LAW À LA MODE

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DLA PIPER

Fashion, Retail and Design Group

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Editorial

The UK editorial team is delighted to bring you the 19th edition of *Law à la Mode,* the quarterly legal magazine produced by DLA Piper's Fashion, Retail and Design group for clients and contacts of the firm worldwide.

For this edition's business angle, turn to page 12 for key questions to keep in mind when it comes to investments and takeovers in the retail and fashion industry. The hidden costs of fashion supply chains are explored on page 15, and on page 4 you can read about one of the frequently noted yet seldom discussed benefits of US trademark and copyright registration: US Customs and Border Protection.

In this quarter's edition, our US colleagues consider the ever-increasing use of in-store data analytics (page 5). The technology angle continues on page 6 as we take a look at cybersecurity, one of the most challenging issues facing companies in today's interconnected world.

We consider the growing pressure on retailers to use technology and innovation to improve their "last mile" offering on page 16, while exploring opportunities to extract brand value during financial distress on page 10.

With a focus on trademark protection and infringement, the article on page 14 explores key features of the GCC Trademark Law published in 2006, in advance of its potential implementation. There's also a commentary on the potential pitfalls surrounding the filing of trademarks in Europe on page 8.

Finally, we're delighted to bring you an interview with Amba Jackson, an up-and-coming young artist and fashion designer currently studying at the Pratt Institute in Brooklyn, New York City. You can read about Amba's influences and ambitions on page 18.

We hope you enjoy this edition of *Law à la Mode.* If you have any comments, please get in touch with the Fashion, Retail and Design group via our email address: fashion@dlapiper.com.

UK EDITORIAL TEAM

Ruth Hoy, Chloe Hersee,
Jack Randles and Emily Leach

TOOLS TO PREVENT COUNTERFEIT GOODS
FROM ENTERING THE UNITED STATES

By **Ann K. Ford** and **James Stewart** (Washington, DC)

One of the frequently noted yet seldom discussed benefits of trademark and copyright registration in the United States is the ability to record those registrations with US Customs and Border Protection (CBP).

Recording US trademark and copyright registrations with CBP can provide fashion brands with valuable information to inform their efforts in the fight against counterfeit goods for a relatively low cost. The cost to record trademarks with CBP is $190 per international class registered; for copyrights, the cost is $190 per registration. These fees allow brand owners to record their intellectual property with CBP for a term of 20 years.

In addition, the brand owner is required to provide information to CBP regarding authorized shipments. This information includes the place of manufacture of goods bearing the recorded intellectual property, the name and address of each foreign entity authorized or licensed to use the trademark and a brief description regarding the authorized use, and information about affiliates that use the mark abroad.

CBP review goods coming into the United States on the lookout for shipments of counterfeit products. Information that has been recorded with CBP becomes part of its database, and is used to distinguish between authorized and counterfeit goods, thereby allowing authorized goods bearing the recorded intellectual property to enter the US market without any undue delay. When CBP identifies a shipment that appears to be counterfeit, it will hold the goods and a CBP officer will contact the owner of the recorded intellectual property, or its representative, to request confirmation as to whether the shipment in question is authorized. In this communication, CBP will provide the owner with photos of the goods seized along with contact information for the shipper and intended recipient. If the goods are not authorized, CBP will destroy them. Alternatively, the intellectual property owner has the option of requesting the goods for an additional fee.

Using the information provided by CBP, brand owners gain key information about potential enforcement targets, both in the United States and abroad. In the United States, brand owners can identify US retailers and distributors selling counterfeit goods and pursue action to recover royalties and prevent the further distribution of counterfeit goods in the US market. Moreover, contacts with importers of counterfeit goods can inform brands about yet unidentified manufacturing sources of counterfeit goods abroad, which can guide their enforcement efforts globally.

Thus, for a fairly modest cost, recording US trademark and copyright registrations with CBP can be an important source of valuable information for brands in their efforts to combat the manufacture and distribution of counterfeit goods.

RETAILER TRENDS
IN-STORE BIG DATA ANALYTICS

By Carol A.F. Umhoefer (New York)

Gone are the days when the CCTV outside the dressing room was only there to dissuade – or help prosecute – shoplifters. Bricks-and-mortar retailers are increasingly moving from the real world to the virtual world as they collect more and more data about current and would-be customers, and engage specialists to analyse the implications of that data.

In-store video, localization tracking through Wi-Fi, Bluetooth and mobile app data can be meshed with more traditional data sources such as social media, payment cards and seasonal sales to build increasingly accurate predictive and analytical models. Whereas in-store behaviors (essentially, purchasing data) were once merely the driver of optimized stocking and re-order strategies, today the analysis of in-store behaviours can be the kernel of more profitable pricing strategies, improved traffic patterns and higher conversion ratios: what exactly moves the shopper from window to cash register?

The use of big data analytics, and particularly in-store data analytics, represents a significant change for a retail industry where physical stores' data collection has lagged behind the pure players', and where the bottom-line potential of multiplying data sources, data outputs and sophisticated algorithms is only starting to be realized.

Use of CCTV and other visual inputs is of particular interest, but also of particular concern. CCTV images that record in-store footfall to help optimize store displays may not raise issues, but CCTV also holds the power of facial recognition. Google found the need to step away from the facial recognition capabilities of its now-defunct GoogleGlass project; similarly, facial recognition in retail outlets may raise a host of concerns about store visitor privacy, particularly in Europe.

Under EU data protection laws, photos and video are considered personal data if a person can be directly or indirectly identified, meaning that images of faces are personal data, which in turn implicates all the legal conditions and limitations attached to the processing of personal data.

But even short of identifying shoppers, whether by CCTV images, use of a loyalty card, or in-store Wi-Fi, the prevailing attitude among EU data protection regulators is that the purview of data protection laws encompasses information that can be used to differentiate one individual consumer from another – even without any specific identifying data. The implications are huge, as one of the principal promises of big data analytics is not only to understand a particular audience or population segment, but to craft personalized offerings that both answer and spur consumer need.

As the law currently stands, the solutions will need to rely on the tried-and-true: consumer consent. The savvy retailer will know how to leverage consent as another valuable touch point to glean consumer desires.

TOP TIPS FOR EMPLOYERS DEALING WITH **CYBERSECURITY ISSUES**

By **Sandra Wallace** (Birmingham)

Cybersecurity is becoming one of the most challenging issues facing companies in today's interconnected world. Companies need to be prepared to manage this increasingly important risk area wherever they do business. A key area to target for prevention, detection and remediation of any breach is through employees. Here are our top tips on how to manage this issue from an employment perspective.

PREVENTION

The most important step a business can take to protect itself is to put measures in place to prevent cybersecurity breaches from occurring in the first place. A number of employee-related preventative measures are often overlooked. Employers must ensure that their employees are educated about risks the company faces in respect of cybersecurity, what to do to prevent such risks from materializing and, if they do materialize, what steps to take to mitigate the effects of a breach.

Our top tips for prevention of employee cybersecurity breaches are:

- Have strict confidentiality obligations in all employment contracts in relation to the employer's proprietary information, as well as information belonging to customers or trade partners. Also make use of post-termination restrictive covenants where appropriate to protect information after an employee has left the company;
- Have clear, easily accessible policies in place, such as:
  - An IT security policy, including obligations to protect IT equipment, encryption of data and reporting requirements in the event of a breach;
  - An IT and communication systems policy which includes a clear right to monitor internal IT systems and specify prohibited use of the system;
  - A whistleblowing policy to encourage a culture of "speaking up" internally to avoid employees airing the company's dirty laundry in public;
  - A disciplinary procedure that reflects the seriousness of an employee breaching obligations around confidential information and IT security; and
  - A grievance procedure to allow discontented employees to communicate their concerns formally.
- Educate employees about security policies with training and regular refresher activities, and make sure policies are reviewed and updated regularly;

- Remember that the effectiveness of a policy is only as good as the company's treatment of it: employees won't take their obligations seriously if they don't see their employer doing the same; and
- Have a clear zero-tolerance policy regarding bullying, harassment or intimidation of employees who wish to raise, or have raised, concerns regarding potential breaches.

WHAT TO DO WHEN THERE IS A BREACH

In an ideal world, implementation of the preventative steps outlined above will mean that no breach occurs. Unfortunately, breaches may still occur, whether accidentally or intentionally. Here are our top tips on dealing with a breach:

- Ensure the breach is contained at any early stage. If it has happened accidentally, ascertain whether there is a potential risk of further breaches occurring in the same manner, and address these with the relevant employees. If the breach has occurred intentionally, take appropriate disciplinary action. Ensure that employees are reminded of the organisation's policies and procedures in respect of cybersecurity;
- Ensure from the outset of a suspected or actual breach that employees who are required to participate in an investigation are clear on the need for their involvement and the importance of confidentiality during the investigation. Ensure all interviews with employees are documented and, where possible, documents are signed by the employee to confirm the content is correct; and
- Where there is a breach and the individual concerned is suspected of criminal conduct, consider whether police involvement is required and how this will interplay with internal disciplinary procedures.

Each company will differ in its needs and preventative measures. Companies must ensure that, as well as having employee-related measures in place, all other aspects of the company are risk-assessed regularly.

Businesses must recognize threats, identify information they need to safeguard, take measures to achieve effective protection and keep such measures under regular review.

IT'S ALL THERE IN
BLACK AND WHITE OR IS IT?

By **Ruth Hoy** and **Jack Randles** (London)

Whether a business is a sole aspiring designer or a large fashion brand, two issues that always need to be balanced are brand protection and budget considerations.

Filing trademarks can be costly, and it is important to understand the best approach, including whether logos should be filed in colour or in black and white. A logo acts as a badge of origin, but can also be understood by consumers to be sending messages on quality, value and luxury, while defining a brand's position, both in the market and in the minds of consumers.

Under current guidance and practice in Europe, to obtain the broadest protection for logos, applicants should file trademarks in both black and white, in colour, and in all shades, variations and combinations in between. However, this is often not financially viable, particularly for smaller businesses, so it is necessary to consider use of the logo and how it will be used in the future, in order to prioritize your filings.

COMMUNICATION

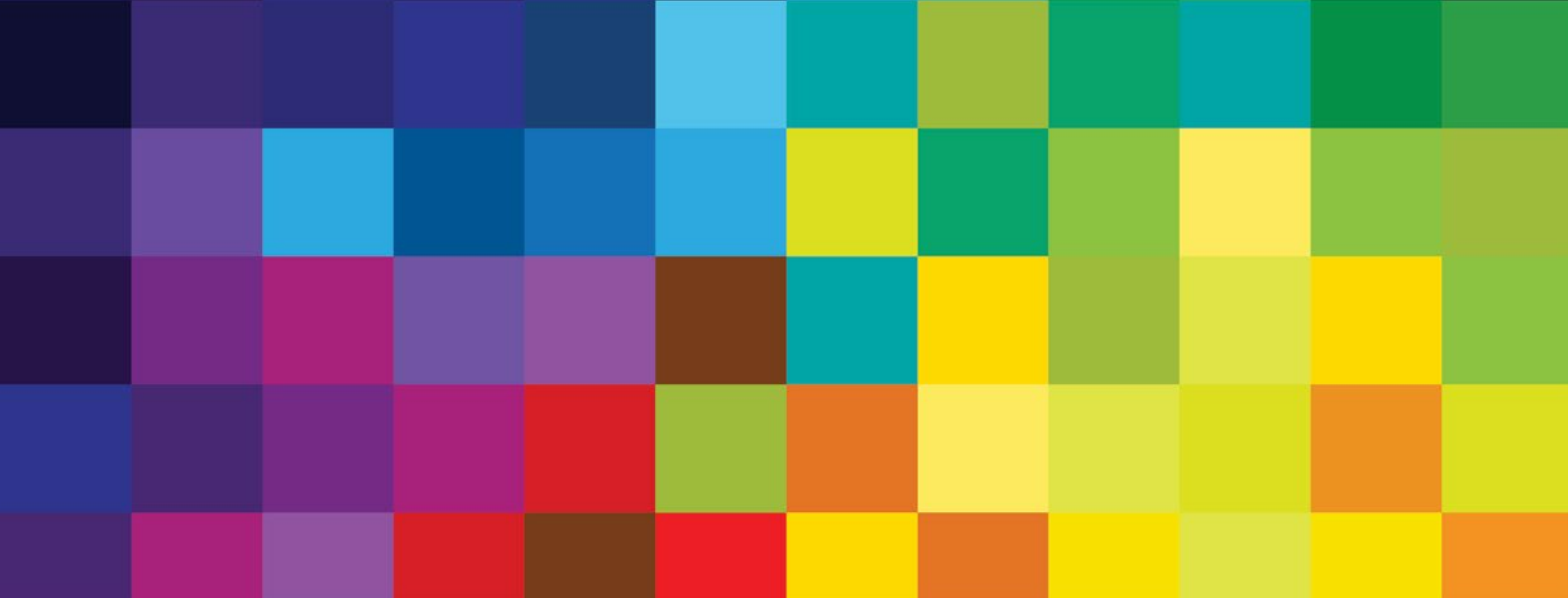
In the past, there were inconsistencies between different national registries in the EU on the approach to black and white and colour marks. In some cases, local offices took the approach of "what you see is what you get," covering only the black and white mark, but others considered that a black and white registration provided protection for all colour variations. This led to inconsistencies and issues when national registrations interacted, particularly on areas such as priority and oppositions.

In 2014, the EU released a Communication on the Common Practice, in order to clarify and harmonize the approach to this issue across the EU. However, a number of jurisdictions did not participate including Italy, France, Finland, Sweden, Denmark and Norway.

Priority

When an application is filed in one jurisdiction and subsequently filed in another jurisdiction, it may be possible to claim the filing date of the earlier application. The mark used as a basis for priority will need to be "the same as" the mark applied for.

The Communication determined that for claiming priority, a trademark in black and white or greyscale is not the same as the mark in colour, unless the differences in colour or contrast of shades are "insignificant" (see page 9). In practice therefore it will not be possible to use an earlier black and white mark application to claim priority for a later application for the same mark in colour.



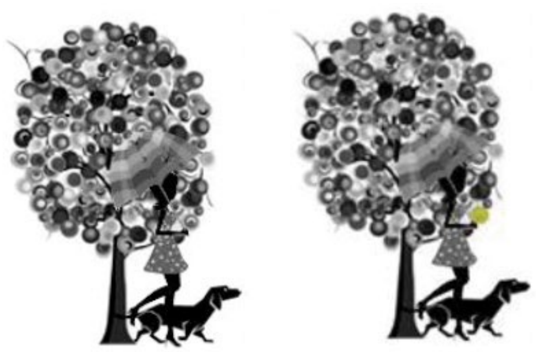
Oppositions on Relative Grounds

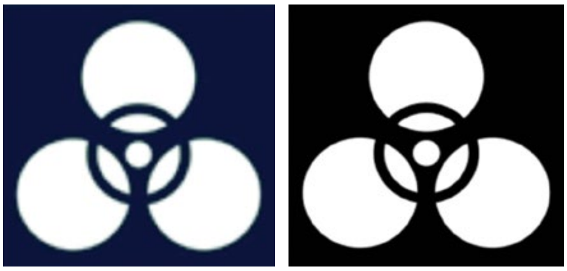
Given that an earlier trademark in black and white or greyscale is not identical to the same mark in colour unless the differences in colour or contrast of shades are "insignificant," it will be necessary to demonstrate in an opposition that the marks are similar, rather than identical.

Visual, aural and conceptual similarity will be considered as part of the analysis and the likelihood of confusion will be taken into account. For some jurisdictions, this potentially limits the scope and protection previously afforded for black and white marks.

"Insignificant"

The Communication confirmed that an insignificant difference is one that the reasonably observant consumer will perceive only on side-by-side examination. Some examples of insignificant differences (meaning that these marks would be considered identical) included in the Communication are as follows:





Genuine Use

Trademarks have a grace period within which marks must be used (as registered and for the goods and services covered), otherwise they can be vulnerable to challenge for "non-use."

The Communication indicates that a black and white registration that is used in colour does not alter distinctive character of the trademark where:

- The word/figurative elements coincide and are the main distinctive elements;
- Contrast of shades are respected;
- Colour or the combination does not possess distinctive character in itself; and
- Colour is not one of the main contributors to the overall distinctiveness of the trademark.

On that basis, in most cases, use of a mark in colour only that is registered in black and white (and not in its black and white form) will raise potential issues in relation to non-use and can make the mark vulnerable to attack.

Analysis

There has been some case law that does not appear to have followed the guidance and there are outstanding issues not covered by the Communication that will need to be resolved – for example, the approach to infringement. Given that the intention of the Communication was to provide clarity in this area, this is a less than positive result.

A review of recent opposition decisions from the Office for Harmonization in the Internal Market and for the UK confirms that colour marks are not identical to black and white versions.

In order to follow the guidance, businesses should review their marks to determine if they are adequately protected, particularly if there are any differences in use and registrations. New filings may be required where there are potential risks for protection.

For new filings, it is advisable to apply for marks in the form they are being used and will be used in future, while monitoring use in the future to ensure there are no changes to shades or colours.

FASHION IN DISTRESS

OPPORTUNITIES TO EXTRACT BRAND VALUE

By **Robert Russell** (Manchester), **Rowan Aspinwall** and **Emily Leach** (London)

The fashion industry is not impervious to the threats presented by changing consumer behaviour, vulnerable economic conditions and resource scarcity. It is a turbulent time for fashion retailers, who can suddenly find themselves in financial distress somewhere on a spectrum between a simple refinance or reorganisation and a formal insolvency process.

A successful brand is vital in the fashion industry and can be leveraged to realize value when a business is in financial distress. Brand value can exist in a multitude of (sometimes hidden) places – for example, a customer database, an inactive domain name, a trademark registration, or an archive of design material.

In distressed situations, there is often a significant disconnect between the value of the retailer itself (i.e. the corporate vehicle and/or the business and assets) and the value of the retailer's brand in isolation. While a retailer itself may be suffering, the value of its brand may remain proportionally unaffected. Even at the point of insolvency, which may be perceived by many to mean the end of a business, a retailer's brand can present significant opportunities for competitors and/or new entrants to the market and so generate value to the insolvent retailer or its creditors. It may be difficult for a new retailer or startup to amass goodwill in a brand on its own and being able to sidestep this process by purchasing a recognized brand can be hugely attractive.

For retailers at the less distressed end of the spectrum, a brand can increasingly be used as collateral for asset-based loans. Lending on intellectual property has gained prominence in recent years, as world economies have evolved from an industrial base focused on physical assets, such as property and equipment, to economies that recognize the value of intangible assets. What once was included as mere cushion in a security package to supplement the value of tangible assets is now a primary asset securing many loans.

In addition to asset-based lending, distressed retailers can look to an established and growing stable of buyers who acquire brands for the sole purpose of licensing the trademarks attached to them. Buyers will look to acquire or invest in:

- Under-exploited intangible assets from a retailer who possesses brand recognition in its sector, but is experiencing challenging operating performance;
- A neglected brand owned by a retailer, which does not fit its business objectives; and/or
- A dormant brand that is established, but which the retailer has since discontinued its marketing and distribution efforts in respect of the same.

A growing pool of capital chasing a limited number of brand opportunities has pushed brand values upward, presenting significant opportunities for distressed retailers.

At the most distressed end of the spectrum, the insolvency of an established business is increasingly seen as a strategic opportunity for third-party buyers. Brand value is considered so difficult and costly to establish that buyers are looking to insolvent businesses to acquire valuable intellectual property without paying the premium that might apply in a solvent purchase.

Whether a retailer is in financial distress or not, the general principles and approaches that apply to valuing a brand are similar. The process is sometimes seen as more of an art than a science, but is becoming increasingly more sophisticated. The principal methods used to value a brand are:

1. **The cost approach**, which looks at the costs to reproduce or replace the brand being valued. The replication cost would be the cost of developing the intellectual property to the same state it is in today, including the costs of labour, materials, overhead and capital charges (adjusted for inflation).
2. **The income approach**, which focuses on future income streams and calculates the future discounted cash flows allocated to the brand, such as gross and net sales from products incorporating a particular piece of intellectual property, or revenues generated from licensing the intellectual property over its remaining economic life.
3. **The market approach**, which considers transactions involving comparable forms of intellectual property and related licensing arrangements and royalty rates. Value is calculated by comparing the price at which similar property has been exchanged on the market.

However, retailers should be mindful that the value of a brand is not static and, in a distressed scenario, a discount will often be applied when valuing a brand, to reflect the financial distress of the retailer.

At the more distressed end of the spectrum, the impact (and associated adverse publicity) of an insolvency on customers, suppliers and employees can quickly erode brand value.

A successful brand can increasingly be leveraged to realize value when a business is in financial distress. Even at the point of insolvency, situations of financial distress can present opportunities to extract brand value for both distressed owners of brands and those wishing to acquire a brand.

TRANSACTIONS IN THE RETAIL AND FASHION INDUSTRY

KEEPING YOUR BRAND IN SHAPE

By **Daphne Bens**, **Leonie Kroon** and **Laura Smit** (Amsterdam)

While the fashion and retail industry tries to keep up with the pace of the global digital evolution and changing consumer needs, brands need to stay in shape for possible investment or takeover. Profitability is usually the primary objective when buying a fashion business; however, there are several other crucial factors that a buyer or investor will consider.

1. **Who is behind the brand?**

   It may seem obvious, but identifying and keeping key individuals behind a brand and its designs is essential. Businesses should consider the value of binding independent contractors with (locally compliant) employment arrangements and offering appropriate incentives to stay (such as bonus plans, share options or transaction-associated earnouts). Further brand protection could be sought through non-solicit agreements too.

   Apart from securing the label's top talent, it is key to ensure that all know-how, copyright and design rights sit within the target business (where possible, given that protecting fashion designs with intellectual property rights is not always an easy task). Potential investors or buyers will be keen to know whether individuals who have previously created works or designs for a brand have entered into valid intellectual property transfer agreements (through their employment or otherwise).

2. **What's in a label?**

   The international intellectual property portfolio of a fashion or retail brand will always be of interest to a potential investor or buyer. Apart from initial enquiries regarding jurisdiction coverage of intellectual property rights, and any pending or threatened litigation, secondary factors will also be considered. What is the likely cost of assignment of intellectual property at relevant local registries, for example?

   In an investment or takeover situation, the current business owner or board must flag any past co-existence agreements or licenses limiting the company's use of its intellectual property. In the fashion and retail industry, it is particularly important to be mindful of the existence and enforcement of infringement policies.

3. **What about third-party rights?**

   When contemplating a transaction in the fashion industry, investors or buyers will map who has rights to use, market or sell a brand and its products. Long-term contracts with onerous termination provisions will be off-putting. It would be a nasty surprise to find out a distributor or reseller has unlimited exclusive licenses in place that provide for use of the brand's intellectual property or burden the business with supply obligations and high commissions, especially if a full integration of the target brand was envisaged.

   Furthermore, businesses should be conducting regular stock-takes. Large amounts of stock on the company's balance sheet can be a liability, particularly in an industry so susceptible to seasonal trends.

4. **What about ethical concerns?**

   Reputational damage caused by ethical non-compliance can be destructive to a fashion label.

   Potential investors or buyers will expect assurances that manufacturing processes are compliant with local laws, for example on waste material, animal welfare, child labour prohibitions, humane working hours, health and safety regulations and data protection.

   In addition, if corporate social responsibility is important to a potential investor or buyer, implementation of sustainable development policies and an assurance of compliance with them can go a long way.

5. **How future-proof is the brand?**

   It has been widely reported that, with the growth of online shopping, retail stores are not as profitable as they once were.

   In a takeover or investment situation, broad business strategies will be discussed at an early stage. This will uncover whether the target business has a focus on (for example) wholesale, owned retail stores, in-house department stores or online shops. Investors or buyers will need to decide whether the target brand is future-proof. Can it survive with just its current facilities? Or will a takeover require significant e-commerce investment to meet the needs of impatient customers?

6. **Who is wearing the brand?**

   If an investor or buyer is looking to buy, build and sell a business within a short timeframe, proper investigation of the current international reputation of a brand in the broadest sense can make or break a takeover strategy.

   Which customer segment purchases the products and what is the brand's position relative to competitors? Are there enough opportunities to expand sales and earnings *and* be more profitable?

7. **Is it an "it" brand?**

   Along with more traditional marketing and advertising strategies, social media activities and policies are key to fashion and retail businesses today. Collaborations with influential bloggers can add considerable value to a brand, for example. The absence of a social media strategy and/or policies to prevent reputational damage online will be a red flag to a potential investor or buyer.

   In fashion, success comes down to the ability to create sustainable and competitive products, then push them out with fast marketing and speedy delivery, to match consumer need and uphold brand reputation. Together with profitability, these factors define the value of a fashion business and will be considered carefully by a potential investor or buyer.

GCC TRADEMARK LAW
COMING SOON?

By **Katie Montazeri** (Dubai)

The concept of a harmonized law across the six GCC countries (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE) has been around since the 1980s. The GCC Trademark Law was published in 2006 and revised in 2013, but implementing regulations are required in order to enact it. We understand that the regulations will be published in 2016 and the Law will then be passed at a national level. This is good news for international brand owners who currently face inconsistencies in trademark rules on registrability, registration and enforcement across the GCC. This article highlights some key features of the Law and its implications for anyone protecting and exploiting marks in the region.

1. **No unitary registration**

   The Law contains a single set of provisions which will apply across all GCC countries, but it does not envisage a single registration or enforcement system. A "GCC mark" will still require six separate, national applications.

2. **Multi-class filings**

   Currently, none of the GCC member states allow multi-class applications. However, the 2013 re-draft of the Law suggests this will be possible. This would be a major change in approach – the mono-class system means that GCC countries are among the most expensive in the world in which to register a trademark – and a welcome development.

3. **Well-known marks**

   The Law prohibits the registration of a "reproduction, an imitation, or a translation of a well-known mark or an essential part thereof" for identical/similar products. Registration is also prohibited for dissimilar products where use of the mark implies a connection with the owner of the well-known mark which might damage the owner's interests.

4. **Remedies for infringement**

   The Law includes significant penalties for trademark infringement and also anticipates the availability of remedies that are not routinely available in every GCC state at the moment. For example, claimants may now seek an account of profits from the infringer who may be ordered by the court to disclose the identity of any third parties involved in the infringement. Rights holders may also apply for an injunction to "stop or prevent" infringement, implying that interim relief may be available.

The Law is likely to lead to a more efficient and streamlined system of trademark prosecution and enforcement in the GCC. There remains considerable uncertainty over the interpretation and practical application of the Law, and in particular, how uniformity across member states will be achieved in the absence of a central court or other judicial body to ensure consistent national interpretation. It is hoped that this will be clarified as and when the regulations are published, and that 2016 will mark the year in which harmonized GCC Trademark Law becomes a reality.

THE HIDDEN COSTS OF FASHION SUPPLY CHAINS: LEFT BEHIND CHILDREN

By **Siân Croxon** (London)

In the December 2015 issue of *Law à la Mode*, we highlighted some of the key points for retailers to consider before the enforcement of the Modern Slavery Act in the UK in October 2015. This article looks at some of the hidden costs of doing business when, as is often the case in the fashion sector, supply chains are operating. At a time when fashion brands are under increasing pressure on so many fronts, any problems they may encounter in their manufacturing and distribution systems can result in uncomfortable adverse publicity.

One of the biggest challenges for the sector is the ramifications of production, throughout the supply chain, on children. The use of child labour is just one aspect of this. Enormous efforts have been made to eliminate the practice. However, a supply chain may have a number of other negative impacts on children, both direct and indirect, which are not always fully appreciated. These include parents' working hours, the availability of childcare facilities, family health care, parental leave, educational opportunities and the needs of migrant workers who have been separated from their families.

Most major retailers already have, or are working on the development and implementation of, appropriate policies and procedures to address child labour, but it is rare for these policies to consider more intangible hidden costs, such as those set out above, or factor them into auditing frameworks.

An even more disturbing issue is the continuing problem of modern slavery. In 2014, it was estimated that 36 million men, women and children were still enslaved around the world – a sobering statistic no company operating in the global market would wish to ignore.

Perhaps even more shocking is that over 60 million children have been left parentless in rural China due to mass urbanisation and their parents' migration to the cities to get work and to meet the growing demand for Chinese manufacturing output. It is estimated that 1 in 3 children in rural China (the same population as all the children in the United States) have come to be known as the "left behind children," who likely only see their parents twice a year (during the Spring Festival and Chinese New Year). They are the unseen and sad legacy of the country's impressive economic development.

What can fashion businesses do?

Left behind children are not a phenomenon unique to China. They can also be found in the Philippines, India and other parts of Asia where the low cost of production is attractive to manufacturers. Consumer awareness about broader concerns for children's interests in fashion and other product supply chains is, however, on the rise. Consequently, the risk of reputational damage to brands remains high.

What can companies do to assist in upholding children's rights?

Ideally, companies should identify and understand the direct and indirect impacts that their supply chains have on children, which will in turn enable them to implement better informed mitigation measures. Some global fashion retailers and local factories are, for example, working with UNICEF to improve working conditions for parents and thus benefit their children. This might include providing means by which migrant workers can keep in touch with their children or set up childcare centres for them at work sites.

So far, 120 brands have signed up to The Fair Wear Foundation code of labour practices, whose standards often extend beyond most in-house policies. UNICEF notes that the Children's Rights and Business Principles, developed by UNICEF, Save the Children and the United Nations Global Compact, "set out business action to *respect* and *support* children's rights." Key to the principles are suggested tools and approaches that companies can adopt to progress children's rights.

It will take time for any new measure to be implemented and start having a positive effect on the welfare of children and their families. Companies in the fashion sector have the chance to take the lead, and consumers will no doubt expect them to do so.

DELIVERING OVER
THE LAST MILE

By **Kit Burden** and **Chloe Hersee** (London)

Over the last 10 years, we have seen rapid growth in alternative fulfilment models, and market commentators predict similar rates of growth over the next decade. With greater pressure on retailers to use technology and innovation to improve their "last mile" offering, it is important that the underpinning commercial contracts are robust, in line with best practice, and allow retailers to effectively deliver on their promises to their customers.

In this article, we examine two key aspects of these models and the legal issues retailers should bear in mind when entering into some of the contractual relationships that support them.

Efficient and effective stock management

Improved stock management can help support local hubs and ship-from-store strategies, decreasing the costs and time for delivery. Retailers are looking at all forms of technology based innovation in this regard such as using automation in distribution centres to reduce "pick and pack" costs and/or rolling out radio frequency identification (RFID) based stock control systems, which allow a business to track individual products and components throughout the supply chain from production to point-of-sale and identify blockages, delays and potential shortages before they start to present actual problems.

Retailers should work with their suppliers during contract discussions to drive improvements in availability and service robustness, while at the same time creating contracts that flex with business requirements. Retailers should ensure that there are robust service levels in place for supporting and maintaining the software around which the systems are based. If there is a problem with these systems, retailers need to ensure that the contract contains provisions to ensure that issues are not only worked upon quickly by the relevant supplier, but also that there are binding time periods for resolution of any issues, so as to mitigate the risk of any impact on your brand as a result of failing to meet delivery times.

For example, a period of down time for these critical systems would have a much greater impact during peak trading periods; this could be recognized with either shorter fix times at key points (fostering an all hands on deck mentality) or applying a multiplier to any service credits payable by the supplier to the retailer, as a result of failing to meet the service credit commitments (so that the supplier is appropriately focused upon addressing the issues as quickly as possible and is not simply responding to whichever customer is shouting loudest at any particular time). In either case, the key thing is to ensure that any service credits are characterized as an adjustment to the price that you are paying for the technology and do not cut across any other remedies that may be available to the retailer, as the potential losses suffered as a result of a technology failure are likely to be significantly greater.

Remember also that prevention is better than cure; ensure the data held on these systems is regularly backed up and that responsibility for backups is clearly articulated. Having "tried-and-tested" business continuity and disaster recovery processes in place with your suppliers, as well as plans for service restoration, can also help mitigate any business impact upfront. The contract should require not just that such processes are in place, but also that they are regularly tested.

Robust delivery models

Similarly, in a world where social media provides a mouthpiece for disgruntled customers, for both delivery-to-door and click-and-collect models, it is essential for retailers to ensure that they deliver to customers when they say they will. It is important to ensure that contracts with delivery partners recognize this and provide appropriate protection and recourse to the retailer in cases where delivery commitments are not met.

Retailers must make sure that contracts in this regard clearly delineate responsibility for all phases of the delivery process, so that responsibility for any delays can be clearly identified. All parties need to work together, so the relevant contract should include operational mechanisms for discussing issues regarding delays and a process by which both parties can implement remedial action plans, to ensure issues are addressed going forward.

Where there are tangible business benefits that retailers can derive from leveraging their partner's distribution network, it may also be worthwhile to consider some form of associated gain-share provisions. For example, if a supplier's infrastructure allows a retailer to reduce its last mile delivery costs by sharing delivery costs with other retailers, could some form of earn-back be introduced into the contract? Likewise, if improvements in delivery time and cost can be seen as growing e-commerce sales, retailers could consider offering their suppliers some form of bonus payment.

Creating a model which flexes and adapts can be a useful means of ensuring that partnerships with suppliers meet commercial expectations and trade requirements.

WORD FROM THE **INDUSTRY'S MOUTH**

By **Ruth Hoy** and **Chloe Hersee** (London)

Interview with Amba Jackson (born 26 May 1995), an artist and fashion designer currently studying at the Pratt Institute in Brooklyn. Amba was born in London before moving to Ibiza shortly after her first birthday. There she went to Morna International College until the age of 10 when she and her sister returned to London to have a more traditional education. After graduating from Collingham Sixth Form College, she worked at Monsoon, on both the diffusion line and embellishment design. She then went on to travel Europe and South America before beginning her degree at the Pratt Institute.

In the image in this article, Amba has kindly shared some of her latest designs.

AMBA, CAN YOU TELL US A LITTLE BIT ABOUT YOURSELF AND WHAT DREW YOU TO A CAREER IN FASHION?

I have always been a very visual person. I grew up in Ibiza, surrounded by creative people. At school, the presentation of my work was almost as important as the information itself. I would spend a lot of time perfecting my handwriting and using different coloured pens – so for me every lesson was an art lesson. My immense enthusiasm and emotional bond toward clothing has been consistent throughout my life, so becoming a fashion designer seemed to be the obvious route for me. I think it was actually my sister who suggested it to me when I was about 6 or 7, and I never doubted it!

WHAT MADE YOU APPLY TO THE PRATT INSTITUTE AND WHAT DO YOU ENJOY MOST ABOUT STUDYING THERE?

I was drawn to the idea of studying in New York because of my curiosity; that is, discovering a new part of the world as well as the element of variety within the liberal arts system in America. At sixth form college in London, I spent most of my time experimenting with painting, sculpture and textiles. Although my connection to clothing will remain the strongest, I am always looking to improve my skills in different departments, and Pratt has allowed me to do that. I am currently enrolled in a 'clay as canvas' class, which is helping me to be more impulsive within the experimental textile design I am working on in fashion design.

CAN YOU TELL US A BIT MORE ABOUT A DAY IN THE LIFE OF A FASHION STUDENT?

The fashion department at Pratt is extremely fast paced, especially when I compare it to the atmosphere in the ceramics studio. Let's just say, there is a Starbucks in the fashion building... Coming from my background it took a while to get used to, especially with the grading system (you get tested and graded for each of your 7 classes, 4 times a year). But I've learnt that making Art is not about what grade you get, and being in school should be a time for more experimentation than anxiety.

WHICH NYFW SHOWS DID YOU THINK WERE PARTICULARLY INTERESTING THIS SEASON?

I find fashion week a little cold (ha) partly due to the electronic models and music; but I was lucky enough to be invited to the Eckhaus Latta show by Susan Cianciolo, a mixed media artist I intern for a couple of times a week (who was also walking in the show). I was blown away by the coolest mix of ages, races, genders and attitudes wearing the clothes, which felt very sensitively made. Other than that I think Alessandro Michele for Gucci is absolutely fabulous!

CAN YOU TELL US A BIT MORE ABOUT YOUR OWN STYLE AND BRAND?

My own work is colourful and flamboyant, with a focus on textiles and surface decoration. I am inspired by costume, particularly vintage ballet russe and bauhaus. Yet dressing for the stage seems too artificial and restricting: I prefer a more natural and individual connection with clothing. I am inclined toward texture and textiles, and include patchwork, embroidery and painting within my work.

WHAT DO YOU HOPE TO BE DOING IN 5 YEARS' TIME?

I hope to work, collaborate and travel the world.

HOW HAVE YOU FOUND THE PROCESS OF GETTING YOUR DESIGNS MADE AND BRINGING THEM TO LIFE?

I have thought a lot about having someone else make my designs: part of it feels like an emotional and physical relief, and part of it feels like a cop out! I haven't yet got my design back from India, but I am excited by the idea of others wearing my clothes.

FINALLY, CAN YOU SHARE WITH US WHAT YOU ARE WEARING TODAY?

Today I am wearing a patchwork embellished top I bought in India, a black skirt to which I attached 3 tubes of fabric that I covered completely in yarn, then hung from the bottom of the skirt, a pair of blue kick flare cords that were passed down from my friend's younger brother, and a black velvet Yves Saint Laurent jacket from my mother's wardrobe.

EXTENDING PROTECTION FOR DESIGNS MADE BY **INDUSTRIAL PROCESS WILL AFFECT BUSINESSES RETAILING REPLICA 3D GOODS**

By **Ruth Hoy**, **Jack Randles** and **Emily Leach** (London)

As part of the UK's Enterprise and Regulatory Reform Act 2013, the repeal of section 52 of the Copyright, Designs and Patents Act 1988 (CDPA) will come into effect on 28 April 2016, rather than in 2020 as originally anticipated. In line with the full copyright protection term, works that have been manufactured by an industrial process will now be protected for the lifetime of the designer plus 70 years after death, rather than for just 25 years from the end of the year when first marketed.

The CJEU in Flos found that a transitional period to bring copyright for artistic designs to the full term of protection may be lawful, but must be proportional. In an attempt to minimize the impact that the repeal will have on businesses manufacturing or retailing replica designs, the UK government originally allowed for a five-year transitional period. However, in October 2015, following a petition for judicial review led by a group of furniture design businesses including Vitra, Fritz Hansen, Skandium and Aram, it was determined that the transitional period would be reduced to six months (until 28 April 2016).

The longer term of protection will mean that many designs previously outside of copyright will now be protected. After the six-month transitional period, the repeal will be effective and section 52 cannot be relied upon to manufacture or otherwise copy, sell or advertise replica designs without a licence (subject to provisions on existing stock purchased before the consultation). Manufacturers and retailers are therefore required to sell off current stock and cease to manufacture designs that have now come back into copyright.

This change will significantly affect businesses retailing replica 3D goods. However, designers of products that were previously outside of copyright will welcome the change. There is an expectation that such designers (and their estates) will subsequently be more actively enforcing and licensing their designs. Media coverage of the repeal has so far focused on classic furniture replicas, such as the Eames chair or the Anglepoise lamp; however, it is likely that the repeal will affect all 3D replica goods, including jewellery and clothing made by industrial process in the UK.

Manufacturers, suppliers and retailers must therefore be cautious. Those who continue to produce or retail replicas after the transition period face fines of up to £50,000 or imprisonment for up to ten years.

PATENTS BACK IN FASHION, SAYS THE COURT OF MILAN ON **THE 3D POCKETS OF MAX MARA'S JEANS**

By **Elena Varese** (Milan)

Following a decision in January 2016, the Court of Milan has granted protection to Max Mara's patent concerning the pockets of Perfect Fit jeans. The jeans were intended to "enhance and shape the wearer's form."

It was alleged that the defendant's jeans infringed the patent covering a pocket for clothing, a method of manufacturing the pocket, and the garment itself.

Contrary to the defendants' argument, the court and the appointed expert observed that the patent was not lacking in inventive step. The judgement found that the back pockets of most jeans often fail to fit a curved surface and will result in flattening with an "unpleasant" aesthetic effect. The patent sought to solve the flattening, increasing comfort and creating a pleasant 3D aesthetic effect, adapting to the body of the wearer. The solution was not immediately obvious to the person skilled in the art and, thus, the patent was considered valid.

As to infringement, the Court of Milan found that the defendants' jeans infringed Max Mara's patent, by pursuing the same objective. In fact, the cutting line and the sewing line of the jeans were arranged in a divergent position, so that once put in an overlapping position they assumed a three-dimensional shape.

In addition, the court found that the defendants' marketing of the trousers amounted to conduct contrary to fair business practices under article 2598, paragraph 3 of the Italian Civil Code, regardless of the subjective aim or awareness of the reseller.

This decision shows that patents may be used to protect creative solutions and inventiveness in the fashion field. Other examples of this can be seen in technical materials used for sports garments, methods for spinning wool, stitching methods or even shoe sole technology.

MELINDA UPTON, JESSIE BUCHAN AND COURTNEY ADAMSON ATTENDED

THE CHINA FASHION AND RETAIL FORUM

HELD IN SYDNEY

Held by the Australian China Business Council and the Australia China Fashion Alliance at the Museum of Applied Arts and Science, the event was a hot ticket on the Australian fashion and retail circuit, particularly given the presence of keynote draw card Angelica Cheung, Editor-in-Chief, *Vogue China*. Other notable speakers included Edwina McCann, Editor-in-Chief of *Vogue Australia*; Paul Lacy, Co-Founder and Director of Swedish stationery powerhouse kikki.K; Rob Langtry, Global Chief Strategy and Marketing Officer of Australia Wool Innovation; and Donna Player, Group Executive of Merchandise at one of Australia's leading department stores, David Jones.

The full-day forum was the first major event in Australia dedicated to creating opportunities for those within the Australian fashion and retail sector to gain access to the China market. Case studies of brands that have successfully taken their products to the China market and that have had success in unlocking the China market in Australia were presented, including Swisse (health and wellness), kikki.K and Australian Wool Innovation. In addition, industry leaders gave their insight into some of the macro drivers affecting China's fashion industry, the challenges involved with manufacturing and intellectual property protection in China, and the nuts and bolts of China market entry.

In delivering her keynote address, Angelica Cheung gave her view on China's rapidly changing marketplace and predictions for the coming years. Along with fellow panellists Edwina McCann; Tony Li, Founder and CEO of Tony Studio China (hair and beauty stylist to the stars); and Huishan Zhang, leading Chinese fashion designer, attendees were also given a unique insight into the traits of the contemporary Chinese fashion consumer, the role first-tier cities place in setting fashion trends on the mainland, and how innovation, personalisation and convenience are driving consumer trends in China.

The event was a success and is sure to set the tone for some important changes within the industry over the coming year.

Left to right: Lee Lin Chin (Journalist with SBS and Moderator), Angelica Cheung, Edwina McCann, Tony Li, Huishan Zhang

EU LAUNCHES ONLINE DISPUTE RESOLUTION PLATFORM FOR CONTRACT DISPUTES WITH CONSUMERS

NEW CONSUMER INFORMATION REQUIREMENTS

By **Michiko Jo** (London)

In mid-February, the European Commission launched an online platform which can be used for out-of-court settlement of disputes over obligations under business-to-consumer online sales or service contracts. The platform is available for free to a trader established in the EU and a consumer resident in the EU. Consumers can submit an electronic complaint and, if the parties agree on the alternative dispute resolution (ADR) entity to be used and the chosen ADR entity agrees to handle the case, the platform can be used for the exchange of information between the parties and the ADR entity. Whether traders can initiate the process depends on the national law of the EU member state in which the consumer lives. The platform is supported by all EU official languages.

Following the launch of the platform, EU marketplaces and traders now need to comply with new consumer information requirements:

- Online marketplaces must include on their websites an electronic link to this platform.
- Traders established in the EU and selling online must include on their websites an electronic link to this platform and the trader's email address.

A trader that must use an ADR entity (for example by law or will of a trade association) or is committed to do so for resolution of disputes with consumers must:

- Include on its website an electronic link to this platform; and
- Inform consumers that the platform exists and of the possibility of using it for dispute resolution.

These new information requirements are additional to other information obligations relating to the ADR, which came into force on 1 October 2015.

DATA PROTECTION, PRIVACY AND SECURITY UPDATE

PRIVACY SHIELD

By **Carol A.F. Umhoefer** (New York)

At the beginning of February, after long-running discussions, EU and US negotiators reached a political agreement on a new framework permitting data transfers from the EU to the US. On 29 February, the details on the proposed new programme – the Privacy Shield – were released. The new programme will replace the EU-US Safe Harbor programme that was invalidated in October 2015 by the European Court of Justice. The Shield is designed to improve on Safe Harbor by providing greater transparency and new dispute resolution mechanisms, combined with an increased level of co-operation on both sides of the Atlantic. The Shield has come in for criticism from some EU data protection authorities but, if all goes to plan, the Privacy Shield will be operational by summer 2016.

CALENDAR

April 2016

Shanghai Fashion Week
8 – 16 April, Shanghai

International Textile Fair 2016
16 – 17 April, Abu Dhabi

May 2016

Mercedes Benz Fashion Week Australia
15 – 20 May, Sydney

INTA – International Trademark Association Annual Meeting
21 – 25 May, Orlando

June 2016

Berlin Fashion Film Festival 2016
2 – 3 June, Berlin

Graduate Fashion Week 2016
5 – 6 June, London

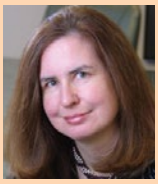
London Collections Men SS17
10 – 13 June, London

Milan Men's Fashion Week SS17
18 – 21 June, Milan

Paris Men's Fashion Week SS17
22 – 26 June, Paris

Members of our global Trademark team will be attending the annual INTA (International Trademark Association) conference in Orlando, Florida from 21-25 May 2016. We will be hosting a fashion sector-focused client event where we will discuss the legal issues facing fashion-related companies around the world. If you, or a colleague, are interested in joining us for this event, please email sophie.ash@dlapiper.com

DLA PIPER GLOBAL FASHION, RETAIL AND DESIGN GROUP CO-CHAIRS



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