Evaluation of the Design Piracy Prohibition Act: Is the cure worse than the disease?

Silvia Beltrametti, University of Chicago
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.∗

Silvia Beltrametti

“You may imitate but never counterfeit”
Honore De Balzac

Abstract:

Is the Design Piracy Prohibition Act a necessary addition to the Intellectual Property panorama of the United States? American designers and otherwise 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, 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 Act with the European Design protection system and argue that much can be gained from looking at the European experience.

I. Issues

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.

The fashion design industry in the U.S. is part of IP’s negative space as fashion designs do not per se enjoy intellectual property protection. Negative space explanations mainly rely on public choice theory; over history intellectual property legislation was enacted when there was a group lobbying

∗ I am extremely grateful to Frederick Mostert, Randal Picker and David Zarfes for many helpful comments and encouragement. I also thank Nikhil Abraham, Shyamkrishna Balganesh, Tony Bangs, Paul Heald, Sheila Henderson, Barbara Kolsun and seminar participants at the University of Chicago for sharing their comments.
for protection, which was organized enough to push through its claim and without a potent opposition. Although Congress considered up to 70 bills advocating some form of legal protection for fashion designs since 1914, 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 are 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 rarely on design patents. However these standard intellectual property measures are only capable of offering a rather uncertain protection.

On the other side of the Atlantic, in the European Union, a very well-grounded system for design protection is 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 that designers do not really insist in applying their rights—this is not always true, it is rather a sign that design disputes are resolved through confidential settlements—but this trend is slowly changing as recently two strong precedents have been laid down.

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 to 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 enabled faster copying at the expense of creative design and makes the present low IP equilibrium no longer justifiable.

I will deal with the issues raised above in the following order: first I suggest that there is no rationale in distinguishing counterfeiting from design piracy, second I will inspect to what extent the current intellectual property laws available in the U.S. are capable to protect clothing designs and fashion accessories. Third I will put forward the reasons in favor of passing the DPPA and then I will analyze the proposed piece of legislation and its shortcomings. After that I will 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 and finally I will conclude that for the time being the DPPA is an appropriate and non-excessive initiative but 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

The U.S. Constitution mandates 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.” Thereafter Congress can award exclusive rights for a limited amount of time to compensate creators and inventors for the time and effort devolved 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. Although the constitutional standpoint emphasizes that it is creative individuals and not the financial well-being of the fashion industry which 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.

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’s clearly wrong and the law must address it. The loophole in providing 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 “knowingly use of a spurious mark which is identical with or substantially indistinguishable from a registered trademark, in connection with the trafficking of counterfeit merchandise.” Usually, “counterfeit merchandise is made so as to imitate a well-known product in all details of construction (.).” Also within the realm of fashion counterfeiting 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 defenceless to the problem of piracy, and famous designers will only be protected if their trademarked label is taken too.

Congress has responded to the threat of counterfeiting with various legal measures, 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

---

2 Intellectual property makes up more than half of all U.S. exports, driving 40% of the country's growth, see http://www.uschamber.com/INTELLECTUAL PROPERTY.htm – U.S. intellectual property is worth $5-5.5 trillion - more than the gross domestic product (GDP) of any other country, see http://www.theglobalipcenter.com/index.php/component/content/article/46 and 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 “Monetizing IP: The Executive's Challenge” – Harvard Business School Working Knowledge, June 2008.


4 Thomas Mc Carthy – Mc Carthy on Trademarks and Unfair Competition, 3rd edn. (1992) at § 25.01. 5a.

5 Special 301 allows the U.S. to sanction countries that fail to provide “the right of establishment or protection of intellectual property rights”, the Anti-counterfeiting Consumer Protection Act 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 the Copyright Felony Act 1994, the Racketeer Influenced and Corrupt Organizations Act 1994 and the Money Laundering Act 1998.
as well as mandatory attorney’s fees and treble damages—absent “extenuating circumstances”—
where the use of the counterfeit mark was intentional. These harsh 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. 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—think of a children’s dress made of highly flammable
material. There is also evidence linking counterfeit activities to organized crime and terrorist
organizations, which use counterfeiting as money laundering and funding device. 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
which translates into a 750,000 lost jobs.

Sophisticated counterfeiting strategies do not operate in a domestic ambit only but 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 scanners, laser copiers and the internet enable counterfeiters
and pirates in developing countries to copy and manufacture products even before the original item
hits the market, thereby free-riding on the enormous investments that have to be incurred when
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 responses to this global problem; customs
cooperation measures between many countries are in place to stop the entry of counterfeiters at the
boarders, and the advent of the WTO together with the implementation of the TRIPS Agreement
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. 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.

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 and
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, confiscate and in extreme circumstances even destroy fake
trademarked apparel and accessories entering the U.S. If, however, the same items are shipped

---

6 Id.
8 See International Anti-Counterfeiting Coalition at www.iacc.com, Barbara Kolsum – Global Enforcement, 517
PLI/PAT 533(1998) and Bruce Siegal – Developments in Counterfeiting Legislation Enforcement, 468 PLI/PAT 441 at
453 (1997) and Anthony Keats and Jefffrey Joyner – Counterfeiting Reaches New Levels, 417 PLI/PAT 309, 337
(1995) quoting Jenny Luesby – Trading Officers Unite against Counterfeiters, FINANCIAL TIMES, May 16th 1994,
“counterfeiting has become a core activity for organized crime because of the big rewards and low risk of prosecution.”
9 Data taken from http://www.uschamber.com/INTELLECTUAL PROPERTY.htm
without labels, they can freely enter the country—in this scenario the counterfeit labels and logos are attached by distributors at a later stage, once the goods entered the country, so that there is less chance of detection by law enforcement. The continued exclusion of fashion designs from copyright protection thus undermines federal policy with respect to trademarks by perpetuating a loophole in the intellectual property law system.

Similar legal standards should apply in similar instances. Both, counterfeiting and design piracy involve illicit imitations that deny a creator the fruits of his labour: 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 the 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.

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 to consumers in the form of higher prices. 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.
III. Current Design Protection in the U.S.

In the U.S. designers currently rely on three existing forms of protection: copyright, trade dress and design patents. A practical example will better illustrate the scope of these existing measures. Jimmy Choo’s Ramona Handbag is a case involving the litigation of community design rights in the UK.\textsuperscript{10}

i. Copyright

United States copyright laws protect original forms of expressions fixed in a tangible medium for the life of the author plus 70 years.\textsuperscript{11} 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.\textsuperscript{12} One would think that fashion designs are encompassed, but this is not the case given the existence of a long established doctrine know as the “utilitarian doctrine” which prohibits the extension of copyright protection to useful articles. Allowing copyright protection to 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 debatable, as consumer choice seems to attach more importance to the aesthetics of a clothing design, the status and prestige they confer, rather than its functional aspects.

In any case the Copyright Act is clear; copyright doctrine protects original works insofar as their form but not their utilitarian aspects are concerned.\textsuperscript{13} 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.\textsuperscript{14} 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.\textsuperscript{15} This involves a considerable degree of physical or at least conceptual separability.

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. In most cases fashion designs fail the separability test, because creative expression is

\textsuperscript{10} The Jimmy Choo case is discussed below.

\textsuperscript{11} Sonny Bono Copyright Term Extension Act, title I of Pub. L. No. 105-298, 112 Stat. 2827 (amending chapter 3, title 17, U.S.C., to extend the term of copyright protection for most works to life plus 70 years), enacted October 27, 1998.

\textsuperscript{12} Copyright Act 1976, U.S.C. §101 et seq.

\textsuperscript{13} Id.

\textsuperscript{14} Id.

extrinsically compounded with practical utility.\textsuperscript{16} As one court concisely put it when addressing fashion’s designs copyright-ability: “artistic and utilitarian elements are conceptually indivisible and, therefore, not copyrightable subject matter.”\textsuperscript{17} In the recent case of \textit{Galiano v. Harrah’s Operating Co.}\textsuperscript{18} the Court of Appeals for the 5th 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.

It is going to be very difficult to succeed in proving such separability, only a few design piracy cases have been pursued under this heading and only the most egregious cases have been successful.\textsuperscript{19} In \textit{Kieselstein-Cord v. Accessories by Pearl}\textsuperscript{20} the majority of a federal appellate court held that the metal belt buckles designed by Barry Kieselstein reached out to the level of creative art,\textsuperscript{21} 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.”\textsuperscript{22} 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.\textsuperscript{23} The threshold for originality is low, only some minimum degree of creativity has to be displayed. Copyright registration in the U.S. is quite a straightforward process which involves filing a short application and paying a nominal fee.\textsuperscript{24}

If we go back to our example, the Ramona Handbag, all that can potentially be protected is the fabric, which is conceptually separable and seems to be sophisticated enough to meet the originality threshold, and maybe the buckle if the \textit{Kieselstein Cord} case can be applied in order to prove it to be artistic enough to be conceptually separable from its traditional utilitarian function.\textsuperscript{25}

Over the past few years designers became more aggressive in pursuing infringers knocking-off their fabric designs. Forever 21, a fast-fashion merchandiser making business out of copying high-end designers, has been the target of more than 20 lawsuits; some of them have been settled and some

\textsuperscript{16} Nimmer on Copyright, Section 2.08[B][3] at 2-101. 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 Medenica – \textit{Designers seek to prevent cheaper Knockoffs}, NAT’L Law Journal, August 2006. In \textit{Marzer vs. Stein} 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.

\textsuperscript{17} \textit{Jane Galiano and Gianna, Inc. v. Harrah’s Operating Co., Inc.}, 416. F.3d 411 (5th Cir. July 7, 2005) at 414.

\textsuperscript{18} \textit{Id.}

\textsuperscript{19} In \textit{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.

\textsuperscript{20} \textit{Kieselstein-Cord v. Accessories by Pearl}, Inc., 632 F.2d (2nd Cir. 1980) at 989–990.

\textsuperscript{21} \textit{Id.}

\textsuperscript{22} \textit{Id.}

\textsuperscript{23} In \textit{Knitwawes, Inc. vs. Lollytags Ltd.}, 71 F.3d 996 (2nd Cir. 1995) the Court held that pattern can be protected as “writing or prints” under the Copyright Act.

\textsuperscript{24} $45 for a basic registration or $35 if online - \texttt{www.copyright.gov/docs/fees.html}

\textsuperscript{25} \textit{Kieselstein-Cord vs. Accessories by Pearl, Inc.}, 632 F. 2 at 993 “the buckle existed on the cutting edge of copyright law.”
are still pending. Designers Diane von Fürstenberg and Anne Sui seem to be very keen on enforcing their copyrights in fabric design as this is currently the most powerful tool to succeed against copiers.

ii. Trade Dress

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. 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. 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 heading.

The real challenge lies in proving inherent distinctiveness or secondary meaning. This is further complicated by the U.S. Supreme court decision in the *Samara Bros. v Wal-Mart* case where Justice Scalia held that clothing designs are very rarely inherently distinctive and that proof of acquired distinctiveness would always require proof of secondary meaning, in the sense that consumers must regard the design feature as indicating the source of the item. This seems to indicate that in order to be protected under §43(a) of the Lanham Act a design needs to symbolize a unique source identifier. Scalia’s ruling in Samara Bros 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.” Scalia seems to acknowledge that most fashion designs are of volatile nature and are not intended to identify source but 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 appeals for its aesthetic function. 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, but following the Samara ruling, only a few have been successful. There is an exception; in *Coach Inc. v We Care Trading* Coach was able to introduce enough evidence showing that its handbag design had gained

26 As of October 2007, see Lisa Pearson, Lauren Estrin and Laura Miller – *From Fashion Catwalks to the courts*, Copyright World, April 2008, Issue 179 at 23.

27 Forever 21’s $32 “Sabrina” smock dress looks suspiciously similar to Diane Fuerstenberg’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.


30 *Samara Bros., Inc. v. Wal-Mart Stores, Inc.* 165F.3d 120, 128 and 129 (2d Cir 1998).

31 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. 43-52 (2001) at 55.


secondary meaning: satisfactory expert testimony, consumer surveys and evidence of advertising was presented. The Coach case is the exception that confirms the rule: only in very rare circumstances fashion design will be source identifying as this is a very high standard for a product to meet.

Whether the Ramona bag has acquired secondary meaning only depends from the evidence brought forward—it is difficult to predict if the court would recognize its iconic status linking it to its fashion house.

iii. Design Patents

Design patents are in many ways different from utility patents. Patent protection for a design can be achieved once the existence of a “novel, non-obvious and non-functional ornamental design for an article of manufacture” is proven. In addition to that, in order to have a valid design patent the drawing has to match the commercial product. Design patents grant their inventors a monopoly over their innovative designs by giving them the exclusive right to usufruct from them for a term of 14 years. However the difficulties in making up the requirements for this form of protection in respect of fashion design are many. Proving novelty that advanced beyond prior art in a way that is not obvious is far from easy when a fashion design is concerned and 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 is very hard to meet. The design has to be non-obvious in the eyes of someone skilled in the art, a fashion expert in this case. If these obstacles are overcome the protection granted is far-reaching but at the expense of time and money. It takes an average of 2 years to receive approval (or disapproval) from the USPTO and the cost of a design patent application together with the added costs of a design patent attorney can amount to several thousands of dollars: the filing fee for a design patent is $310, the issue fee is $430 and the maintenance fees over the life of the patent can amount to $3,500—and this does not include attorney’s fees for the prosecution of the application. In a fast moving industry where the success of a particular design cannot be 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 270 registered designs patents. About 50 of those are bags, the big majority, counting approximately 170 designs, involves shoes. However, most luxury fashion-houses do not have any registrations as the overall process is too cumbersome and the prospects of protection are too uncertain given that the

---

35 Id. Design Patents last for 14 years.
36 Under the reduced fee schedule for small entities the filing costs $100 and another $ 400 must be paid upon issuance of the patent – maintenance fees stay the same. 35 U.S.C. § 41(a)(3) (2000). Julie P. Tsai, Comment, Fashioning Protection: A Note on the Protection of Fashion Designs in the United States, 9 Lewis & Clark L. Rev. 447, (2005) at 457 notes that average attorney fees amount to $ 1,100 per design.
37 At the time of writing, January 2009 – search on http://www.uspto.gov/patft/index.html
USPTO rejects roughly half of the applications that are filed for, and design patent infringement is found in more or less half of the cases brought to court.38

There are approximately 600 successfully registered design patents for bags in the U.S. out of which 40 belong to Jimmy Choo. The Ramona bag is partially protected by two design patents, each protecting two different aspects of the item.39

iv. Evaluation of the Current Protection

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 long40 to fit a fast-moving industry. As we have seen with the Ramona bag 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 the judges have shown a very narrow attitude when the protection of fashion designs was 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 times 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 court’s 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.


39 D552354 and D547945

40 As mentioned above copyright protection lasts for 70 years post mortem autorem, a design patent 14 years and a trade dress as long as it is used/renewed. JP Tsai – *Fashioning Protection: A Note on the Protection of Fashion Designs in the United States*, 9 Lewis & Clark L. Rev. 447-458 (2005) argues how 14 years of protection for design patents is excessive for protecting fashion works that have a short life span.
IV. Analysis of the Design Piracy Prohibition Act

The DPPA, originally introduced by a bill presented by Congressman Bob Goodlatte in the House of Representatives on Mach 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. 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.

i. Is there need for this Legislation?

There is need if harm can be proved. The U.S. Chamber of Commerce estimates that $12 billion in revenues were lost in 2006 because of piracy of apparel and fashion goods, 5% of the nation’s $196 billion apparel market. The numbers of 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 can not be referred to the economic loss of the fashion market only, it should also encompass loss of goodwill and dilution which are not reflected by the above numbers.

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 (CFA) 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 (CFDA) and the New York Council of Fashion Design (NYCFD) clearly sustain the initiative; many designers, among them Narciso Rodriguez, Diane von Fürstenberg and Zac Posen, complained that their designs have been pirated so much that their value is now diluted and their reputation damaged.

41 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.

42 The exact amount is unclear as different sources give different values, but it will lie somewhere between $ 50 and $ 100.


44 See E. Wilson – O.K., Knockoffs, This Is War, New York Times, March 30th, 2006. The stories of individual designers can be found on www.countefeitchic.com: “Narciso Rodriguez testified on behalf of the CFDA. His prepared a very personal statement that 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 friend Carolyn Bessette's marriage to John F. Kennedy, Jr., only to see it copied nearly 8 million times. Publicity may be nice, but it doesn't pay the bills.”
Other big players such as the National Retail Federation do not take up a position as there is no internal consensus on the issue. Also the academic world is split; Professor Susan Scafidi\textsuperscript{45} is a strong proponent of the DPPA whilst Professor Sprigman\textsuperscript{46} and Professor Rustiala\textsuperscript{47} argue against it. 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 who try to establish their identity in the marketplace.\textsuperscript{48} I will now assess to which fact precedence should be given.

(a) **Technological Advance**

Back in the days when the world moved at a slower pace the impact of copies of original fashion designs was more modest; designers enjoyed first mover rights by profiting of the exclusivity of their designs before competitors could copy them at a cheaper cost. In that time gap they had reaped out generally high profits from their original designs, before moving to the next trend. In this scenario the time lag between the moment a design was launched and the time a copy could be reproduced could 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.

Nowadays technological advances to the means of textile and garment production eroded that advantage by enabling fast manufacturing in places with underpaid 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 a introduced into the market.\textsuperscript{49} It is this technology advance that increases 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 within the blink of an eye. The days when Coco Chanel said that “Copying is the highest form of flattering” are now over—piracy threatens the very existence of fashion designers; in many cases costs won’t be recovered, in the remaining ones small margins will result from a severely limited first mover dynamic.

Copying generates inefficiencies in the market, the prevention from reaping out a fair return causes economic loss. Costs are not recovered and this forces designers to charge consumers higher prices.

\textsuperscript{45} Professor at Fordham University
\textsuperscript{46} Associate Professor of Law at University of Virginia
\textsuperscript{47} Professor of Law at UCLA
\textsuperscript{48} Robin Givhan – *The End of ‘Gown in 60 Seconds’?*, Washington Post - Friday, August 10, 2007; Page C02.
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 3 years which appears to be a modest term calibrated to address the specific problem of cost recovery and granting a reasonable expectation of exclusivity.

(b) Split Markets

Landes and Posner suggest that copyright protection is not always necessary to incentivize inventors because there are several factors that would limit copying even in the absence of copyright laws.\(^{50}\) They argue that the inferior quality of a plagiarized copy makes it an imperfect substitute of 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 are 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,\(^{51}\) 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. It is very difficult to ascertain the size of the fraction of consumers who bought the pirated item but would have been willing to pay the higher price of the original piece and who faked their unwillingness to pay in order to take a free ride.\(^{52}\)

It might be true that original designs and copies address different market segments and that therefore designers do not loose 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.\(^{53}\) 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.

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 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; the CROC clogs for the summer and the UGG boots for the


\(^{51}\) Id. at 47.

\(^{52}\) Id.

winter have been copied widely at every level of the pyramid. This emphasizes the need of design protection for every level of the industry that makes use of creative endeavor.

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: Isaac Mizrahi’s agreed to design for Target, Chanel designer Karl Lagerfeld created a line for H&M, Mark Eisen launched a sportswear collection for Wal-Mart, and many others followed on the same track. This way top-end designers can apply their creativity to more affordable materials and the result is innovative design at a lower price and therefore affordable by a wider section of the consuming public. A change in copyright law to incorporate fashion designs would overall enhance consumer welfare by increasing designers’ incentives to disseminate their creative work cheaply.

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 course 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.” 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, and this mirrors the Landes and Posner scenario described above where the markets are separate, 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.

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— if designs are inspired by existing works no infringement claims should be possible especially in an industry where some level of cross-pollination is crucial to its workability. It turns out to be a question of degree, this issue is discussed later.

(c) The Fashion Cycle and the Low IP Equilibrium

In a piece titled “The Piracy Paradox: Innovation and Intellectual Property in Fashion Design” Sprigman and Raustiala analyze the proposed legislation in light of the fashion cycle maintenance, their own theory of interpretation of the fashion industry. 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.

They bring forward an argument that titles “induced obsolescence” which describes how haute couture designers create fashion trends for a limited and exclusive clientele and generate a consistent profit in the immediate and when these trends are then re-interpreted by mass market designers to be sold at a cheaper price haute couture designers develop a subsequent distaste towards the cheap re-interpretations and this spurs them to move on and create newer looks; “what is initially chic can rapidly become tacky (…) as it diffuses into the broader public.” 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.

This leads to their second argument: copying and reinterpreting successful designs helps “anchoring” seasonal trends which overall 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.

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 that 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” but even here it is difficult to see how the value of inciting people to conspicuous consumption can have any social benefits.

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 point of break must be defined when “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 grounds—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.

57 Id.
59 Id.
(d) The Piracy Business Model versus The Industry of “Young” Designers

The price of fashion at every level of the pyramid is justified by the time and effort designers spend researching fabrics, ideas and techniques. 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. All this hard work must justify some sort of protection. It is not just the free ride on research costs that justifies intellectual property protection in the fashion industry but copiers avoid the deadweight cost of the designs which turn out to be unpopular but where resources have been spend 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 receipt is 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 the runway. They focus on the output and on maintaining low prices. As Scafidi put it “The copyists are professionals, in the game for cash, not creativity.”

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 Asian emerging 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.

Knockoffs devalue designs to the point that wholesale orders are cancelled, and this is threatening for young designers especially. More settled designers rely on their well-established trademarks as

---

61 Testimony of William Delahunt before the Subcommittee on Courts, the Internet and Intellectual Property, Committee on the Judiciary and U.S. House of Representatives. Hearing on Design Law – Are Special Provisions Needed to Protect Unique industries, February 14, 2008 , see also Narciso Rodriguez testimony on behalf of the CFDA at www.conterfeitchic.com: “His 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 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 with no sales it doesn't pay the bills.”
62 They 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.
63 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.
these are the essence of their revenues and profits, because they are protected by anti-counterfeiting provisions. Also Alain Coblence, 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.

It has been questioned whether the DPPA is more concerned with protecting creativity or luxury fashion houses with money. It is true that only a top slice of the fashion pyramid could afford to pursue 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 whether well-established or young, given that the status quo only allows sending a cease and desist letter trying to persuade the infringing party with moral and uncertain legal arguments. Cease and desist letters based on the new legislation would contain compelling reasons to refrain from copying and in case of lawsuits copiers will be likely to settle.

The U.S. fashion industry is vibrant, but it is young. The bill would defend young designers who are not so well established and still vulnerable preys to mass market copiers by giving them three years in which they can exploit their ideas on the marketplace by themselves—it does not seem that this is asking Congress for too much. 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. 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.

---


65 Testimony of Steve Maiman, co-owner of STONY APPAREL, L.A. CALIFORNIA in opposition to the DPPA in the House of Representatives on February 14, 2008.
V. The DPPA and its Scope

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

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.\(^66\) Fashion design would be listed as a second kind and 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.”\(^67\) The Register of Copyrights would determine whether the purported design fits the category, and in case it does, register it. Damages for infringement can amount to $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 3 years (non-renewable). Exempt from protection are fashion designs that were made public more than 3 months prior to the filing of the registration application. The act prohibits the making of closely and substantially similar copies of original work. Civil action 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”. 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 headings is possible, it shall not be precluded.

(i) Potential Problems of the DPPA

The legislation is far from perfect. The biggest paradox is that the DPPA extends copyright protection to fashion designs without resolving the functionality barrier to serve as a legislative exception to copyright’s utilitarian doctrine as discussed above.\(^68\) Also many questions surrounding the actual scope of protection of the Act could make enforcement complex.

\(^66\) 17 USC § 1301 (2007).
\(^67\) H.R. 2033 Design Piracy Prohibition Act, Sec.2 (a), 2 (B).
(a) Flexibility of Copyright Law

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 statute has allowed copyright protection of useful articles and the 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 elided 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 eliding 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.

A doctrinally more integral way to approach the protection of fashion designs would be limiting the scope of the useful article rule, instead of eliding it. This happened already in 1990 with the Architectural Works Copyright Protection Act,\(^69\) where Congress changed the application of the useful articles rule and extended copyrights protection to “built” architecture (architectural designs embodied in actual buildings) without disturbing the broader coherence of copyright laws. As Congress has demonstrated 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.

(b) The Standard of Originality

Definitions 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,”\(^70\) and further provides that “a design shall not be deemed to have been copied.. if it is original and not closely and substantially similar in overall visual appearance to a protected design.”\(^71\) Sometimes it might be difficult to determine originality because many designs are inspired by existing ones 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.

It is clear from the Committee minutes that the bill is not trying to copyright trends, on the contrary, there was uniform agreement on the necessity of protecting the development of styles and trends.\(^72\) 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 wide and that a

---

\(^{70}\) H.R. 2033 Design Piracy Prohibition Act, Sec 2 (a) (7).
\(^{71}\) S.1957 Design Piracy Prohibition Act, Sec 2 (d), 2 (c).
\(^{72}\) Hearing before the Subcommittee on Courts, the Internet and Intellectual Property of the Committee on the Judiciary House of Representatives, 109th Congress, 2nd Session on H.R. 5055 (July 2006).
“virtually identical” standard would be better and this 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 zip or a button and argue that the new item can not be a virtually identical copy. The prohibition of identical or virtually identical copies is too narrow and won’t catch copies that have been modified only slightly whereas substantially similar copies may generate too much debate and provide costly and unpredictable.

The golden middle way is the best way forward. 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.73

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 punish 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.

(c) Adjudicative Powers

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.

Originality thresholds will be determined by courts of law, because they are thought to be in a better position to weight the evidence that will help them in making a more informed determination. Vociferous 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, how can we expect courts to get it right? This would raise issues as to a fair enforcement of the Act.

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

73 The division in formalist, intentionalist and institutionalist approach has been developed by Professor Alfred Yen and its application to the standards set out by the DPPA has been developed by Elizabeth Johnson – Defining Fashion Interpreting the scope of the Design Piracy Prohibition Act, Brooklyn Law Review, Vol. 73:2 (2008).
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.

(d) Remedies

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, the profits made etc. Some kind of broader remedial flexibility is needed.\(^{74}\)

In addition the bill would overall increase the 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 case of willful infringement. There is some skepticism that 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 to be just.\(^{75}\)

Clearer guidance relating to the calculation and availability of damages is welcomed.

---


\(^{75}\) Prepared Statement of the United States Copyright Office to the Subcommittee on Courts, the Internet and Intellectual Property and the Committee on the Judiciary, 109\(^{th}\) Congress, July 27\(^{th}\), 2006.
VI. The European Community Design and the DPPA compared

The European Community Design Protection Regulation which became directly applicable in all
member states on March 6th, 2002 created a unified design protection system within the European
Union. The Regulation establishes a two tier protection system: first through the automatic
creation of the unregistered community design (UCD) as from first disclosure of the design in the
community and second the protection of a registered community design (RCD) through registration
at OHIM. Both provide designers with exclusive rights to use their designs in commerce and 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 27 countries simultaneously. Because or despite this Regulation, Europe remains
the hub of haute couture. 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 Italian have
the most stringent national regimes.

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 is 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 also an extension to copyright protection seems an acceptable solution.

(i) Registered Community Design

Applying for a RCD is easy and affordable. One application in one language and one fee payment\(^\text{80}\) to OHIM is enough in order to gain EU wide protection. The RCD last 5 years and can be renewed

---

\(^{76}\) COUNCIL REGULATION (EC) No 6/2002 of 12 December 2001 on Community designs (OJ EC No L 3 of
5.1.2002, p. 1) as amended by Council Regulation No 1891/2006 of 18 December 2006 -

\(^{77}\) Office for Harmonization in the Internal Market in Alicante, Spain – www.oami.europa.eu/

\(^{78}\) Kamal Preet – Why America needs a European fashion Police, Journal of Intellectual Property Law and Practice,

\(^{79}\) French Intellectual Property Code, Part 3, Book VIII, Law No. 52-300 of March 12, 1952 and “Codice della
proprietà industriale, a norma dell'articolo 15 della legge 12 dicembre 2002, n. 273.”

\(^{80}\) Registration fees for one design are €230 plus €120 for publication, attorney costs will usually not exceed additional
€700 but additional costs can come into play if extra drawings or photographs are to be submitted with the application.
up to an additional four times, which grants a maximum protection of 25 years. The design right proposed by the DPPA is similar to the RCD but with the shorter duration of 3 years.

What is different is that with the RCD there is no upper limit to the number of designs in one application, 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.

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 can be deferred on request and there is a 12 months 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.” 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 registering a RCD. Applications for design rights under the DPPA can be filed within 3 months from the launch of the design, which in many instances is not enough to test the success of a design.

(ii) Unregistered Community Design

The DPPA does not envisage 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 making 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 3 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 the right, but once the necessary legal grounds for protection can be made out the right becomes extraordinary 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 into the DPPA if a comprehensive system is to be put in place.

---

81 As long as they belong to the same Locarno class, but each design application has to be paid for individually.

(i) Threshold for the Protection of the RCD and the UCD

The common elements of the two types of protection available under the Regulation include their unitary character, definitions and broadly, 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.” 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.

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.” 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.

(ii) Case law in Europe

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 argue that the underutilization of EC 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: Jimmy Choo received over £80,000 in compensation from NewLook which was forced to withdraw thousands of “Bonbon” shoes from the marked following threatened legal action and Chloe received around £12,000 from Topshop who plagiarized its lemon yellow dungaree dress. But none 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 cases further illustrate how judges set a threshold for protection and that unregistered rights are of inestimable importance in this branch of the industry.
(a) Karen Millen case

Karen Millen won a landmark victory against Dunnes Stores, an Irish retailer, after long-lasting court hearings in Dublin’s commercial court. 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 has individual character the court must decide whether the overall impression it produces on the informed user differs from the produced on him by the existing body of designs available in the market. Ms Justice Mary Finlay Geoghean defined an informed user as “a women 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 account of profits made in respect of the sales of the infringing items was ordered. Dunnes has reportedly appealed and two further cases dealing with similar issues have been adjourned pending the outcome of this appeal, the results are anxiously awaited in the industry.

(b) Jimmy Choo case

In January 2008 Jimmy Choo brought an action against retailer Towestone for infringing registered and unregistered design rights in its Ramona bag. The court found that Towestone’s handbag infringed Jimmy Choo’s Community Registered Design, because, in essence, from the overall impression the “informed user” would regard two handbags as being the same. In addition the Court held that also Choo’s unregistered design right had been infringed. For an infringement to be found, the infringing design must have copied the unregistered design. The Court found that the number of seminaries between the two handbags was such that the only explanation was that the Towerstone handbag was a copy.

83 Karen Millen vs. Dunnes Stores (Limerick) Ltd. – Dublin Commercial Court – 21 December 2007 as reported by Margaret Tofalides and Lauren Orkawusi – Fashion Victim: Clothing copycat victory under EU design regulations Copyright World, April 2008, Issue 179, p. 13, the court hearing happen over 3 days
84 Whistles and Coast have brought actions against Dunnes stores too.
VII. Final Comments

In a world where simultaneous copying rages and piracy has become a business model legislation addressing fashion designer’s 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 Coblence, 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. There is a fear that fashion design industry would start to incorporate in Europe if no action is taken.

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 innovation 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 tailored protection for the fashion industry, it shows how copyright law can be carefully designed to serve both creators and the public interest. 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.

Like in Europe the bill is meant as deterrent rather than inducement to file lawsuits. The potentially most dangerous variable is the well-known American keenness towards litigation. 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 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 very close copying only. If the standards are kept high the danger of frivolous law suits is non-existent and trends will be safeguarded. It is true that legal standards have

---

87 Susan Scafidi, Opening statement on H.R. 5055 presented to Subcommittee on Courts, the Internet and Intellectual Property, 27 July 2006.
88 Mary Wood – Sprigman Urges Congress to Keep Fashion Copyright-Free at http://www.law.virginia.edu/html/news/2006_spr/sprigman.htm quoting Professor Sprigman: “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.”
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 the way of reacting of different countries.

Opponents of the DPPA assert that the American fashion industry is thriving as a massive $310 billion business and regularly throw the question: why fixing something that is not broken? 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 technology advance 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—and who knows, maybe once satiated it will thrive even more.

---

89 This is the underlying thesis of Sprigman and Rustiala’s paper, see above and the question also came up in the testimony of Steve Maiman, co-owner of STONY APPAREL, L.A. CALIFORNIA in opposition to the DPPA in the House of Representatives on February 14, 2008.