

LAW À LA MODE

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THE DANGERS OF INTERNATIONAL
TRADEMARK APPLICATIONS IN CHINA

PROTECTING YOUR BUSINESS FROM
CUSTOMER'S INSOLVENCY

LEGAL AND ETHICAL CHALLENGES
ARISING FROM BIG DATA

A WORD FROM THE INDUSTRY'S MOUTH
PROFESSOR BARBARA POZZO

PROTECTION OF SLOGANS UNDER
TURKISH TRADEMARK LAW

NEW RULES ON LEASE AGREEMENTS IN
THE RETAIL SECTOR IN ITALY

UK IP LAW: AFTERMATH OF THE
HARGREAVES REPORT



Fashion, Retail and Design Group

Contents

FALLING FOUL OF CHINA'S TRADEMARK SYSTEM	04
The dangers of international trademark applications in China	
RETENTION OF TITLE	06
Protecting your business from customer's insolvency	
FASHION AND BIG DATA	08
Legal and ethical challenges arising from Big Data	
RETAILERS NEED TO PREPARE FOR THE NEW EU DATA PROTECTION REGULATION	09
New territorial scope and designation of a DPO	
A WORD FROM THE INDUSTRY'S MOUTH: INTERVIEW WITH PROFESSOR BARBARA POZZO	10
Coordinator of the Fashion Law Specialization Course at the University of Milan	
BELGIUM: NEW DEVELOPMENTS IN THE FRAMEWORK OF THE COPYRIGHT PROTECTION OF HANDBAGS	12
A discussion of a recent judgement by the Court of Appeal of Ghent	
PROTECTION OF SLOGANS UNDER TURKISH TRADEMARK LAW	14
A more relaxed approach to trademark regulations	
NEW RULES ON LEASE AGREEMENTS IN THE RETAIL SECTOR IN ITALY	15
Departing from the statutory provisions of the Tenancy Law Contracting out of the onerous statutory provisions of the Tenancy Law	
UK IP LAW GETS A RESTYLE	16
The aftermath of the Hargreaves Report: recent legislative changes	
BUSINESS ROUND-UP	19
The news and the views	
CALENDAR	20
Our round-up of what's on where you are	



Editorial

“In the land of the Alien Emperor”

Digital design and art direction © Chiara Cola

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The Italian editorial team is pleased to bring you the fifteenth issue of *Law à la Mode*, the legal magazine produced by DLA Piper's Fashion, Retail and Design group for distribution to clients and contacts of the firm worldwide.

In this issue our restructuring colleagues in Manchester identify key areas of supplier risk and provide a practical guide on which commercial and legal tools should be applied by suppliers to protect goods that have been placed in their trade customers' possession, in the event of a customer's insolvency (**page 6**).

Also of note is an interview with Professor Barbara Pozzo as this edition's "Word from the Industry's Mouth" (**page 10**). Our Italian fashion team has had the pleasure of lecturing for the new postgraduate fashion law specialization course held at the University of Milan, covering topics such as fashion and new technologies, e-commerce and online communications, as well as anti-counterfeiting and litigation within the fashion sector. This is an exciting new course which is co-ordinated by Professor Pozzo.

We are also pleased to bring good news to retailers in Italy thanks to a new law which allows the parties to a lease agreement to avoid the statutory provisions of the tenancy law (**page 15**).

It goes without saying that the fashion and design sector has, and always will, face intellectual property issues. To this end, we look at the most recent and significant reforms to intellectual property law in the United Kingdom (**page 16**). We give you an insight into the challenges of international

trademark applications in China (**page 4**), as well as the Turkish perspective on the protection of well-known slogans under trademark law (**page 14**). We also consider recent developments in the framework of copyright protection of handbags in Belgium, in the context of the recent judgment of the Court of Appeal of Ghent, in the dispute between Jean Cassegrain S.A.S (Longchamp) and a Belgian reseller of leather handbags (**page 12**).

Finally, data protection law is a core topic of the fashion industry where big data is beginning to play an increasing role (**page 8**) and while we wait for the new EU Data Protection Regulation to come into force, we consider how this will affect online retailers (**page 9**).

We do hope you enjoy this issue of *Law à la mode* and if you have any comments please get in touch with the Fashion, Retail and Design Group via our email: fashion@dlapiper.com



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FALLING FOUL OF CHINA'S TRADEMARK SYSTEM

The dangers of international trademark applications in China

By Edward Chatterton and Elizabeth Wong (Hong Kong)

Fashion brand owners entering China are generally well aware of the myriad of brand protection challenges awaiting them. One such challenge is China's rigid first-to-file trademark system, which is blamed for the problem of brand piracy in China, where unrelated third parties register trademarks which are copies or imitations of well-known brands. One of the most effective ways to combat this scourge is for the brand owner to register first in China.



The question is: how? A brand owner can choose either to file a national Chinese trademark application with the Chinese Trademark Office (CTMO) or an international registration (IR) through the World Intellectual Property Organization, designating China. The IR option is sometimes perceived to be more attractive because it is easy to use, cheaper than a national Chinese trademark application and eliminates the need to engage a local Chinese law firm.

Yet, in our experience, these short-term apparent benefits are often offset by inconvenience and additional cost at a later stage. Worse still, use of IRs can often result in gaps in protection, defeating one of the key purposes of registering in China – namely, protection from brand pirates. Why can filing an IR in China be so dangerous?

NO PRE-CLEARANCE SEARCHES

In our experience, brand owners who file IRs rarely undertake pre-clearance searches in China. Pre-clearance searches provide brand owners with an alert about the risks of infringement raised by the use of their mark. Such searches are especially crucial in China because of the unique complexities of its trademark examination system.

First, in China, the consent of an existing registered trademark owner is not guaranteed to overcome a block, because the CTMO may still refuse the application if it considers that confusion is likely. Thus the options available for overcoming a citation are more limited. Second, alternative methods to overcome a block, like non-use cancellation proceedings, are time-consuming in China. The CTMO will often refuse applications to stay the prosecution proceedings pending the outcome of other proceedings; thus, non-use cancellation actions or invalidations must be filed as soon as possible. Pre-clearance searches help brand owners “front load” these problems, thereby facilitating clearance of such conflicts.

CHINA'S TRADEMARK CLASSIFICATION SYSTEM

China has a unique system of trademark classification. Unlike most Western trademark classification systems, each Chinese class is divided further into a number of different sub-classes, each of which contain a list of “standard items” of goods and services.

When examining a trademark application, CTMO generally only cross checks an application against pre-existing identical or similar registered trademarks in *identical* sub-classes, but not in other sub-classes. If a mark is only registered in one sub-class within a class (e.g. clothing), a pirate could successfully register an identical or similar mark for similar goods in a different sub-class, within that same class (e.g. shoes).

Yet, despite this, our experience is that IRs are rarely drafted to take account of the Chinese system of sub-classification. This can lead to the following serious consequences.

First, it can significantly delay prosecution of the IR in China. CTMO examiners have wide discretion to reject registration of “non-standard items” within a specification (both national PRC applications and IRs), resulting in the need for rebuttal and/or specification amendment. This delays the grant of a trademark and increases the costs of the prosecution.

Second, it can result in deficiencies in brand protection, making enforcement difficult and rendering the trademark vulnerable to piracy. As IRs are rarely drafted using standard items of goods and services, CTMO examiners will allocate each good and service in the IR into the sub-class they deem the most appropriate. It is the examiners who make the choice of sub-class in which to allocate a good or service. This can result in a trademark with perforated protection, with no coverage over essential but missed sub-classes, which brand pirates can fill by legitimately registering an identical trademark.

Whilst it is possible to avoid this by drafting an IR specification using only items of goods and services which are standard in China, brand owners rarely wish to do this because it will alter the IR specification in all other countries, producing a specification which may appear strange from a Western perspective.

PROBLEMS WITH ENFORCEMENT

Enforcing an IR can also be more problematic. Unlike national PRC applications, when an IR matures to registration, no trademark certificate will be issued unless the applicant applies for one (which takes three to six months). Unless the brand owner has proactively done so, it could be caught flat-footed when required to conduct urgent enforcement action in China, since the window for such actions is often extremely narrow.

Considering the above, and that multi-class filings are now accepted in China, the incentives of filing an IR are now less attractive, particularly when weighed against the potential disadvantages of IRS outlined above. In most cases, we would therefore recommend filing a national application in China, rather than an IR that designates China.



RETENTION OF TITLE

By Robert Russell and Peter Manley (Manchester)



PROTECTING YOUR BUSINESS FROM YOUR CUSTOMER'S INSOLVENCY

In the second article in our series on risk and opportunity in the fashion retail sector, Rob Russell and Peter Manley assess one of the most prominent areas of risk for suppliers – the insolvency of a trade customer/retailer.

We identify the principal areas of supplier risk and provide a guide to practical commercial and legal tools which should be applied by suppliers to protect goods placed in their trade customer's possession in the event of the customer's insolvency.

RETENTION OF TITLE

In almost every trading relationship, retailers rely on agreed delayed payment terms with their suppliers in order to stock outlets and manage cash flow in the period between taking delivery of goods and effecting onward sale to a consumer. Often, the insolvency of a trade customer/retailer will leave the supplier exposed without control of its goods and without payment. As an unsecured creditor, it will be in the unfortunate position of expecting to receive very little return.

Retention of title (RoT) to goods supplied is essential for a supplier to manage its exposure to the potential insolvency of its customer. When this approach is deployed effectively, a supplier can prohibit onward sale of its goods that are in the possession of an insolvent customer and can require delivery of the goods by an administrator or liquidator. In doing so, a supplier can significantly improve its position.

ROT – THE PRINCIPLES

Under English law, title to goods passes at the time when the parties intend it to (*s17, Sale of Goods Act 1979*).

As a result, the parties to a sale agreement can agree that, notwithstanding that delivery of the goods has taken place, title has not passed to the buyer.

To retain title to goods following delivery, the following key principles apply:

- **Incorporation of terms** – while a supplier's terms of business may contain appropriate retention of title provisions, they will only take effect if those terms (and not the customer's terms of business) are

the terms on which the sale contract is concluded. Which party's terms of business are incorporated in the sale contract is a matter of fact and will depend on the supplier having in place appropriate processes to ensure their own terms prevail over those of the purchasing customer. This legal process is often referred to as "the battle of the forms".

- **"Simple" or "all monies"** – retention of title clauses may be constructed to apply to goods supplied under a particular invoice only (title to which goods passes on payment of that invoice) (simple RoT) or to apply to all goods supplied to the customer until such time as all monies owing are discharged (all monies RoT).
- **Power of sale** – in practice, in order to assert effective retention of title, the contract must effectively prohibit the onward sale of the goods following an insolvency of the customer. The construction of such contractual provisions has been the subject of judicial scrutiny in a number of cases and is often key to the supplier's ability to control and obtain delivery of goods.



- **“Identifiable goods”** – in practice, a supplier will be in a stronger position to enforce RoT rights if it is able to identify clearly the goods which have been supplied. Contractual provisions often provide that the supplier’s goods must be stored separately, but in practice this may not happen. Branding goods and placing appropriate markings on boxed goods to identify ownership is a useful practical step for a supplier to take.

STEPS FOR A SUPPLIER TO TAKE TO MITIGATE RISK ON CUSTOMER INSOLVENCY

- **Review your standard terms of business.** Do they contain appropriate RoT provisions, including automatic termination of the customer’s licence to sell on insolvency? Do your terms of business contain an effective “all monies” RoT clause?
- **Review your ordering process.** In practice, are your terms of business (and not the customer’s terms of business) those on which the contract is formed (this is not always straightforward)?

- **Make your goods identifiable.** Are there any steps that can be taken to make the particular goods more easily identifiable from the other goods in the customer’s possession? For example, are the goods or packaging distinctively branded?
- **Prepare a template letter** which can be sent immediately to the customer when you become aware that the customer is in financial difficulties or has entered administration. Putting an administrator on notice as soon as possible that he is holding goods subject to RoT will significantly improve the prospect of their recovery quickly and without the cost of legal proceedings.
- **Develop processes to keep track of the location of goods** which are in the customer’s possession. Knowledge of the location, inventory and warehousing arrangements for goods in the customer’s possession will assist in the recovery of your goods. If goods are warehoused at third-party premises, there is a risk that the third party will exercise a lien over the goods in its possession if it is owed money by the customer.

In this situation, the supplier may have very little control over its goods, and suppliers should be alive to this risk.

HOW WE CAN ASSIST SUPPLIERS

Successful recovery of goods subject to RoT relies on good preparation by the supplier. We can assist in the preparation of robust contractual RoT provisions in your standard terms and conditions of sale and can advise you on putting in place effective processes to ensure that those supplier terms are incorporated into your sale agreements with customers.

In the event that you need to rely on RoT provisions to recover goods, it is important to act as early as possible to secure and recover the goods. Claiming rights over the goods in a timely manner and to the correct person (which may be the appointed administrator or liquidator) is crucial. We have extensive experience both pursuing and defending RoT claims in the context of insolvency and have expert knowledge of the pitfalls which can lead to suppliers having difficulty in obtaining delivery up of goods pursuant to RoT provisions.



FASHION AND BIG DATA

By Bartolome Martin (Madrid)



Fashion is about innovation and flair. But to a great extent it is also about the ability to anticipate customer tastes and needs.

Indeed, talent, inspiration and ingenuity may be not enough to succeed in the ultracompetitive fashion environment. Delivering the right products, at the right price and at the right time, can be key for success. However, adopting the right strategy is not easy if you lack reliable information upon which to make commercial decisions.

It is in this context that Big Data is starting to play a central role in the fashion industry. In fact, a number of specialized firms already offer fashion-oriented Big Data services. But what is Big Data, and what are the legal and ethical challenges arising from it?

Big Data is a business intelligence sub-concept that stands for the processing of an immense amount of information (presumed to be reliable), from very heterogeneous sources, at high speed, in order to obtain some value. This definition is based upon the so-called 5 Vs: **Volume** (data size generated every second), **variety** (various sources of the data), **veracity** (uncertainty on the significance of the data), **velocity** (speed of change of the data) and **value**. **Complexity** is also part of the equation (these are very complex processes).

The goal is to analyse dissociated data from a massive amount of people (obtained from many different sources

such as social networks, business apps, public bodies' websites or search engines) in order to compare trends and find patterns, and to put this information in connection with the internal information produced by the company, for such outcomes as predictive analyses, behavioural analyses or profiling.

These techniques have their critics, mostly from the science domain, where absolute accuracy is critical, however the truth is that Big Data is becoming a popular tool in many business sectors, including fashion.

From a legal standpoint, Big Data, as far as the data to be analysed is anonymised, should not pose privacy or intimacy issues. Other questions are relevant: does this data have an intrinsic value? Do users deserve compensation for the use of their information (once anonymised) for these purposes? Is there an unjust enrichment arising from this? Are users actually aware of the use of their information for these purposes? Similarly, from an ethical point of view, is it ethical to use these techniques to influence consumers? What if they were voters, for instance? A legislative answer to these and other questions may perhaps condition the growth and borders of Big Data services. However, until then, Big Data services seem to be much in demand – a resource fashion firms are no longer blind to.



RETAILERS NEED TO PREPARE FOR THE NEW EU DATA PROTECTION REGULATION

By **Carol Umhoefer** (Paris)

By now, everyone has heard of the draft EU Data Protection Regulation that is expected to replace the current Data Protection Directive, which dates from 1995. The key innovative provisions in the Regulation will significantly affect online fashion retailers by widening the territorial scope of EU data protection laws. Bricks-and-mortar fashion retailers in the EU, who are already subject to the Directive, will also feel the impact of the Regulation in many ways, including a new obligation to appoint a Data Protection Officer.

THE NEW TERRITORIAL SCOPE OF THE DATA PROTECTION REGULATION

Under the current Directive, the data protection laws in the EU notably apply to a data controller established outside the EU (such as a fashion e-tailer website operated in Japan) if the equipment used by the data controller for processing personal data is situated in the EU. In many cases, a website outside the EU won't be subject to EU data protection laws.

The draft Regulation will expand the application of the European principles of data protection to any entity targeting sales to or tracking EU residents. But the changes may go farther – modifications to the draft Regulation proposed by the European Parliament would greatly extend the Regulation's scope to data processors whose processing activities are related to the offering of goods and services to EU subjects. The Parliament's modifications would also have the Regulation apply to personal data processing activities related to any kind of monitoring of EU residents.

DESIGNATION OF A DATA PROTECTION OFFICER (DPO)

Under the current Directive, there is no general requirement to appoint a DPO. At this time only five EU member states have included in their laws an obligation to have a DPO. Pursuant to the draft Regulation, however, the intention is to obligate private entities to designate a DPO.

The original draft Regulation proposed by the European Commission would require a DPO when personal data processing is carried out by an enterprise employing 250 persons or more. The Parliament's modifications concern legal entities in general and would require a DPO when it carries out personal data processing related to more than 5,000 individuals in any consecutive 12-month period.

More generally, the designation of a DPO would become mandatory where the core activities of the data controller or the data processor consist in (i) processing operations requiring regular and systematic monitoring of individuals, or (ii) processing special categories of data (such as health, racial or ethnic data), location data or data on children or employees in large-scale processing systems.

For the moment, it is uncertain which version will prevail, or even whether a new version may arise. In any case, the new Regulation will certainly have major consequences for fashion retailers in the EU and fashion e-tailers established outside the EU. With adoption expected in 2015 and a transitional period lasting at least 12 months, there is still time to prepare for the Regulation's entry into force.

A WORD FROM THE INDUSTRY'S MOUTH INTERVIEW WITH PROFESSOR BARBARA POZZO



Coordinator of the Fashion Law Specialization
Course at the University of Milan

By Stefania Baldazzi and Elena Varese (Milan)

1. Barbara, you are the coordinator of the postgraduate fashion law course at the Insubria University of Como and at the Statale University of Milan. No similar course has ever been offered by an Italian academic institution before. Can you tell us where the idea to set up such a course came from?

My source of inspiration has been Susan Scafidi, the Director of the Fashion Law Institute in New York, with her pioneering courses in the various fashion law fields developed at the law school of Fordham University. I met Susan some years ago, while I was giving a lecture at Fordham law school, and from the very first time we spoke we envisaged a possible cooperation between New York and Milan and Como. Milan is one of the world's fashion capitals and Como, where I hold my chair in comparative law, is the city of silk; so we thought these were the right places to begin an initiative in the fashion law sector. Of course what Susan was doing in the States was not replicable in Italy, due to the different structure of the Italian law schools compared to the American ones. The idea that came to my mind was then to imagine

a postgraduate course, that graduate students as well as already practicing lawyers could attend. With initial financial support from the Chamber of Commerce and the Bar Association of Como and – of course – with the help of various incredibly generous colleagues, we inaugurated last year the first postgraduate course in Fashion Law, which was then replicated, with minor changes, at the Statale university of Milan.

2. The course has seen great success. The majority of participants are young female lawyers, does this have something to do with the fact that the legal profession is changing, or is it that fashion mainly attracts women?

Well....Good question! I think both is true. As a law professor I have witnessed the radical change that has happened in all fields of the law towards a wider presence of women. When I graduated 25 years ago at the Statale University of Milan, there was not a single woman professor at the law school and students were predominantly men. In this quarter of a century, everything changed. Many women now hold a chair at the law school



and students are equally distributed between the sexes, if not predominantly women. On the other side it is also true that fashion mainly attracts women, especially in this case.

3. You are also an expert on sustainable fashion. Could you tell us what the main challenges are? Is there any provision for the future of green fashion?

Sustainability is nowadays a core value of all European policies. Since the 5th and even more since the 6th Action Program for the Environment, the motto of the EU Commission has been “*Let the market work for the environment*”, promoting a new industrial revolution. This means, among other things, that industries must be incentivized to promote “green” economy initiatives, while consumers must be helped to make “sustainable” choices. In this scenario it is no wonder that the fashion industry has had to play an important role. The *Sustainability Manifesto of Camera della Moda Nazionale Italiana* and *Sistema Moda Italia* is a milestone in this field, because it gives the framework for the whole fashion business. Though we also have to think about the various other

initiatives that are taking place at different levels, like the *Sustainable Fabrics and Accessories Catalogue*, launched by the Sustainability-lab of Blumine s.r.l., or to the Detox Campaign launched by a famous ONG to which various Italian designers have adhered.

4. What are the benefits that companies might obtain by adopting an environmentally sustainable approach?

There are various benefits that companies might see as a result of adopting an environmentally sustainable approach. I would say that the first benefit is reputational, in the broadest sense of the term. It concerns the reputation that the company might acquire on the market towards new customers, but also the reputation that may attract the best and engaged staff. Furthermore, taking an environmentally sustainable approach generally implies a path of self-consciousness of the environmental costs generated by the company. As a matter of fact, an environmentally sustainable approach might lead to the reformulation of recycling, energy conservation, energy-efficient office equipment, and water-saving policies, that will allow the company to save money by cutting bills.

BELGIUM: NEW DEVELOPMENTS IN THE FRAMEWORK OF THE COPYRIGHT PROTECTION OF HANDBAGS

By Ivanka Zdravkova and Julie De Bruyn (Brussels)



In a recent judgment concerning a dispute between Jean Cassegrain S.A.S (Longchamp) and a Belgian reseller of leather handbags, the Court of Appeal of Ghent denied copyright protection to Jean Cassegrain's handbag "Le Pliage," serial number 1623, created and commercialized since 1993.

The court's conclusions confirm what had been decided by the Court of First Instance of Ghent in 2013, in the same dispute. However, the Court of Appeal's decision differs from what has previously been decided by other jurisdictions, both Belgian and foreign, namely that the Le Pliage handbag, with serial number 1623, is original and therefore copyright protected.

Under Belgian law and in line with harmonized European copyright law (cf. ECJ judgment *Infopaq*, Case C-5/08), like any other fashion item a newly created handbag can indeed benefit from the copyright protection in Book XI, Title 5 (in particular, Chapters 1 and 2) of the Belgian Economic Code, replacing the Belgian Copyright Act of 30 June 1994, if several conditions are met.

A newly created handbag will enjoy copyright protection only if it constitutes an original work, meaning that it is (1) its designer's own intellectual creation, (2) reflecting the designer's personality and expressing the designer's

free and creative choices. Creations which are banal or the appearance of which is determined by, for instance, purely technical or functional requirements do not constitute original creations.

However, an original combination of several banal and therefore not-copyright protected elements can, in contrast, be considered a sufficient expression of the designer's creative spirit and, therefore, be granted copyright protection. For instance, the addition of a specific colour or the use of a particular clothing material in combination with other elements that may not as such enjoy copyright protection can still be considered an original creation.

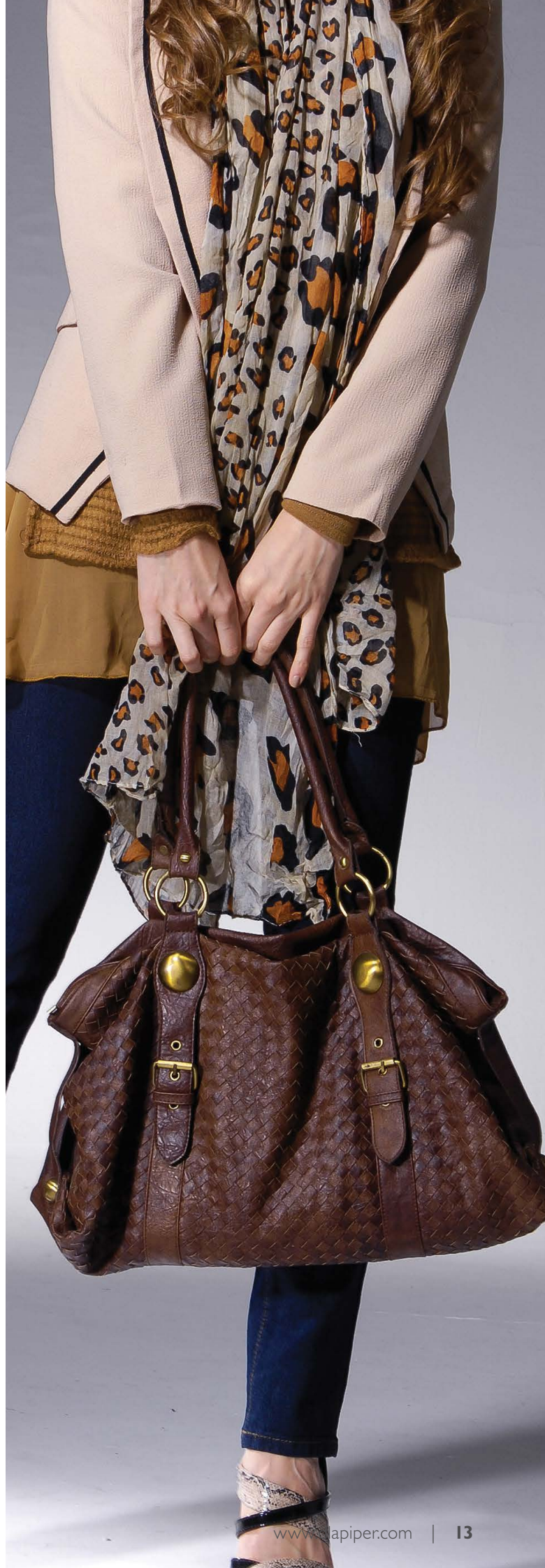
In the proceedings before the Court of Appeal of Ghent, Jean Cassegrain S.A.S. relied on the combination of different visual characteristics of its Le Pliage handbag (such as its quadrilateral basic structure and the lip-shaped ends

of its upper angles) in order to claim copyright protection and the condemnation of the alleged infringer. Although these visual characteristics, combined with the absence of proof of any prior creations (almost) identical to the Le Pliage handbag, were sufficient for Jean Cassegrain S.A.S. to obtain copyright protection of its handbag in the past, the Court of Appeal of Ghent decided to follow the argument developed by the Belgian reseller and denied copyright protection in the examined case.

The court considered that with Le Pliage, its designer may have created a new style, a new trend in the handbag market, as suggested by the multiple uses made by other handbag producers of the same or similar characteristics. However, based on these findings, the court underlined that the characteristics of a style or trend cannot be copyright protected, given that such protection could constitute an obstacle to the freedom of expression of other potential creators. The court therefore rejected Jean Cassegrain S.A.S.'s claim.

The Court of Appeal explicitly rejected the possibility to invoke, in a copyright dispute, the dilution principle applicable in trade mark law, according to which a trade mark is liable to revocation if it has become, in consequence of acts or inactivity of the trademark holder, the common name, or otherwise descriptive, in the trade for a product or service in respect of which it has been registered. Nonetheless, it seems likely that the reasoning of the court is nevertheless based, at least partially, on the same principle. In this respect, it should be recalled that in its judgment of 27 April 2006, in case C-145/05, the European Court of Justice stated that the dilution principle, and the vigilant conduct it demands of the trade mark holder, "is not confined to trade mark protection, in fact, and may apply in other fields of community law where an individual seeks to benefit from a right deriving from that legal order".

It will be interesting to see to what extent future jurisprudence will confirm or reject the application of the dilution principle in copyright and, more specifically, whether other national or EU courts will reject copyright protection for fashion items which they consider having started a new style or trend.





PROTECTION OF SLOGANS UNDER TURKISH TRADEMARK LAW

By Hatice Ekici Taga and Gokhan Gokce (Istanbul)

Slogans are commonly used by companies in marketing and promotion activities to draw public attention to goods and services. Through widely promoted commercials, certain slogans have become well-known: “**Just do it**”, “**Because I’m worth it**”, “**The world’s local bank**”, “**Impossible is nothing**”. In some cases, the fame of slogans can exceed brands’ own reputations.

Although slogans can be protected under copyright and unfair competition law, companies are always looking to expand their legal protection, and obtaining trademark registrations is often the most efficient way to protect a slogan. Enforcing a trademark registration brings particular advantages, such as ease in burden of proof. However, companies face difficulties, as trademark offices have a tendency to refuse a request for trademark registration of a slogan on the ground that slogans lack distinctiveness.

To be eligible for trademark registration, marks are required to have distinctive character. A trademark is considered non-distinctive if it is used to identify the source of goods and services or if it is informational or generic and thus not useful to distinguish the goods and services from those of other undertakings. With respect to slogan trademarks, it is hard to clearly identify which ones are in fact distinctive. Therefore, authorities may have different approaches to this question; because there is a certain level of subjectivity, their decisions may appear to be inconsistent.

It is fair to state that the Office for Harmonization in the Internal Market (OHIM) has been strict in assessing the distinctiveness of slogans, while the Turkish Patent Institute (TPI) displays a relatively more positive approach. OHIM

considers a slogan to be distinctive if it may be perceived immediately as an indication of the commercial origin of the goods or services in question. The slogan should enable the relevant public to distinguish, without any possibility of confusion, the goods or services of the owner of the mark from those of a different commercial origin. For example, OHIM refused to register “**Your excellent smile**” on the ground that the slogan is made up of a combination of three common English words and it is ordinary with a simple and direct complimentary message.

TPI’s approach in Turkey is not as strict as OHIM’s. Although TPI has similar registration criteria, it does not take into consideration the originality of the slogan or the indirect relation between the slogan and the goods or services. From the perspective of TPI, in order to be registered as a trademark a slogan should create the perception of a brand in the mind of the consumer. Further, the slogan should not already be commonly used in the relevant sector. TPI recently refused to register the Turkish translation equivalents of the following slogans: “**Middle of the month, half of the price**”; “**Our customers come first in line**”. However, TPI decided that the following slogans are distinctive: “**Are we so much so good?**”, “**Which one is your dark chocolate?**”, “**Your light your glow**”. Additionally, including the brand in the slogan appears to increase the chance of registration, i.e. “**Saying Arçelik means innovation**”, “**Don’t look for any other than Aroma**”.

As discussed above, Trademark registration is the most efficient way to protect slogans, although acquired distinctiveness is usually required to obtain such registrations.

NEW RULES ON LEASE AGREEMENTS IN THE RETAIL SECTOR IN ITALY

By **Maurizio Redondi** (Milan)

A new law in Italy allows the parties to a lease agreement to avoid the onerous statutory provisions law no. 392/78 (the "Tenancy Law").

Effective from 12 November 2014, the parties to a non-residential property lease agreement in Italy are allowed to contract out of the obligations of the Tenancy Law if the annual rent of the property is higher than €250,000. The obligations in the Tenancy Law are statutory and largely operate in favour of the tenant.

THE EXISTING LAW

The Tenancy Law has a number of obligations which operate in favour of the tenant:

- Of particular relevance to businesses in the retail sector, section 34 of the Tenancy Law provides that, with respect to activities carried on at the leased premises involving direct contact with the public (which includes all retail activities), the tenant is entitled to receive from the landlord, on termination of the lease agreement (for an event not attributable to the tenant) and as a condition for the eviction procedure by the landlord, an indemnity for the loss of goodwill equivalent to 18 months' rent. This increases to 36 months' rent in the event that the premises are subsequently let (within 12 months of the date of termination of the previous lease) to a third party carrying out exactly the same activity.
- The Tenancy Law expressly provides for limitations to the rent adjustment mechanism and to the measure of accessory charges attributable to the tenant and grants the tenant with a right of first refusal when the leased premises are sold, or when a new lease of the premises is proposed to be entered into at the expiration of the lease agreement.

- The minimum term of a commercial lease is 6 years (or 9 years for hotels). Section 79 of the Tenancy Law provides that any contractual clause purporting to limit the term of the lease or which grants to the landlord rights which are not in accordance with the Tenancy Law will be null and void. The tenant has a right to claim against the landlord (in the period of the lease and for six months after the surrender of the premises) for the reimbursement of any amount paid to the landlord under a clause of the lease which is void.

THE NEW LAW

Section 18 of Law 164 of 11 November 2014 introduces a new provision into section 79 of the Tenancy Law. Where the annual rent under the lease is higher than €250,000 the parties to it are able to waive "any provision of the Tenancy Law" in their lease.

This new provision, which represents the only major amendment of the Tenancy Law from the date of its introduction in 1978, is likely to lead to more protracted negotiations between the parties as landlords of high value properties seek to avoid exploit the ability to contract out of their obligations.

That said, tenants may also be able to use the new law to their advantage. The flexibility which the new law provides may enable tenants in a strong bargaining position to achieve better contractual arrangements than previously, and could enable them to more specifically tailor their leases to the specific requirements of their business.





UK IP LAW GETS A RESTYLE

By Rebecca Kay and Ruth Hoy (London)

In the Northern Hemisphere's autumn of 2014, IP law hit the UK headlines, in light of the most significant series of reforms in years.

Background to the reforms

In 2010, the government commissioned a review of the UK's IP framework, in order to ensure that the law was fit for the Internet age. The resulting Hargreaves Report didn't pull any punches, accusing the UK system of "falling behind what is needed" and "obstructing innovation and economic growth". The Report set out key recommendations for change, claiming that these changes would increase the UK economy by £5 billion – £8 billion by 2020.

Statistics such as this are clearly difficult to ignore. The UK government instigated a series of industry consultations and draft bills, culminating in the last 18 months with several layers of legislation including:

1. The Intellectual Property Act 2014, which addresses the deficiencies of UK patents and designs law.
2. The Enterprise and Regulatory Reform Act 2013, which introduces changes aimed at modernising the copyright framework.
3. A series of specific Regulations, which have added new defences to copyright infringement.

In this article, we review the most important aspects of the new laws, from the perspective of the fashion and retail industry.

OWNERSHIP OF DESIGN RIGHTS

The starting point for fashion houses being able to enforce their IP rights is ensuring that they actually own them. When IP is created by employees in the course of their employment, this is not usually an issue – the employer is deemed to own the IP rights. However, the position is more complicated in the context of independent contractors.

Until recently, when a business commissioned an individual to create a work, any UK design rights in the work

were automatically owned by the commissioner. However, any European Community design rights and any copyright in the work were owned by the designers themselves, unless the rights had been formally assigned to the commissioner.

The IP Act 2014 has harmonised the rules, so that the first owner of UK design right is also the designer. This clearly makes matters simpler, but also increases the possibility of companies not always owning the IP on which they rely. To mitigate this risk, we recommend that businesses refresh their standard contractor agreements, to ensure they contain robust assignment provisions.

CRIMINAL SANCTIONS

Another important change is the introduction of criminal sanctions in the context of infringement of registered design rights. There are two main angles from which the new offences may affect retailers.

First, the threat of criminal liability may deter prospective copiers. The potential sanctions are not insignificant – an unlimited fine and/or prison for up to ten years. Having said that:

- The offences only apply to registered designs, so will not assist those fashion businesses which rely heavily on unregistered design rights.
- Criminal sanctions already exist for copyright and trade mark infringement, but they certainly have not eliminated all counterfeit goods.
- Companies cannot bring a criminal action against an infringer directly, but rather must engage with enforcement agencies such as Trading Standards.

Secondly, if a retailer is involved in an act which constitutes criminal liability, then the company can be fined and anyone in a senior position in the business (e.g. a manager or

director) can be liable to a fine or a custodial sentence if that person knew or failed to prevent the infringing activity. The sorts of acts this could be relevant to include selling a garment which an employee has intentionally copied from a registered design or employees selling infringing products to colleagues via the office intranet.

While the new sanctions are serious, it is important to keep them in perspective. It is a defence to know or have reason to believe that the design is invalid or not infringed. Moreover, the copied item must reproduce the original in the same form or in a way which only differs in immaterial features.

PARODY DEFENCE

Perhaps the change which has attracted the most press coverage is the introduction of a range of new defences to copyright and design right infringement. Here we focus on one particular defence to copyright infringement: the parody exception.

The new defence applies where a work:

- evokes an existing copyright work;
- but is noticeably different from it;
- constitutes an expression of humour or mockery; and
- is "fair dealing" of the existing work.

For example, if a retailer uses a print on a t-shirt which is a satire of a famous painting, the retailer may now have a defence; previously, the retailer would have been liable for infringement.

The parody defence has been lauded as an important development, particularly by comedians and pressure groups who frequently adapt other's copyright works for effect. It also reflects recent European case law and mirrors long-standing legislation in countries such as the United States. Nevertheless, the practical implications for retailers are likely to be limited.



- The question of whether a parody is humorous will be left up to the judges – the test is therefore highly subjective.
- “Fair dealing” means a business can only use a “fair” amount of an existing work. The court will look in particular at whether the parody acts as a substitute for the underlying work.
- While the parody exception may protect works from infringing copyright, it will not stop them being defamatory or amounting to other forms of IP infringement. It therefore does not give businesses carte blanche to use third-party trademarks or unfairly attack competitors.
- The new law may also mean that retailers are themselves subject to parodies, which are harder to prevent.

SCOPE OF PROTECTION

UK unregistered design law historically protected “any aspect of the shape or configuration of the whole or part of an article”. In other words, businesses could (in theory) “crop” their designs by focusing on “part of a part” and then claim infringement based on copying of that element alone. This approach was particularly prevalent in the fashion sector, where claimants would slice and dice their

designs to their best advantage – focusing for example on a particular ruching design or trim, notwithstanding that the garments were otherwise worlds apart. For high-street retailers which are heavily trend-led, dealing with such complaints could be very frustrating.

In the IP Act 2014, the legislature has taken a commercial approach and has removed the reference to “part” from the definition of an unregistered design. This means that retailers will now have to prove infringement of the whole or a “genuine part” of an article, and not just an artificially contrived element of it. This is likely to reduce the number of disingenuous allegations, designed more to deter a retailer from selling a particular product than with a genuine intention to bring a legal action.

Conversely, the change may also make it more difficult for brand owners to bring an action against a copycat which has just focused on particular features of their design.

CONCLUDING THOUGHTS

While some of these recent legislative changes appear technical, their practical implications for the way retailers use their IP and resolve disputes are potentially wide-reaching. In-house legal teams need to educate their businesses, creating a culture in which their IP is both protected and creativity is allowed to flourish.



BUSINESS ROUND-UP

Eponymous companies and use of the designer's personal name:

Mr. Alviero Martini vs. Alviero Martini S.p.A.

(by Elena Varese, Milan)

Alviero Martini recently decided to bring an appeal against the decision of the Court of Milan, in the proceedings brought against Alviero Martini S.p.A., which acquired the trademark "Alviero Martini Prima Classe". In the first instance, the Court of Milan stated, *inter alia*, that the defendant could not legitimately use the designer's patronymic as a stand-alone trademark, absent a specific authorization from the name holder. We look forward to hearing how the case will be solved in the second instance decision.

The new Italian Patent Box: an interesting measure for the fashion industry

(by Roberto Valenti, Milan)

The Italian Parliament recently approved the so called Stability Law 2015, a bill containing a number of measures aimed at revitalizing the Italian economy and boosting growth in the system, including the so-called patent box, a tax incentive designed to encourage companies to profit from their patents by reducing the tax paid on those profits.

According to the bill, starting from 2015, Italian companies may request the application of a discounted tax rate for profits deriving from the exploitation of their intellectual property for the following five years. The percentage of profits deriving from intellectual property rights to be excluded from taxation is 30 percent in the first year; 40 percent in the second year; and then 50 percent for the remaining three years.

The measure covers profits deriving from patents, but also copyrights and trademarks which are functionally equivalent to the patents, as well as from know-how exploited through licenses. In the event the IP is exploited by the IP holder directly (or through subsidiaries), it will be necessary to determine the percentage of the IP profits within the profits generated by the company. Furthermore the profits gained by the holder with the transfer of the IP do not concur

to form the basis for if they have been re-invested for at least 90 percent in other intellectual property rights of the same holder.

The fashion industry might benefit significantly from the adoption of this measure, which represents an important step to stimulate innovation and, overall, to incentive foreign investments in Italy.

Holiday Pay: a new year's gift for employees but a headache for employers

On 4 November 2014 the Employment Appeal Tribunal in the UK handed down judgment in the holiday pay appeals in *Bear Scotland v Fulton and Baxter*. The decision of the EAT is that many elements of pay which are currently excluded from the holiday pay of many workers must be included, including in particular overtime. Most employees will be entitled to have their holiday pay calculated as an average of all the elements of pay which they have received over the previous 12 weeks. However, any claims in respect of underpaid holiday pay in the past are only possible to the extent that no more than three months elapsed between any such underpayments. In the majority of cases this is likely to limit many back pay claims to the current holiday year. The decision of the EAT will lead to higher wage bills for many employers in the future, but the judgment limits the potential for back pay liability, which had been a major concern.

This case law development will have a significant impact on the retail sector as many workers regularly work large amounts of overtime; employers will need to consider carefully what options there are to limit future liability and how to ensure compliance going forward.

Event Calendar

(JANUARY 2015 – MARCH 2015)

Our round up of what's on where you are...
Compiled by **Stefania Baldazzi** (Milan)



January 2015

Amsterdam International Fashion Week,
16 – 26 January

Madrid International Fashion Fair for Children,
17 – 19 January

Milano Moda Men,
17 – 30 January

Paris Men's Fashion Week,
21 – 25 January

Paris Haute Couture Fashion Week,
25 – 30 January

Stockholm Fashion Week,
26 January – 8 February

March 2015

Paris Fashion Week,
4 – 11 March

Virgin Australia Melbourne Fashion Festival,
14 – 22 March

February 2015

080 Barcelona Fashion Week,
2 – 5 February 2015

New York Fashion Week,
12 – 19 February

Valencia Fashion Week,
19 – 21 February 2015

London Fashion Week,
20 – 24 February

Milan Fashion Week,
25 February – 3 March

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