wanted comparable legal standards to apply in the U.S.<sup>102</sup> There is a fear that the fashion design industry would start to migrate to Europe if no action is taken.

¶73 The DPPA would grant a weaker protection than its European counterpart. Much can be done to improve it, for instance the inclusion of a reduced protection term for unregistered design rights, but once it undergoes a few modifications it constitutes a fair effort to protect and encourage both young and established haute couture designers. Importantly the DPPA has to be understood as a measure sensitive to the industry's innovative culture—it does not want to inhibit designers from interpreting ideas that make out a trend. Once the scope of protection of the Act is clarified and once it is acknowledged that only unique designs enjoy protection and that only very close copying would be prohibited, the DPPA will be an overall appropriate and balanced measure, and with its short-term, narrowly crafted protection for the fashion industry, it proves that copyright law can be construed to serve the interest of both, creators and the public.<sup>103</sup> It will recognize that part of the nature of fashion is cross-pollination and mass marketers could still produce goods inspired by designer collections. Within this scenario, consumers will retain the right to be stylishly dressed at affordable prices and fashion design would get more respect as a creative endeavor worth defending.

¶74 Like in Europe, the bill is meant as a deterrent, rather than an inducement to file lawsuits. Potentially the most dangerous variable is the well-known American keenness towards litigation.<sup>104</sup> It is hard to predict how this historical tradition coupled with U.S. free trade culture will play out this time, but the DPPA has the potential of being a

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<sup>102</sup> Wilson, *supra* note 47.

<sup>103</sup> *Hearing, supra* note 67 (Statement of Susan Scafidi, Visiting Professor, Fordham Law School) (“So H.R. 5055, with its short-term, narrowly tailored protection for the fashion industry is, I think, a groundbreaking example of how copyright law can be narrowly tailored, and carefully designed to serve the creators and the public interest.”).

<sup>104</sup> *Hearing, supra* note 67 (Statement of Christopher Sprigman, Associate Professor, University of Virginia School of Law) (“Unlike most countries in Europe, which have relatively weak civil litigation systems, we Americans are, for better or worse, accustomed to resolving disputes through the courts.”).

narrowly tailored measure reflecting the unique seasonality of the fashion industry and it can be safely assumed that the American judicial attitude towards narrow interpretations will prohibit only very close copying. If the standards are kept high, the danger of frivolous lawsuits is non-existent and trends will be safeguarded. It is true that legal standards have to converge in order to be able to do business and discourage piracy in a more globalised world but it would be a mistake not to be culturally sensitive to reactions of different countries.

¶75 Opponents of the DPPA assert that the American fashion industry is thriving as a massive \$310 billion business and regularly ask, why fix something that is not broken?<sup>105</sup> The answer is plain: to act proactively to prevent it from breaking down. The low IP equilibrium is likely to fall under the pressure of technological advancement and the subsequent shift in the scale of production, and this makes a strong case for a limited and specific form of intellectual property protection for fashion design. The legislation has momentum because the fear of free-riding feeds the appetite for intellectual property expansion. Furthermore, once satiated the fashion industry may thrive even more.

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<sup>105</sup> This is the underlying thesis of Sprigman and Raustiala's paper, *see Raustiala & Sprigman, supra* note 61, and the question also came up in the testimony of Steve Maiman, *see Hearing, supra* note 67 (Statement of Steve Maiman, Stony Apparel Corp.).