



Department of Law

EU Substantive Law: Internal Market and Beyond

**Fashion changes, intellectual property endures:
Fashion Intellectual Property Law in the European
Union's Internal Market**

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Introduction

This dissertation is devoted to the display, analysis, and comparison of one of the most fascinating fields of contention within the Internal Market of the European Union, which resides inside of intellectual property concerns in reference to the Fashion Industry.

The connecting thread of this work will be the giant dilemma over *Fashion Law's* autonomy. As it will be explored and evolved into throughout the whole thesis, a query that still leaves many jurists to wonder is whether the field of norms regarded as *Fashion Law* owns a personal integrity or if it is solely a grouping of rules from different areas and topics that just happen to be connected to the Fashion Industry. On a surface level the response may appear obvious, given that most of the sources answer it in a negative manner, as the first Chapter will anticipate, but the intention of this dissertation is specifically gathered to give an answer that is unbiased and that will only be built around factual evidence. Therefore, nothing should be taken for granted.

Considering how most of the research on the topic does not believe *Fashion Law* as an autonomous field of legislation, we will focus on the perimeter that is most likely, on the other hand, to state the opposite and to find *Fashion Law* as a self-sustained legal framework. Because in the case that the response will equally remain dissenting even under these premises, it will be certain that *Fashion Law*, as of today, does not hold independence in the eyes of the Law.

That perimeter will be found within the European Union's Internal Market and, in particular, under the sector of intellectual property, and the reasons for that will be super strict links between those universes.

When Coco Chanel said "*Fashions changes, style endures*", she might have not foreseen how anachronistic this iconic quote would have sounded when added to the harsh reality of the economy market, in particular of the European Union's Internal Market.¹ In an ideal world any innovator would be able to let their creative mind roam freely to gift new inventions to society. The same goes for fashion creators. But we do not live in an ideal world and, unless we accept that only the rich can make art as a delightful hobby while the others concentrate on more pragmatic jobs, we must find a way to guarantee some sort of profit for artists. Obviously, the most direct and easy way for an artist to have an income is to sell their goods, but the possibility of that mark, idea or design being stolen, replicated, and sold for sell will always remain a threat. For this very reason

¹ S Yang, *Fashion Changes, But Style Endures*, <https://medium.com/marketing-in-the-age-of-digital/fashion-changes-but-style-endures-807f70ce9641>

intellectual property rights were born, as a way to tackle the root of the problem and guarantee a safeguard to inventors. And it is also for this very reason that the title of this thesis, playing on Coco Chanel's infamous quote, recons that style might not endure the passage of time, but intellectual property will.

The Fashion universe, on its side, is one of peculiar nature and since it survives with the constant danger of designers' ideas theft, it finds intellectual property regimes to be particularly suited to its needs. This particular relationship between the European fashion industry on one side, and the Union's intellectual property protection, on the other side, can easily be defined as the closest we so far have come to shaping a type of specific *Fashion Law* field. Some even claim that there is in fact an already existing part of the Union's legislation that can be defined as such.

Yet, as anticipated, the doubts remain. Some books, articles and research do indeed explain what the current state of the subject is, highlighting the possible protection and enforcement for fashion designers' creations, yet, none of these lines of work keep the European Union's Internal Market as the focal point, which is surprising considering its importance on the developments.

Therefore, considering how unexplored for the most part this area still remains, also taking into account how finding research on the topic was almost impossible until a few years ago, this work will attempt to pinpoint all the most relevant aspects of the subject to finally regroup an updated dissertation, that considers not only the present legislation but the possible future advancements too, on the Fashion Intellectual Property theme matter, and to then finally answer the ongoing theme of *Fashion Law's* existence.

Because of this lack of exploration, this work will be divided into four Chapters to better unfold the past, present, and future of the matter of the analysis.

The first Chapter, depicting the roots and enlargement of intellectual property rights in connection to the Fashion Industry, represents the past. The Chapter will begin by illustrating the historical legacy of intellectual property rights and how the European Community first approached the issue, especially in conjunction with the Fashion Industry, from the earliest evidence, passing through the "*Cassis test*", and the resulting conflicts against the founding principles of free movement of the Internal Market.² I will then continue by drawing attention to the current Legal Framework, greatly due to the Lisbon revolution, highlighting the role of certain Governance Institutions into the spreading of official acts, and the birth of Agencies, like the EUIPO. The analysis then will proceed to describe more in depth the different types of Intellectual Property Rights, as in Trade Marks,

² Case 120/78 Rewe-Zentral AG v Bundesmonopolverwaltung für Branntwein (1979), ECLI:EU:C:1979:42

Copyright, Patents, and Industrial Designs and how they evolved into the European Union, including the disparate events that led to their Harmonization within the Member States, starting one by one from their definitions, how they relate to the Fashion Industry, and what are their main characteristics of filing and protection given by the organization.

The second and third Chapters, portraying the infringement and protection of apparel and accessories intellectual property rights through various countries and cases, represents the present.

The second Chapter will arrange a display of the other major foreign systems of intellectual property protection of Fashion items, such as The United States, China, The United Kingdom, Latin America, and South East Asia, in order to shape a comparison between those and the European Union's legal framework.

The third chapter, instead, will be focused on the Legal Enforcement of the rights that have been portrayed thus far, and their practical application by the major Fashion Maisons. There will be an outline of the possible Civil and Criminal Liabilities that may arise from breaching the different Regulations and Directives concerning intellectual property safeguard. A brief inquiry will touch upon various remedies and punishments that work either in a preventive or in punitive vision, like damages, disclosure of information or evidence, corrective Measures, publicity, prohibitive Injunctions, preliminary injunctions, and finally, a short exhibit will be gifted to the up-and-coming Alternative Dispute Resolutions, and how they result to be more convenient. Considering this will be the Chapter dedicated to the preeminent threats that the Fashion Intellectual Properties suffer from, I will delve onto the infamous "*Copying*" Phenomenon, focusing on the similarities, and differences, between counterfeits and knock offs. The importance of Colors and Patterns will also be included, and accentuated through the memorable Saga of the Louboutin Red Soles trade mark and the Louis Vuitton Damier and Toile monograms.

The last paragraphs will then be dedicated to the *Piracy Paradox theory* and the various Pros and Cons of copying within the Fashion Industry. Finally, introducing the monopolistic, or better, oligopolistic essence of the Fashion world of business, I will investigate the disparate Antitrust And Unfair Competition concerns for the European Internal Market, including Parasitic Copying.

The fourth and final Chapter, delineating the imminent and ever-growing acquaintance with the online sphere, represents the future. This new incumbent reality that cannot be anymore ignored can be defined as the *Fashion Industry 4.0*, which can be divided into the Digital Era and Web 3.0. The first of these will be construed by pointing out the interesting experience of Online Infringement, Digital Fashion, 3D Printing and Artificial Intelligence. The second one, the more obscure to the

average person of the two, will touch upon the Metaverse, Blockchains, and NFTs, which is the protagonist of the very recent *MetaBirkin Case*.³ In conclusion, we will try to foresee what can be expected for the forthcoming time regarding the adjustments of intellectual property rights within the European Community, and what sides of the current legal framework could still be improved.

And lastly, the conclusion will close all the threads that have been open throughout this thesis and will give a definitive answer to the foundational dilemma on whether we can or cannot define *Fashion Law* as a legal field per se, or, in case of a negative outcome, if intellectual property creates the exception to the rule.

CHAPTER I

INTELLECTUAL PROPERTY AND THE FASHION INDUSTRY

The present Chapter aims to introduce the evolution of intellectual property rights within the European Union and their relevance in relation to the fashion industry.⁴

When it comes to the fashion system, which refers to the phenomenon that encapsulates the fashion industry, we do not find a specific side of Law dedicated to it; yet, being a multi-billion euros market that crosses continents and sustains millions of workers, it certainly cannot be ignored by the lawmakers. In particular, in the last decade we started to notice the growing use of the notion “*Fashion Law*” to explain the numerous references to viable bodies of legislation within the world of garments and accessories. The expression is an artificial grouping of different rules and regulations that, although were not intended or written with the fashion industry in mind, are more or less practiced within the apparel businesses, since, as any other flourishing industry, it can only be sustained by following specific directions that are either shaped after it or, in absence of such, adapted to it. In fact, we still lack a real field of fashion legislation, where the only semi-exception resides within intellectual property rights, which explains the focal theme of this thesis. That is because the field that concerns the protection, development, usage and even infringement of trade marks, copyrights, industrial designs and patents the most is the fashion industry itself. This

³ U.S. Southern District Of New York, Case CV 22 384 Hermes Int'l v. Rothschild (2023).

⁴ When we use the terms “fashion industry” we refer to giant business of selling garments and accessories, which started as an artisan’s specialty to become one of the biggest commerce economies worldwide. It is the moving force behind millions of jobs, going from designers, factory workers, seamstresses, tailors, embroiderers, journalists, publicists, salespersons, models, textile manufacturers, pattern makers, sketch artists and so on... This industry encompasses businesses and people from all stages of the value chain, from design and development through sourcing and logistics, trade policy and compliance, retail, and marketing, therefore making it incredibly relevant on a legal and economic aspect.

circumstance has brought some very first instances of authorities using the fashion needs as a legislative benchmark when drafting new laws, instead of letting the industry adjust itself to the requirements of the law. And this occurrence is particularly relevant in the European Union, where the fashion industry is a protagonist of the economy of the Member States. Even more, because fashion items are material goods who are produced and then sold all over the region, which leads to the doubts on the possible Internal Market consequences. Because even though time has brought elaborate and extensive bodies of legislation governing intellectual property to both the Union and the Member States, those still needed, and in some instances still need, to be unified in the search for a consolidated Internal Market. And considering how Fashion Law legislation has no national origin in the sense that it never was intended as a domestic phenomenon and was immediately created to encompass multiple jurisdictions as a consolidated assortment of several rules, it creates the perfect opportunity for a supranational set of harmonized norms. To name an example, if a product is manufactured in Italy, but then travels to be bought in Germany, the intellectual property rights should be, at least, similar in their principles. This issue, as it will be better explained later in this Chapter, is one of the main reasons that have pushed for a fully harmonized intellectual property legal framework within the European community, which is still in development.

In this first Chapter I will start by describing what an intellectual property right is, from the earlier historical reference we are aware of to the possible conflicts with the Union's founding principles of Internal Market, especially considering the primal role of the European Court of Justice's caselaw. After framing the legislative developments on the matter, in particular the drastic change of direction encountered after the "*Lisbon Revolution*" that first introduced the topic of intellectual property rights within Primary Law sources, since none of the founding Treaties of the European Community ever did, and the importance of the specific Agencies in the unifying process of intellectual property rights between the Member States, the Chapter will then end by portraying the most pertinent aspects of the single intellectual property rights, which are Trade Marks, Copyrights, Patents, and Industrial Designs, and to what lengths they have been harmonized throughout the Union. In doing so, the features that have become a cardinal part of Fashion Law will be particularly highlighted.

1. The evolution of Fashion Intellectual Property Rights

Following the European Union's glossary, "*Intellectual Property is intangible property resulting from creations of the mind...(which) allows owners - creators as inventors or artists, or any*

rightsholders - to decide how, when and where their creations are used and/or exploited".⁵ This concept, which can be expanded almost worldwide, delineates intellectual property rights as legal rights that provide monopoly powers over intellectual activities that have a tangible expression or output in the industrial, scientific, literary, and artistic fields. The most notable ones include diverse types of copyright, trade marks, patents, and industrial designs. The logic behind this system is to emanate some type of reward to ingenious creators by giving them an exclusive, although limited, exploitation right over both the commercial and the moral side of their intellectual productions. According to Aristotle, property rights and the ability to own private property create a more productive society and unlike communal property, where individuals quarrel over each's amount of contribution, private property creates a peaceful environment where each is concerned with their own.

As *property* rights, intellectual property rights are also utilized to promote creative innovation and therefore contribute to society's technological and economic development, whereas the most substantial difference with other types of properties stands in the fact that they are not tangible since they do not revolve around a physical object. It is the idea behind those creations that is protected by the law and not the object where such an idea is exteriorized.⁶ This idea is not recent in the slightest, considering how in 1421's Florence, the acclaimed architect Filippo Brunelleschi found a new, deviceful way to move and transport marble on the Arno River through a barge, invention for which he was then appointed what we would have later recognized as an intellectual property right.⁷ Although we could potentially trace further back to other noteworthy times in which signs were used to indicate ownership or origin, that event can be recalled as the first time in history an official intellectual property right was pronounced. Since then they slowly but firmly became a constant part of every jurisdiction, and soon enough also became a fundamental aspect of the fashion industry.

Even before there was ever a contact between fashion and intellectual property rights, the Law has not been a stranger to dictating the rules of Fashion. Back in Ancient Rome, the Lex Appia set the

⁵ European Union Online Glossary, '*Intellectual Property*', <https://eur-lex.europa.eu/EN/legal-content/glossary/intellectual-property.html>

⁶ B Ubertazzi, '*Intellectual Property Rights and Intangible Cultural Heritage*' in B Ubertazzi (1st eds), *Intangible Cultural Heritage, Sustainable Development and Intellectual Property* (Springer 2022) 119, 159.

⁷ AY Al-Aali and DJ Teece, '*Towards the (Strategic) Management of Intellectual Property: Retrospective And Prospective*' 55 (4) (2013), *California Management Review* 15, 15.

standards of female Roman clothing to denote rank, status, and morality;⁸ In the Middle Ages, sumptuary regulation appeared first with Charlemagne's feudal system and then expanded throughout most of Europe.⁹ Another earliest known law to regulate garments example can be found in England from Parliament's 1337 Charter, addressing prohibitions on wearing imported cloth and fur.¹⁰ As it is of immediate notice, the cardinal association of fashion and the legal field was very much present but mostly as a means to regulate rank or position, nothing involving intellectual property. Then, something shifted with the industrial revolution. While in the early eras of fashion styles did not variate quickly and could last even as long as centuries, defined as Tracht cycles,¹¹ with the advances in technology, majorly prompted by the industrial revolution, the apparel industry became able to produce clothing much more quickly than before, making textile factories grow in proliferation, converting vestments from being handmade to mass-produced in stock sizes. What this also meant is that many designers saw their inventions being copied more swiftly and in larger quantities. Department stores also came into proliferation in the late 1800s, which increased the demand for knock-off designs.¹² Now that the public had better access to new styles, their hunger became insatiable and designs began to come out seasonally, growing exponentially throughout the 20th and 21st centuries, building up to as many as fifty-two micro seasons.¹³ Styles no longer lasted for Trachts.

Being those fashion creations derived from the activity of the mind, it was only to be expected that creators soon required protection from unauthorized copying.¹⁴ And to make it even worse, for the fashion industry copying is the norm. As soon as a particular design catches the public's fancy, imitations fill the racks at stores across the consumer spectrum, diffusing rapidly to other designers and retailers what once was artful, not only reducing the novelty aspect that made it trendy initially,

⁸ K Olson, 'Matrona and Whore: The Clothing of Women in Roman Antiquity' 6 (4) (2002), *Fashion Theory The Journal of Dress Body & Culture* 387, 391.

⁹ A Hunt, 'The Governance of Consumption: Sumptuary Laws and Shifting Forms Of Regulation' 25 (3) (1996), *Economy and Society* 410, 415.

¹⁰ United Kingdom 11 Edw. 3, It shall be Felony to carry any Wool out of the Realm, until it be otherwise ordained. c 1; Cloth Act 1337 c 2; Importation Act 1337 c 3; Fur Act 1337 c 4; Cloth-workers may come into the King's Dominions, and have sufficient Liberties. c 5 (1337).

¹¹ H Freudenberg, 'Fashion, Sumptuary Laws, and Business' 37 (1-2: Special Illustrated Fashion Issue) (1963), *Business History Review* 37, 39.

¹² D Monet, 'Ready-to-Wear: A Short History of the Garment Industry' (2022), <https://bellatory.com/fashion-industry/Ready-to-Wear-A-Short-History-of-the-Garment-Industry>

¹³ P Liu, 'An open shield: antitrust arguments against extending copyright protection to fashion designs' 23 (2) (2014), *Information & Communications Technology Law* 159, 163-165.

¹⁴ JN Mays, 'The art we wear' 22 (2019), *The Journal of World Intellectual Property* 300, 301-303.

but also helping to move on to the next big thing, starting the copying cycle all over again.¹⁵ Fashion is an imitative, trend-based industry. To say that an Article of clothing is *in fashion* is also to imply that it is part of a larger trend and resembles related items produced by competitors. But whether we are talking to great fashion designers, already established, or smaller, local creators, they all want their models not to be copied, which is why they are trying to protect them through intellectual property rules and even taking action, through Courts, against those who use it unjustly.

At both the Union and national levels, complex legislation governing intellectual property and its protection can be found.¹⁶ Fashion industry products can be protected in the European Union but, as it will be better explained later on, such protection is not unlimited, especially in the fact that it only extends to original creations while the massive majority of clothing is made from a standard repertoire of sleeves, panels, hems, buttons, pockets, pleats, and so on and is therefore lacking in originality, making it both easy to knock off, and also a challenge to gather legal protection.¹⁷ But without intellectual property rights, it would be virtually impossible for the European fashion industry to continue. These rights enable a business to compete knowing that it holds a legal monopoly to safeguard the time and money it has invested into the brand.¹⁸ Not everyone agrees. A quite common critique stands in the belief that this practice would disable the possibility for consumers to purchase clothing that is both trendy yet inexpensive, inevitably and ultimately harming the industry and its ability to generate current trends. In practice, through fast fashion retailers, *cool outfits*, often only seen on runways for huge amounts of money, can finally reach, through copying, even the average consumer.¹⁹ These concerns may carry logical sense but are legally inconsistent. Since fashion generally incorporates many different standard features, and given that most laws are quite strict, the decision to afford protection is not an all-or-nothing choice, but rather a choice of scale.²⁰ Anything that only takes inspiration but is not a direct copy of that

¹⁵ CA Cotropia and J Gibson, 'The Upside of Intellectual Property's Downside' 57 (2010), *UCLA Law Review*, 921, 953-956.

¹⁶ DF Barbur, 'Fashion law. Concept and beginnings in European Union and Romania' 8 (Special Issue) (2018), *Juridical Tribune* 6, 8.

¹⁷ GC Jimenez and B Kolsun, 'A Survey of Fashion Law: Key Issues and Trends' in GC Jimenez and B Kolsun (2nd eds), *Fashion Law: A Guide for Designers, Fashion Executives, and Attorneys* (Bloomsbury Publishing PLC 2014) 1, 9-11.

¹⁸ R Burbidge, 'What is Fashion Law' in R Burbidge (1st eds), *European Fashion Law: A Practical Guide from Start-up to Global Success* (Elgar 2019) 2, 3.

¹⁹ L Howard, 'An Uningenious Paradox: Intellectual Property Protections for Fashion Designs' 32 (3) (2008-2009), *Columbia Journal of Law and the Arts* 333, 355-356.

²⁰ *Ibid.*, 359.

look or product will not be considered an infringement of the law.²¹ In fact, nowadays we can still constantly see in almost every fast fashion chain, the resembles of runway pieces and just a few months earlier were portrayed in high fashion portals.

1.1 Intellectual Property protection in the European Union's Community

Originally, intellectual property rights were only territorial as in they would only provide a shield in the corresponding country where they were registered, but it goes without saying that this was an obstacle towards a globalized world where products are exported in all continents. With the growth of domestic industries, European mercantilist states understood that technological diffusion was central, and because of it, they started to grant domestic prizes to attract skilled labor.²² Soon after, along with a bilateral network between different European countries that had very tight commercial relations, in the 19th century, utilitarianism theory became widespread and we became witnesses of the establishment of modern intellectual property laws.²³ Even with formalized international systems such as the Berne convention of the late 1800s,²⁴ genuine harmonization between the most advanced nations was still lacking.²⁵ It was then only natural, for international instruments, that do not only set minimum standards to accommodate different national laws but also regional agreements, to be refined to spawn a common system, such as the one we can find in the European Union, which now owns a focal point in the intellectual property sphere.²⁶

The trajectory of intellectual property rights in Europe goes hand in hand with the development of

²¹ M Ballard, 'IP Protection for the fashion industry' in M Ballard (1st eds), *Navigating Fashion Law: Leading Lawyers on Protecting Client Brands and Following Industry Trends* (Aspatore 2016) 4, 6-7.

²² SR Epstein, 'Property Rights to Technical Knowledge in Pre-Modern Europe, 1300-1800' 94 (2) (2004), *The American Economic Review* 382, 383.

²³ MA Ugolini, 'Grey Market Goods under the Agreement on Trade-Related Aspects of Intellectual Property Rights' 12 (2) (1999), *Transnational Law* 451, 454.

²⁴ Berne Convention for the Protection of Literary and Artistic Works, as revised at Paris on July 24, 1971 and amended in 1979 (1986), S. Treaty Doc. 99/27. The Convention first introduced international intellectual property standards, such as the definition of Protected Works found within Article 2 or the Terms of Protection within Article 7. The standards were considered to be unsatisfactory and incomplete, not only because they only dealt with Literary and Artistic Works, but also because, such as what we can see under Article 5, the only real international guarantee by the Convention was the "country of origin". See the first paragraph of the second Chapter for further mentions.

²⁵ H-J Chang, 'Intellectual Property Rights and Economic Development -Historical Lessons and Emerging Issues' 2 (2) (2001), *Journal of Human Development* 287, 292. See also V Muzaka, 'Intellectual property protection and European "competitiveness"' 20 (4) (2013), *Review of International Political Economy* 819, 823-824.

²⁶ B Ubertazzi, *infra* 'Intellectual Property Rights and Intangible Cultural Heritage', 160.

the Union itself, which explains why everything started to change with the Treaty of Rome and the very creation of the European Economic Community in 1957,²⁷ when the founding members sought to tighten the economic links and foster prosperity by establishing a common Internal Market.²⁸ As it would be described in this thesis as a whole, the European Community played a crucial role in the push towards more robust global intellectual property arrangements as soon as it discovered how fundamental it was for the creation of the much desired common Internal Market, although this direction was not immediate.²⁹ The reason for that is that competition policy and intellectual property protection were initially largely subdued due to the achievement of higher and greater macroeconomics and social goals to achieve the Internal Market.³⁰ Assuredly, this does not mean that Europe gave up on the usage of innovation policies to achieve economic growth and competitive strength, but it did not believe that the way of delivering it was a strong and strict intellectual property protection that went beyond national orders.³¹

But if I am here to explain the importance of the Union in the history of intellectual property protection something must have changed. And the 70s decade would be the most accurate answer if we were to define a time frame, although a specific day, month or year cannot be pointed out. But what is of primal importance is that, during those years, the Union framed its competitiveness along neoliberal lines, where protection of intellectual property assets in and outside the Community outlines was finally pictured as central to the whole achievement of the European project. It was then natural for the European Union to achieve a key role in the development of Intellectual property due to a change of mentality.³² And this change of mentality was incredibly quickened the moment the Union expressed through its 1985's White Paper "Completing the Internal Market" how "*differences in intellectual property laws have a direct and negative impact on inter-Community trade and on the ability of enterprises to treat the Common Market as a single environment for their economic activities*".³³ Therefore, in order to achieve the extensive and bold

²⁷ Treaty establishing the European Economic Community (EEC Treaty) (1957).

²⁸ A Kur, T Dreier, and S Luginbuehl, 'IP in the European legal framework' in A Kur, T Dreier, and S Luginbuehl (2nd eds), *European Intellectual Property Law: Text, Cases And Materials* (Edward Elgar Publishing Limited 2019) 39, 39

²⁹ V Muzaka, 'Intellectual property protection and European "competitiveness"' 20 (4) (2013), *Review of International Political Economy* 819, 820.

³⁰ B Doern, 'The European Patent Office and the Political Economy of Intellectual Property Policy' 4 (3) (1997), *Journal of European Public Policy* 388, 389.

³¹ V Muzaka, 823-826.

³² *Ibid.*, 838-839.

³³ European Commission, *Completing The Internal Market: White Paper From The Commission To The European Council* (1985), COM/85/0310, 145.

harmonization and cooperation programs between Member States the European institutions have undertaken, focusing on intellectual property is a fundamental step. And that is because, although true that harmonizing or creating intellectual property rights was not a specific goal that could have been found within the Treaties, it was also not added by the Single European Act, which instead developed on environmental concerns as an area of Treaty activity and they also were not added by the Maastricht Treaty,³⁴ which focused on education, health, and culture as areas of concern for legislative action, intellectual property rights became a part of the harmonization plan since they were limiting free movements, in particular of goods, inside the European Union's Internal Market.³⁵

1.2 The development of intellectual property rights in conjunction with the free movements

Other than peace, the main goal the European Union was trying to achieve was to fuse together the economies of the Member States and to create an integrated market where all the factors of production and the fruits of the same production could move without limits to reach greater prosperity all around for everyone. To this particular aim, the founding Treaty laid down four fundamental freedoms, now found within the Treaty On The Functioning Of The European Union (TFEU): free movement of goods, workers, services and establishment, and capital. Furthermore, the Single European Act required the Union to comprise an area with no internal frontiers for this same end and in accordance with the Treaty by the end of 1992.³⁶ By abolishing internal frontiers, the effect is failed also regarding the application of trade restrictions justified on grounds of the protection of intellectual property rights. For example, there may be some goods that, although lawfully present on the market in one Member State, could infringe a patent or a trade mark in another Member State. To be even more specific, we could imagine someone having a patent in Germany, but no protection sought in Italy because of substantial differences in their legal systems; someone else could then produce and sell the same product in Italy, and the original creator would have no tool to prevent the importations of those products within Germany, where they would be

³⁴ Single European Act (1987), L169/87 and Treaty on European Union (1992) (Maastricht Treaty), C191/92.

³⁵ RJ Goebel, 'The Interplay Between Intellectual Property Rights and Free Movement of Goods in the European Community' 4 (1) (1993), Fordham University School of Law Property, Media & Entertainment Law Journal 125.

³⁶ D T. Keeling, 'The free movement of goods and services: an overview of the basic principles' in D T. Keeling (1st eds), Intellectual Property Rights in EU Law (Oxford University Press 2003) 5, 5-7.

infringing the patent, because such a rule with course hinder the concept of a free Internal Market. Since intellectual property rights have a nature of territorial exclusive national rights, especially before the intervention of the Union to create common rules on the matter, the only solution used to be having the goods seized at frontiers making sure they would never reach the second Member State, but of course such remedy is no longer available since custom controls have been abolished.³⁷ As the Commission would later admit in the White Paper of June 1985, the "*Differences in intellectual property laws have a direct and negative impact on inter-Community trade and on the ability of enterprises to treat the Common Market as a single environment for their economic activities.*"³⁸ The same doctrine has then been pushed forward by the Court of justice of the European Union which has been an extremely active player in the integration open market, especially on the topic of balancing free movements and other interests or rights.³⁹ Therefore, since any type of exclusive rights, such as intellectual property rights, that is limited to the territory of one Member State can potentially be in conflict with the principles of free movement we cannot move skip the fundamental step of analyzing this peculiar relationship through the defining moments of the case-law. It goes without saying that when it comes to intellectual property rights, and even more those concerning the fashion industry, the one freedom that is mostly tackled is the free movement of goods. Therefore, this thesis will delve into it in a more deep and considerable way than the other freedoms.

Starting from Article 34 on the Treaty on the Functioning of the European Union (TFEU), it states that: "*Quantitative restrictions on imports and all measures having equivalent effect shall be prohibited between Member States.*"⁴⁰ The Article seems to be clearly pointing out towards with state measures, not with the actions of private individuals, which appears to already create a doubt over its links with our topic. The reliance on patents, copyright, design rights, or trade marks by an individual could never fall within the compass of Article 34 but it is only through the machinery of the state, like injunctions seizure orders or judicial remedies that Article 34 may be applied in the area of intellectual property. It is not required hoping number state to come out with a legislative provision to be in breach of Unions law, but some type of action by the domestic authorities are

³⁷ Ibid, 7-8.

³⁸ European Commission, Completing The Internal Market: White Paper From The Commission To The European Council (1985), Supra n 33.

³⁹ RJ Goebel, 125

⁴⁰ Treaty on the Functioning of the European Union (2012), C326/47/12.

needed even for individual injunctions.⁴¹ The framework would not be complete, though, without mentioning Article 36 on the TFEU, which states that “*The provisions of Articles 34 and 35 (of the TFEU) shall not preclude prohibitions or restrictions on imports, exports or goods in transit justified on grounds of public morality, public policy or public security; the protection of health and life of humans, animals or plants; the protection of national treasures possessing artistic, historic or archaeological value; or the protection of industrial and commercial property. Such prohibitions or restrictions shall not, however, constitute a means of arbitrary discrimination or a disguised restriction on trade between Member States*”. Together, these two norms have inflamed the jurisprudence for decades.

When mentioning “*the protection of industrial and commercial property*” it is clear that the Treaty recognizes the existence of a conflict between intellectual property rights and the free movement of goods, and it solves that same conflict by prioritizing intellectual property rights. But such priority it is protected only when qualified, in order not to grant *carte blanche* to Member States to erect barriers to trading in name of intellectual property. If a restriction has to be put into place, it must not amount to an arbitrary discrimination or restriction. Given that the Treaty is not completely clear and does not leave room for the legislative bodies to intervene and clear out any doubts, it has always been the role of the Court of justice to specify how certain interests should be balanced.⁴²

1.2.1 The role of the European Court of Justice following the “*Cassis test*”

In particular, since the 1970s the Court has pointed out a series of national laws that were indistinctively applicable to both internal domestic and foreign products, but that nevertheless could have amounted to an obstacle to the free circulation of goods. In first instance, this legal question were referred to the so called “*technical obstacles*” to trade, which were caused by the different technical regulations that all the Member States had in place. The Court realized that the systematic application of such regulations to products that came from other Member States was causing trouble to the free movement of goods and therefore have to be analyzed under the lenses of Article 34 TFEU, in order to make sure that this measure did not have an equivalent effect to quantity restrictions. The most relevant case on this matter is *Cassis de Dijon*, where a French liquor was

⁴¹ D T. Keeling, ‘The conflict between intellectual property rights and the principle of free movement’ in D T. Keeling (1st eds), *Intellectual Property Rights in EU Law* (Oxford University Press 2003) 22, 22-24.

⁴² *Ibid.*, 28.

deprived of the possibility to be imported and commercialized in Germany, which had a particular rule on alcohol minimum graduation.⁴³

As time went on, the same reasoning that the Court applied to this case regarding goods was expanded to workers, services, establishment, and capital as well. The logic was that for the first time the Union, through the Court of justice, stated that even the application of a national rule that indistinctively, therefore without discrimination of any sort, applies to national products as much as foreign products, can be defined as a violation. For example, in a more recent judgment concerning services, the Court stated that Article 56 TFEU established not only for the elimination of whatever discrimination towards a service provider living in any other Member State because of its nationality, but equally if the restriction applies to national service providers as well.⁴⁴ And semi-equal reasoning can be found within cases dealing with freedom of establishment under Article 49 TFEU,⁴⁵ or free movement of capital under Article 63 TFEU.⁴⁶

Since then, a so called “*Cassis test*” has been developed in order to question whether a specific normative even while not being discriminatory is still to be considered in breach of the treaties. The first step is to consider whether or not that rule is applicable indistinctively, then if this rule is an obstacle to the free movements, third, whether this obstacle could be justified under an objective interest that has a higher ranking over free movement, and finally whether this obstacle respects the principle of proportionality.⁴⁷

Going back to the cassis case, the German authorities could not demonstrate that their legislation on the minimum alcoholic percentage was in any way justified by health reasons or consumer protection and as the Court clarified, any type of required submission of imported products to supplementary technical controls are prohibited, even if those are applied without discrimination. This logic of mutual recognition of national legislation helped the European Union to strengthen its Internal Market and assure an equivalent protection over the whole territory without needing to put

⁴³ Case 120/78, supra n 2

⁴⁴ Joined Cases C-372/09 and C-373/09, Peñarroja (2011), ECR, ECLI:EU:C:2011:156, 50.

⁴⁵ Case C-438/08 Commission of the European Communities v Portuguese Republic (2009), ECLI:EU:C:2009:651

⁴⁶ Case C-367/98 Commission of the European Communities v Portuguese Republic (2002), ECLI:EU:C:2002:326

⁴⁷ L Daniele, ‘Nozioni Generali’ in L Daniele (2021 eds), *Diritto Del Mercato Unico Europeo E Delle Spazio Di Libertà, Sicurezza E Giustizia* (Giuffrè 2021) 1, 39-44.

minimum standard by using Articles 114 and 115 TFEU. By following this route there is no need to eliminate these breaching national rules through legislative action.⁴⁸

By following the Cassis de Dijon jurisprudence, also defined as mandatory requirements, numerous national legislations have been considered as banned; to only name few examples, we have the Dutch legislation that required a label in their national language for imported beverages, or the Belgian legislation which prohibited the selling of margarine in packages that had any other form shape other than a cube.⁴⁹ Soon enough the Cassis test was applied to national rules that would prohibit or restrict certain modalities of selling or advertisement, like the temporary sale ban of videotapes containing new movies,⁵⁰ or the ban on educational material through home delivery.⁵¹ Differently from the previously mentioned cases, here we do not have any disposition regarding the product per se, but the way that product can be sold or how its sale can be promoted, yet, they can equally produce a restricting effect on the importation because they are perceived as equivalent measures to quantity restrictions under Article 34 TFEU, once again, unless there is some kind of justification or the proportionality principle is respected.

The case that most shaped the opinion was Keck, where the Court had to intervene following the rising numbers of preliminary references to define, once for all, a clearer differentiation between prohibited measures and non-prohibited measures.⁵² What the Court of justice stated was that, the law would be in breach of the Treaty only if it was found that that rule was not applicable to all the operators, in fact even when just one operator is exonerated from it, in an exceptional manner.⁵³ The same theory was further confirmed in cases regarding Belgian laws that would prohibit selling products which had low profit margins,⁵⁴ Italian dispositions that would only let tobacconists sell handmade tobacco,⁵⁵ or the French norms that would ban television advertising mass distribution.⁵⁶

⁴⁸ Case 193/80 Commission v Italy (1980), ECLI:EU:C:1981:298, 17.

⁴⁹ Case 27/80 Fietje (1980), ECLI:EU:C:1980:293 and Case 261/81 Rau (1982), ECLI:EU:C:1982:382

⁵⁰ Joined Cases 60 and 61/84 Cinéthèque SA v Fédération nationale des cinémas français (1985), ECLI:EU:C:1985:329

⁵¹ Case C-382/87 Buet (1989), ECLI:EU:C:1989:198.

⁵² Joined Cases C-267/91 and C-268/91 Keck (1993), ECLI:EU:C:1993:905

⁵³ Case C-198/14 Visnapuu (2015), ECLI:EU:C:2015:751

⁵⁴ Case C-63/94 Groupement National des Négociants en Pommes de Terre de Belgique v ITM Belgium SA and Vocarex SA (1995), ECLI:EU:C:1995:270

⁵⁵ Case C-387/93 Banchero (1995), ECLI:EU:C:1995:439

⁵⁶ Case C-412/93 Société d'Importation Edouard Leclerc-Siplec v TF1 Publicité SA and M6 Publicité SA (1995), ECLI:EU:C:1995:26

This new restrictive interpretation, where advertising or selling arrangements would fall prima facie outside of Article 34 TFUE unless they were discriminatory, while on the other hand, a product standard or a technical rule, always falls under Article 34 TFUE, created a lot of confusion.

The first difficulty was on the distinction between what is technical rule and what is just selling an arrangement, where the Court started to become more and more restrictive as time went on to qualify a national legislation as a selling arrangement, preferring much more to qualify it is a technical rule, like it did in *Familiapress*.⁵⁷ A second difficulty was to establish whether a rule regarding selling arrangements was able to preclude or make more difficult the access to the market for imported products. In the landmark case *Gourmet*, a prohibition of all advertising in the press, although nondiscriminatory, was found to impede access to the market of foreign products more heavily than the marketing of domestic products.⁵⁸ The Treaty, the Court added, does not prohibit a total ban on the advertising of alcoholic beverages such as that at issue if it justifiable under health concerns, unless it is apparent that it is not necessary.⁵⁹ Similarly, in the *Scotch Whisky* case, the Court, although accepting some type of limiting on the advertisement of alcohol for health reasons, still found the law to be disproportional since other less restrictive measures could have been adopted.⁶⁰ This case law development translated to the topic of intellectual property rights as well, where particularly original solutions have been reached. First of all, the Court of justice adopted a very broad notions of industrial and commercial property, including not only patent rights and trade marks, but also copyrights, through the *Membran* case,⁶¹ industrial models and ornamental drawings, with the *Keurkoop* case,⁶² and even the geographical origin denominations, in the *Delhaize* case.⁶³

In the cases where there is no harmonization measure at the Union level, intellectual property rights have a territorial character which means that the owner of such rights the exclusive power to economically exploit them in the same territory whose legislation the right arises from. And one of

⁵⁷ Case C-368/95 *Familiapress* (1997), ECLI:EU:C:1997:325

⁵⁸ Case C-405/98 *Gourmet* (2001), ECLI:EU:C:2001:135

⁵⁹ L Daniele, 'La libera circolazione delle merci' in L Daniele (2021 eds), *Diritto Del Mercato Unico Europeo E Delle Spazio Di Libertà, Sicurezza E Giustizia* (Giuffrè 2021) 51, 72-81

⁶⁰ Case C-333/14 *Scotch Whisky* (2015), ECLI:EU:C:2015:845

⁶¹ Joined Cases 55 and 57/80, *Membran* (1981), ECLI:EU:C:1981:10, 9.

⁶² Case 144/81 *Keurkoop* (1982), ECLI:EU:C:1982:289, 22

⁶³ Case C-47/90 *Delhaize* (1992), ECLI:EU:C:1992:250, 16

the powers coming from that ownership is the possibility to oppose the import of products coming from other Member States that are in violation of someone's exclusive right. As I have already mentioned before, this is an obstacle to the free circulation of goods. The Court, therefore, had to intervene and specify that although the Treaty cannot change the existence of intellectual rights that are attributed by law under Member States' legal system, it holds the power to decide on the exercise of those rights.⁶⁴ The difference between a legitimate exercise and an exercise that is considered to be abusive remains the specific object and essential function of the industrial and commercial property right.⁶⁵ If the modality of exercise of that right exceed its specific object, the derogation on Article 36 TFEU cannot be invoked. For example, talking about marks, the Court affirmed that the specific object of such right is guaranteeing that the owner of the right can utilize its trade mark by emitting it into the market and to be able to protect it from competition.⁶⁶

1.2.2 The doctrine of exhaustion of rights

An emblematic application of such distinction becomes relevant with the "*exhaustion of rights doctrine*", which is particularly relevant for trade marks. Because, while at the center of much of the discussion on how to strike a balance between the protection of intellectual property and the free flow of goods and undistorted competition stands the question of whether there should be restrictions on an intellectual property owner's assertion of rights, the question of whether intellectual property rights extend outside of the Member State that granted them is likewise another topic of discussion. And this is the doctrine of rights exhaustion.⁶⁷ Under this doctrine, once a product patented or trade marked is invited into the territory of one of the Members either by the owner of the right or with his consent, the owner cannot impede the importation of said product into all the other Member States, independently of the economic condition of the first commercialization.⁶⁸ Fundamentally speaking, the "*first sale doctrine*," also known as the "*exhaustion of rights doctrine*", forbids an owner of an intellectual property right from using that

⁶⁴ Case 102/77, Hoffmann-La Roche (1978), ECLI:EU:C:1978:108, 6.

⁶⁵ P Mezei, 'The Doctrine of Exhaustion in the Copyright Law of the European Union' in P Mezei (1st eds), Copyright Exhaustion: Law and Policy in the United States and the European Union (Cambridge University Press 2018) 24, 24-25.

⁶⁶ Case C-10/89 Hag (1990), ECLI:EU:C:1990:359, 14

⁶⁷ J Tudor, 'Intellectual Property, the Free Movement of Goods and Trade Restraint in the European Union' 6 (1) (2012), The Journal of Business, Entrepreneurship & the Law 45, 55.

⁶⁸ Case 19/84 Pharmon BV v. Hoeschst AG (1985), ECLI:EU:C:1985:304, 22 and Case C-9/93, Ideal Standard (1994), ECLI:EU:C:1994:261, 33.

right after a commodity or service has been sold. Basically, the right holder cannot use his intellectual property rights to prevent the movement of the product throughout the other Member States, defined as a parallel import, once he consents in some way to the sale of the protected product in another state. Therefore, the intellectual property right is "*exhausted*" at the border.

In the Merck case, for example, certain pharmaceutical products were patented in all Member States but Italy, which, at the time, did not allow for the patentability of medicines.⁶⁹ The Court said that since Merck chose to commercialize its product in Italy, it could not be against the importation of such products in other Member States, because once one decides to put a product in commerce they need to accept the consequences of having an internal common market.⁷⁰ The Court has gone so far as to adopt a type of "*regional exhaustion*", which permits the exhaustion of intellectual property rights once the protected good or service is voluntarily placed anywhere in the Union. The consent has to be excluded whenever the product has been fabricated and then put into the market from the owner of an obligatory patent license, like in the Allen & Hanburys case,⁷¹ or when there is a trade mark in other Member States from other subjects in a completely independent way, like the Hag case explains,⁷² which overturned the opposite theory that was applied in Van Zuylen.⁷³ Lastly, putting into commerce a product towards a third country that is extra community will not be subduced to the exhaustion principle,⁷⁴ as Davidoff states.⁷⁵

1.2.3 The free movement of goods' most relevant developments case law

In the meantime, the case law concerning intellectual property grew. Nondiscrimination and the free flow of commodities were both solidified by the decision in Donckerwolcke v. Procureur.⁷⁶ The Court ruled that importing Member States cannot demand a country of origin indicator outside of

⁶⁹ Case 187/80, Merck (1981), ECLI:EU:C:1981:180 and Joined Cases C-267/95 and C-268/95 Merck (1996), ECLI:EU:C:1996:468

⁷⁰ L Daniele, infra 'La libera circolazione delle merci', 91-95

⁷¹ Case 434/85 Allen & Hanburys (1988), ECLI:EU:C:1988:109, 29

⁷² Case C-10/89 Hag, Supra n 66

⁷³ Case 92/73 Van Zuylen (1974) ECLI:EU:C:1974:72

⁷⁴ Joined Cases C-414/99 and C-416/99, Davidoff (2001), ECLI:EU:C:2001:617, 32.

⁷⁵ L Daniele, infra 'La libera circolazione delle merci', 91-95

⁷⁶ Case 41/76 Donckerwolcke v. Procureur (1976), ECLI:EU:C:1976:182

the Member State that acts as the exporting state, like when Belgian traders had acquired synthetic fabric in Donckerwolcke that had originally originated in Syria and Lebanon, which they imported in France with merely a Belgian country of origin label. The import certificate did not list Syria or Lebanon, thus the French authorities forbade the merchants' attempt. The Court Of Justice found that the French requirement breached Article 34's restriction on domestic rules that impede commerce since a Member State's only obligation concerning goods that have been freely placed within the Union is to identify the Member State that serves as the exporting country. The Court reasoned that regardless of whether commodities were first produced or acquired within or outside the Union, they must be considered to be in "*free circulation*" and be subject to the same laws with regard to the TFEU.

In *Class International BV v. Colgate-Palmolive Company*, the Court grappled with yet another difficult issue involving items that were allegedly breaching trade mark rights yet came from outside of Europe.⁷⁷ *Class International*, a Dutch warehouse company, imported toothpaste goods from a South African exporter using the "*Aquafresh*" name, which belongs to Beecham and was registered at the Benelux Trade Mark Office. Beecham requested that the Dutch authorities confiscate and search the toothpaste after receiving information that the items were fake. The Dutch government then referred the case to the Court Of Justice after concluding that the products were not counterfeit. The Court reiterated that goods coming from outside the Community should be released for "*free circulation*" once all import formalities have been completed and all customs duties and taxes have been paid, and sided with *Class International*, since the mere fact that the trade marked goods are being stored does not imply that they are being "*imported*".⁷⁸ Concerning parallel imports and trade marks, one of the most challenging issues in the balance between intellectual property rights and free movements of goods is the repackaging process.

To name one famous case, in *Pfizer v. Eurim-Pharm GmbH* the Court of Justice stated that trade mark cannot be used to prevent pharmaceuticals entry to the market even when the importer has purchased the right holder product and repackaged it for resale in another Member State.⁷⁹ Here, *Eurim-Pharm*, purchased the plaintiff's pharmaceutical, "*Vibramycin*," and repackaged it for resale in Germany at the same time of *Pfizer*, which held a trade mark right under British law and was exporting and importing products to Germany through a subsidiary. Therefore, there was a parallel

⁷⁷ Case C-405/03 *Class International BV v. Colgate-Palmolive Company* (2005), ECLI:EU:C:2005:616

⁷⁸ J Tudor, 55-61.

⁷⁹ Case 1/81 *Pfizer v. Eurim-Pharm GmbH* (1981), ECLI:EU:C:1981:291

imports issue. After citing the *Centrafarm v. Winthrop* case, the Court stated that Article 36 TFEU in this particular case was not able to create an exception to the quantity restriction under the Article 34 and the repackaging could not affect the actual product.⁸⁰

Yet, the case that probably best articulates the applicable rules in similar circumstances is *Boehringer Ingelheim v. Swingward*,⁸¹ where *Boehringer Ingelheim* brought suit against *Swingward* for trade mark infringement when the latter purchased several medicinal products of the former under multiple trade marks and in multiple Member States to then resell them after repackaging in the United Kingdom. In the packaging process the trade mark was left exposed but there was the addition of *Swingward*'s name, while other times the original trade mark was not visible. The Court of course pointed out that since the purpose of a trade mark is to signify its origin, by having a repackaging such guarantee of origin of the product is jeopardized, yet the most relevant aspect is whether the packaging was actually prejudicial to that trade mark. Just because a product has been repackaged does not imply there is always a threat, and the packaging is also likely to be allowed if necessary for parallel import. On the other hand, a repackaging could still harm the trade mark owner reputation even when not defective, of poor quality or untidy as long as one takes away from the image of the mark, or even when the trade mark is completely obscured. Other than parallel imports, trade mark infringements can arise also over similarity, like in the case of *Terrapin Overseas Ltd. v. Terranova Industrie CA*, when a British company called *Terrapin*, who also had a trade mark for their company name in the United Kingdom, sought to enter prefabricated homes offered by a German company called *Terranova* under the name of plaster goods.⁸² The Court determined that the German right holder could prevent the entry of the British-named product so long as there were no restrictions on the product's entry into Germany, thus establishing an exception under Article 30 to Article 28 TFEU, where two similar names in related industries are trade marked by various states.⁸³

Landmark cases on parallel imports and more have been equally present in the copyright sphere, where the best example of the rivalry between intellectual property law and the mission of the Treaties is found in *Deutsche Grammophon Gesellschaft v. Metro-SB-Grossmarkete*, where not only the balance between national intellectual property rights, in this case German copyright law,

⁸⁰ Case 16/74 *Centrafarm v. Winthrop* (1974), ECLI:EU:C:1974:115

⁸¹ Case C-348/04 *Boehringer Ingelheim v. Swingward* (2007), ECLI:EU:C:2007:249

⁸² Case 119/75 *Terrapin Overseas Ltd. v. Terranova Industrie CA* (1976), ECLI:EU:C:1976:94

⁸³ J Tudor, 76-80

and the prohibitions on trade restraint can be observed, but also the potential for intellectual property rights to create unacceptable trade restraints in violation of Article 101 of the TFEU as well.⁸⁴ According to German law, the plaintiff Deutsche, controlled copyrights and supplied recordings to merchants under contracts mandating that the stores must adhere to its price schedule. In order to resell Deutsche's records in the German market at a lower price than what Deutsche had set through its price structure agreements with other German distributors, Polydor, the French distribution subsidiary owned by Deutsche that was later acquired by Metro, started to buy them through the new French distributor. Deutsche requested an injunction against Metro, claiming that Metro's actions violated the German grant of the copyright. The Court of Justice focused its ruling on the copyright holder's potential ability to virtually completely control interstate marketing through the enforcement of that copyright, adding that the territoriality principle cannot be consistent with the Treaty ban on such power. Since it was able to take advantage of the monopolistic chance to make money, it should be determined that the aim of the industrial protection rights was satisfied when the goods were initially offered. On the other hand, if the holder was allowed to regulate future marketing, in particular to forbid re-imports, and free commerce in products was hindered, it would surely go beyond the aim of the protective rights provided. In light of the proviso in Article 36, the fundamental goals of the Treaty, and the tenets of the Common Market, and despite the guarantee of the survival of industrial property rights, it is possible to hold that the rights have been extinguished in the present case, which prevents the exercise of the distribution rights. In the more technologically sophisticated case of Warner Brothers v. Christiansen, the Court Of Justice determined that companies selling video cassettes of films into member nations can use their copyrights to prevent their remake and resale after the video cassettes had been properly sold or leased.⁸⁵ In this case, Warner Brothers had a copyright for a James Bond movie that was replicated on video tape for sale and rental and was promoted throughout the Member States. The defendant, Christiansen, had acquired the James Bond video cassette and had placed ads for copies with Danish subtitles for sale in Denmark. The Court Of Justice found that Warner Brothers could use copyright protection to forbid further duplication under Article 36 because they had clearly chosen which markets to sell on, as its rights had not been exhausted at the sale of the cassette within the specific market.⁸⁶

⁸⁴ Case 78/70 Deutsche Grammophon v. Metro SB (1971), ECLI:EU:C:1971:59

⁸⁵ Case 158/86, Warner Brothers v. Christiansen (1988), ECR, ECLI:EU:C:1988:242.

⁸⁶ J Tudor, 87-90.

The Court of Justice upheld the European Commission's ability to order copyright holders to disseminate their information when their copyright amounts to an abuse of a dominant position under Article 102 in a consolidation of three cases collectively referred to as the "*Magill TV Cases*" regarding the Reproduction of Copyrighted Material. In The Magill TV Cases, three television networks defended their copyrights against Magill TV after the latter combined their printed schedules into a single magazine that customers could buy in Ireland and Northern Ireland of the United Kingdom. The Court of Justice determined that the television broadcasters had misused their dominating position and allowing the networks to enforce their copyrights would effectively provide them a "*de facto monopoly*" over the publication of weekly television listings, leaving businesses like Magill, which want to develop a new product, in a dependent position.⁸⁷ Lastly, regarding parallel imports over patents, one of the first cases involving the balance between intellectual property rights and trade restraint was *Parke, Davis & Co. v. Probel*.⁸⁸ The plaintiff, Parke-Davis, was an American business that had patents on a chemical and biological procedure called chloramphenicol that is used to make antibiotics that were authorized by Dutch law. Numerous defendant businesses purchased, advertised, and resold the goods produced by the method without the plaintiff's consent while claiming immunity under Articles 101 and 102 TFEU. On the questions, the Court of Justice rendered two different decisions, both in the plaintiff's favor. First, the assertion of one's rights under patent law does not automatically constitute a violation of the Articles. Second, the Court ruled that neither Article 101 nor Article 102 of the TFEU prohibit the holder of a patent granted by a Member State from requesting an injunction against the import of the protected goods from another Member State where the products and their manufacturing process are not patentable. In the end, Article 36 served as the counterbalance to Articles 34, 35, 101, and 102 TFEU.

In *Pharmon BV v. Hoeschst AG*, Hoeschst signed a licensing agreement with a British company called DDSA, giving it the exclusive right to produce, import, and sell frusemide in the United Kingdom.⁸⁹ The agreement was broken by DDSA when it sold the items to the Dutch company Pharmon just before the patent in the UK was about to expire. To prevent Pharmon from entering the Netherlands with Hoeschst's patented medication, Hoeschst acted right away to enforce its patent under British law and the corresponding license agreement. The first definition of the territoriality principle given by the Court of Justice is as follows: "*That principle means that*

⁸⁷ *Ibid*, 95-96.

⁸⁸ Case 24/67 *Parke, Davis & Co. v. Probel* (1968), ECLI:EU:C:1968:11

⁸⁹ Case 19/84 *Pharmon BV v. Hoeschst AG*, *Supra* n 68

Community law cannot confer on the holder of a compulsory license rights that may also be relied on in the territory of other states." In other words, the Union does not have the authority to establish rights for patent owners outside of the state that bestows those rights. Second, Article 36 YFEU permits limited exceptions to the general rule that Member State legislation cannot be used to restrict the free movement of products across Member State borders. The third is the idea of "*exhaustion*" of rights. After outlining these three guiding principles, the Court Of Justice was left debating the issue at hand. The Court determined that because Hoeschst never granted permission for the medicine to be introduced into the Netherlands, Hoeschst may use its patent rights to prevent Pharmon from introducing the patented medication there. The Court Of Justice did, however, admitted that Hoeschst would not be able to use its legal authority to prevent the drug's release if the company had in any way approved of its marketing in the Netherlands.⁹⁰

In most instances, in fact, Articles 34, 36, 101, and 102 TFEU work together to promote the free movement of goods protected by intellectual property rights across the Member States. However, in *Bayer AG v. Heinz Süllhöfer*, the Court Of Justice found a point of contention between Articles 34 and 101 TFEU.⁹¹ Süllhöfer and Bayer AG each received patents for conveyor-belt systems used to create foam-based panels. Bayer AG also received a patent for a method of producing foam-based panels and sheets. An agreement between Bayer AG, Süllhöfer, and a fourth company, Hennecke, allowed Süllhöfer to grant Bayer AG and Hennecke a non-exclusive, free license to use its patented technology as well as the right to sublicense the technology as well as rights to other protected property held in other Member States. Despite the fact that the German Court referred the case to the Court Of Justice on the basis of both Articles, the Court ruled that only Article 101 TFEUU should be used to decide the case because the private parties' agreement does not constitute national law that has enacted a restriction on the free movement of goods. From there, the Court ruled that, as long as there are no additional conditions restricting competition, an agreement between parties that includes a "*no-challenge clause*" accompanied by an intention to settle a lawsuit is not in violation of the Treaty.⁹²

Overall, what we can learn from the leading cases from *Cassis* to nowadays, as if we were to find some defining principles from the teaching of the jurisprudence, is that: it is up to national legislation to decide the terms and conditions under which intellectual property rights are

⁹⁰ J Tudor, 64-67.

⁹¹ Case 65/86 *Bayer AG v. Heinz Süllhöfer* (1988), ECLI:EU:C:1988:448

⁹² J Tudor, 70-72.

safeguarded in the absence of harmonization; the existence of intellectual property rights guaranteed by national law is unaffected by the Treaty, although their exercise may be constrained; anytime the owner of an intellectual property right permits goods to be sold anywhere in the Community, he exhausts his rights with regard to those goods; rules regulating the establishment and exercise of intellectual property rights are subject to the ban on discrimination based on nationality.

To conclude, the conflict between free movement and the protection of intellectual property rights was an issue to deal with, and while the Court's interventions were incredibly helpful, a much more radical solution was starting to be needed. And that is when two possible ways came through for the Community: first, the harmonization of national laws on intellectual property, second, the creation of unitary intellectual property rights. It goes without saying that the Community and the Member States legislative bodies, in their capacity as Treaty-makers, are the ones who control these procedures, not the Court of Justice. It is evident from some of the aforementioned examples of conflicts between the free flow of commodities and the protection of intellectual property rights that harmonizing national laws can provide an effective solution that gets to the heart of the issue. Therefore, if national copyright laws all provided for the same period of protection, the issues that occur when a literary work is still protected by copyright in one Member State but is in the public domain in another Member State would not exist. Whichever decision the harmonizing authority takes is irrelevant in terms of removing restrictions on free movement. At either the broad end, the narrow end, or somewhere in between, uniform protection may be offered. Yet, the decision of where to establish the degree of protection generates complex policy questions with sometimes wide room for disagreement. As a result, harmonization has advanced slowly and laboriously. To this end, the European Union started to put out unitary tool through legislative actions such as Regulations and Directives to unify, when possible, the different type of intellectual property rights, which I will now move forward to introduce more into details.⁹³

2. The Current Legal Framework

After introducing the progress of Intellectual property rights in the Internal Market and how they have been balanced with the free movements, in particular of goods, by the Court of Justice of the European Union, it is time to introduce the strategy through which the Union reached the current, almost fully harmonized, framework of Intellectual property, from the first mentions within the Funding Treaties of the subject, passing through the landmark reorganization put in place by the

⁹³ D T. Keeling, *infra* 'The conflict between intellectual property rights and the principle of free movement', 24-29.

Lisbon Treaty, concluding with the applicable Legislation and the governing bodies.

2.1 The Lisbon revolution

As already mentioned above, initially, the objective of the European integration was economical, in the sense that, since Jean Monnet wanted to avoid another World War conflict at all costs, and the easiest way to make sure different countries would never wish to be enemies was for them to prosper together, in order to achieve peace, the economy was put on a pedestal. However, much progress has been done since then, and we can see a fairly deeply integrated Union now.

A milestone in the framework was the Treaty of Lisbon, which focused on clarifying and reorganizing the competences between European Union and the Member States. In particular, the TFEU differentiated between three types of competences, which helped to bring more transparency and when it comes to intellectual property protection, it falls between supportive competence and shared competence, depending on the specific right, as I will explain more in details later.⁹⁴ For example, copyright can be defined as a supportive competence which sees the Union having a secondary role to the domestic authorities, but the same cannot be said anymore for trade marks, which, on the other hand, better fit under the umbrella of shared competence. Before the Lisbon Treaty, the journey on the growing importance of the European Community towards the development of a complete and satisfactory Intellectual property was not smooth mainly since none of the founding Treaties of the European Community ever indicated the topic.⁹⁵

Even today, due to the lack of a more detailed arrangement granted by Treaty provisions, most of the supranational intellectual property measures are part of a legal construction that is still in progress, pushed together by different interpretations of multiple sources⁹⁶ and overtime by great reinforcement of the European Court of Justice, which has always been esteemed as the institution to bring the Union more forward into the trickiest of subjects over the decades. The said

⁹⁴ Starting from Article 3 TFEU, it defines exclusive competences in the sense that the European Union is able to legislate and adopt binding acts in these fields, limiting the role of Member State to applying these acts, unless the Union authorizes to adopt certain Acts itself. Following, Article 4 TFEU introduces shared competences, where both the Union and the Member States are authorized to adopt binding acts in this fields, on the condition that Community has not exercised, or has decided not to exercise that power. Finally, supporting competences, under Article 5 TFEU mean that the European Union can only intervene to help, coordinate, complement, leaving the majority of the powers in the hands of the States.

⁹⁵ Articles 3,4,5 and 118 TFEU

⁹⁶ For example, non-intellectual property-specific provisions of the Lisbon Treaty (mainly Article 352 TFEU) as a basis for its intellectual property Regulations and Directives. And as this is of course not ideal, it also relies on political EU government declarations, e.g. the EU Charter of Fundamental Rights of 2000, that declared intellectual property right as a protected freedom (article 17.2), and the EU Lisbon Declaration of 2000 and Barcelona Declaration of 2002 establishing target objectives for boosting Europe's research activities and competitiveness

environment is still considered ‘*a work in progress*’ type of area, not only since up to fairly recent times all we had was a bundle of national procedures that were slowing down the innovation potential of companies in Europe, but also because the Union decided to act only when it was possible accepting not to be the sole integration body on the European continent for intellectual property.⁹⁷ Initially, the only way to establish unitary intellectual property rights was to capitalize on the unspecified *default clause* found in Article 308 of the Treaty establishing the European Economic Community,⁹⁸ thanks to which the Council could anonymously act on a proposal by the Commission to obtain what the treaties set out, even where the necessary powers were not provided.

The fundamental change arrived with the ‘*Lisbon revolution*’, through the TFEU, where Article 118 provides how, for the *establishment and functioning of the Internal Market, the European Parliament and the Council, acting in accordance with the ordinary legislative procedure, shall establish measures for the creation of European intellectual property rights to provide uniform protection of intellectual property rights throughout the Union and for the setting up of centralized Union-wide authorisation, coordination, and supervision arrangements.*⁹⁹ It is then not surprising that the Union, since Article 118 TFEU empowers the European Parliament and the Council to establish measures for harmonizing certain aspects of intellectual property rights and creating a single European system providing a uniform protection, started to steadily put out Secondary legislation instruments to level out the different aspects between the Member States without eliminating national measures, which still exist in parallel, but, in case of conflict with the Union’s rights, the latter will always remain superior.

Regarding trade marks, they became formally harmonized since the 90s, with Commission Regulation (EC) No 2869/95 on the fees payable to the Office for Harmonization in the Internal Market, yet the real divide in time came with the Lisbon Treaty, which adapted the terminology, sought to streamline procedures and increase legal certainty, as well as clearly defining all the Office's tasks, including the framework for cooperation and convergence of practices between the Office and the national and regional offices.¹⁰⁰

⁹⁷ L Manderieux, ‘Towards a unitary European IP architecture’ in A Jolly (4th eds), *The Handbook of European Intellectual Property Management: Developing, Managing and Protecting Your Company's Intellectual Property* (Kogan Page Ltd 2015) 19, 19-21.

⁹⁸ Treaty establishing the European Economic Community, *Supra* n 27, 308.

⁹⁹ A Kur, T Dreier, and S Luginbuehl, *infra* ‘IP in the European legal framework’, 50-52.

¹⁰⁰ EUIPO, ‘Institutional changes’, <https://euipo.europa.eu/ohimportal/en/eu-trade-mark-regulation-institutional>

The legislative evolution continued with Council Regulation (EC) No 207/2009 on the Community Trade mark and Directive (EU) 2015/2436 to approximate the laws of the Member States relating to trade marks, being a long-awaited change in law that culminated a year later, with Regulation (EU) 2017/1001, accompanied by Implementing Regulation (EU) 2018/626 of the Commission, of 5 March 2018, laying down detailed rules for implementing certain provisions. The mentioned regulation is one of biggest reforms the Community has ever known, which achieved its goal to provide a more effective protection of Trade marks.¹⁰¹ Following with copyrights, considering they are still mostly rooted in national tradition, the Community provisions are few and have a narrower scope. In particular, the Directive (EC) 2001/29 on the harmonisation of certain aspects of copyright and related rights in the information society ensured that all copyright protected goods and services are adequately protected, both offline as online, but does not add any specific rule into the obtainment of said copyright, which remains a domestic trouble. The directive is still incredibly helpful for harmonizing the rights of reproduction, distribution, communication to the public, the legal protection of anti-copying devices and rights management systems. It was then followed by the very recent Directive (EU) 2019/790 of the European Parliament and of the Council, of 17 April 2019, on copyright and related rights in the Digital Single Market, which amended the previous Directives.¹⁰² For designs, the same reasoning of trade marks can be applied, since they are fully harmonized throughout the Internal Market, due to the Regulation (EC) 6/2002 of the Council, of 12 December 2001, on Community designs, and because of it, have been steadily growing in their registration filing in the region since then.¹⁰³

When it comes to protection and enforcement of said rights, both Regulation (EC) 1383/2003 of the Council, of 22 July 2003, concerning customs action against goods suspected of infringing certain intellectual property rights and the measures to be taken against goods found to have infringed such rights, and Directive (EC) 2004/48 of the European Parliament and of the Council, of 29 April 2004,

¹⁰¹ Regulation (EC) No 2869/95 of the Commission, of 13 December 1995, on the fees payable to the Office for Harmonization in the Internal Market (Trade Marks and Designs) (1995), L303/95; Regulation (EC) No 207/2009 of the Council, of 26 February 2009, on the Community trade mark (2009), L78/09; Directive (EU) 2015/2436 of the European Parliament and of the Council, of 16 December 2015, to approximate the laws of the Member States relating to trade marks (2015), L336/15; Regulation (EU) 2017/1001 of the European Parliament and of the Council, of 14 June 2017, on the European Union trade mark (2017), L154/17; Implementing Regulation (EU) 2018/626 of the Commission, of 5 March 2018, laying down detailed rules for implementing certain provisions of Regulation (EU) 2017/1001 of the European Parliament and of the Council on the European Union trade mark, and repealing Implementing Regulation (EU) 2017/1431 (2018), L104/37/18.

¹⁰² Directive (EC) 2001/29 on the harmonisation of certain aspects of copyright and related rights in the information society (2001), L167/01; Directive (EU) 2019/790 of the European Parliament and of the Council, of 17 April 2019, on copyright and related rights in the Digital Single Market and amending Directives 96/9/EC and 2001/29/EC (2019), L130/19.

¹⁰³ Regulation (EC) 6/2002 of the Council, of 12 December 2001, on Community designs (2001), L3/1/01.

on the enforcement of intellectual property rights, have been incredibly helpful into achieving the Lisbon's plan goal, the latter legislation being a landmark passage even.¹⁰⁴ This directive does not harmonize intellectual property rights regimes, but it sets minimum standards which have to be used during enforcement of intellectual property rights in current Member States. It also aims to harmonize national laws, thus ensuring that intellectual property will have an equivalent level of protection in the whole Internal Market. The Directive main objectives are promoting innovation and business competitiveness, ensuring consumer protection, ensuring the maintenance of public order, safeguarding employment in Europe and preventing tax losses and destabilization of the market. Of course, being a Directive, it also leaves some room to the domestic authorities, because, as Article 288 TFEU also specifies: "*a directive shall be binding, as to the result to be achieved, upon each Member State to which it is addressed, but shall leave to the national authorities the choice of form and methods.*"¹⁰⁵

2.2 Governance Institutions and Agencies

To ensure that intellectual property rights are effectively safeguarded in the region, the European Commission and other organizations work in conjunction with public authorities in Member States. In particular, the Commission is in charge of creating legislative proposals to harmonize intellectual property rights across the Community, determining whether national governments have correctly implemented the legislation, keeping an eye out for and preventing intellectual property rights violations in the single market, and spotting weaknesses in the regulatory framework so they can be fixed. Together with the Commission, Member States are crucial in enforcing intellectual property rights, particularly in the field of counterfeiting. Enforcement audits must be performed by Member States. Their customs officials conduct border checks to find violations, while other law enforcement agencies, particularly the police, are in charge of finding and dealing with domestic intellectual property rights violations.¹⁰⁶

Having a single way to obtain and defend rights for all countries is safer and less expensive, and in 1994, the legal advancements culminated in a unitary body, called the Office for Harmonization in

¹⁰⁴ Regulation (EC) 1383/2003 of the Council, of 22 July 2003, concerning customs action against goods suspected of infringing certain intellectual property rights and the measures to be taken against goods found to have infringed such rights (2003), L196/03; Corrigendum to Directive (EC) 2004/48 of the European Parliament and of the Council, of 29 April 2004, on the enforcement of intellectual property rights (2004), L195/04.

¹⁰⁵ Treaty on the Functioning of the European Union, Supra n 40, 288.

¹⁰⁶ European Court of Auditors, 'Protecting intellectual property rights in the EU' (2020) 1, 8-9.

the Internal Market or OHIM, which went on to become the European Union Intellectual Property Office, or EUIPO, from 2016 onwards.¹⁰⁷ The Office carries out both international cooperation purposes and examination, registration, opposition and cancellation procedures for the Community's trade mark and designs, even offering the possibility for seeking redress against its own decisions before a Board of Appeal, and from there, appeal to the General Court of the European Union, and, on points of law, to the Court of Justice.¹⁰⁸ As its own website explains, the European Union intellectual property office holds a governance structure that reflects its purpose: being a decentralized agency of the Union, it suffers the supervision by the Commission and Parliament, while remaining an international organization. It is then the Council of the European Union to decide on the appointment of the body's Executive Director, Deputy Executive Director, and the President and Chairpersons of the Boards of Appeal. In their internal structure, we can find a management board and a Budget Committee, each composed of one representative from each Member State, two representatives from the European Commission, and one representative from the European Parliament.¹⁰⁹ The Intellectual Property Crime Coordinated Coalition (IPC3), a unit of Europol, the European Union Agency for Law Enforcement Cooperation, and the EUIPO, was then established in 2016 to help the battle against piracy and counterfeiting. Finally, the European Observatory on infringements of intellectual property rights, has a wide range of duties are within the purview of the EUIPO, including support for the enforcement of all kinds, research, communication, and dissemination of best practices..¹¹⁰

¹⁰⁷ L Manderieux, 22.

¹⁰⁸ A Kur, T Dreier, and S Luginbuehl, 'Trade marks' in A Kur, T Dreier, and S Luginbuehl (2nd eds), *European Intellectual Property Law: Text, Cases And Materials* (Edward Elgar Publishing Limited 2019) 182, 190-191.

¹⁰⁹ *Ibid.*, 191-192.

¹¹⁰ European Court of Auditors, 10.

3. The Different Types of Intellectual Property Rights

Everything said thus far can be perceived as rather abstract without delving into the specific institutes of intellectual property law under the Union's legal system. Therefore, it is appropriate to move into the description, analysis, and comparison of trade marks, copyright, patents, and industrial designs, and with the inclusion of national and international doctrines where, with the needed premise that they will be examined purely under the lenses of their application inside of the fashion industry, without any bold conceit to presenting them in the most exhaustive modality for all those aspects that have no relevance or connection to the topic of this thesis.

3.1 Trade Marks:

3.1.1 Origin & Definition

Trade marks are considered the oldest signs of intellectual property rights. In fact, the first kinds can be found back in prehistoric times when farmers, in order to prevent robberies, carved and branded ownership on their animals' wool, and soon enough these signs have been used to implicate the origin of a product.¹¹¹ Trade development rose the exigency to prove where goods came from to guarantee their quality and characteristics, just like ancient Egyptians used to draw various symbols on stone buildings in order to recognize the source of those materials. In ancient Greece, they would also put a so-called *signum* onto Articles such as ceramic objects to recognize where that would have been produced.¹¹²

By the time of the industrial revolution, multiple European countries had already adopted recognizable systems for trade mark law, and in similar requirements of those of today, the signs would body some type of appeal to the consumer, either emotional or practical, until up to nowadays, where trade marks convey articulate levels of meaning, creating an overly complex and highly sophisticated status for each brand on the market.¹¹³ If we were to ask what actually stands as a trade mark, the answer could be found inside Article 4 of the Regulation (EU) 2017/1001, which delineates it as '*any signs... capable of distinguishing the goods or services of one undertaking from*

¹¹¹ C Seville, 'Trade marks and related rights' in C Seville (2nd eds), EU Intellectual Property Law and Policy (Elgar European Law series 2016) 259, 259.

¹¹² L Jarmila, 'The Notion of the European Union Trade mark' 8 (1) (2019), EU agrarian Law 21, 21.

¹¹³ C Seville, *infra* 'Trade marks and related rights', 259.

those of other undertakings'.¹¹⁴ This capacity of distinguishment is a fundamental concept of brand marketing because brands recognize that by giving their companies a distinctive name, their product offering could create a sense of familiarity with clients in order for them to become loyal customers.¹¹⁵ It is a strategy to personify products, providing them with a certain type of antecedent and personality that would go well beyond the normal function of just conveying information to the end buyer, resulting from the special power that those signs can exert on people through persuasion.

All considered, it is very common for a consumer to buy a branded product not just because they need to own that good but for the emotive experience behind it just as much.¹¹⁶ Considering that registration for a trade mark has relatively low costs for a business, it is an option that would always pay back in the long term, not only because of the significant benefits to enforce such rights against others, but also to have a return on investment.¹¹⁷ The Union regards the protection of intellectual property rights as of immense importance for innovation, employment, competition, and thus economic growth in the single market. In the field of trade mark law, initiatives have involved traditional harmonizing efforts to eliminate trade barriers, and a project to create a unitary mark,¹¹⁸ following two parallel paths.¹¹⁹

While the primigenial intervention dates back to the First Council Directive of December 21, 1988,¹²⁰ which resulted in a significant convergence of national trade mark law among Member States, one cannot find a true European trade mark in the strict sense until the mid-1990s. Previously, the system was still highly fragmented, with trade mark rights in the European Union remaining purely national, and the system implemented by the Directive being simply the sum of

¹¹⁴ Regulation (EU) 2017/1001 of the European Parliament and of the Council, of 14 June 2017, on the European Union trade mark (2017), L154/17, 4.

¹¹⁵ HS Krishnan, 'Characteristics of memory associations: A consumer-based brand equity perspective' 13 (4) (1996), *International Journal of Research in Marketing* 389, 395.

¹¹⁶ G Ramello and F Silva, 'Appropriating signs and meaning: The elusive economics of trade mark' 15 (6) (2006), *Industrial and Corporate Change* 937, 959.

¹¹⁷ JE Cardon, 'Fashion Law' (2016), *International Trade mark Association, Industry Perspectives* 1, 16.

¹¹⁸ C Seville, *infra* 'Trade marks and related rights', 268.

¹¹⁹ A von Mühlendahl, D Botis, S Maniatis, and I Wiseman, 'European Union Trade Mark Law: The Directive and the Regulation' in A von Mühlendahl, D Botis, S Maniatis, and I Wiseman (3rd eds), *Trade Mark Law in Europe* (Oxford University Press 2016)3, 3.

¹²⁰ First Council Directive (EEC) 89/104 to approximate the laws of the Member States relating to trade marks (1988), L40/88.

separate national systems, since Council Decision (EEC) 92/10 of December 1991¹²¹ postponed the date on which national provisions had to approximate Member States' laws.¹²² To create such a market and gradually transform it into a single market, not only should barriers to free movements be removed, but also legal conditions must be created that allow undertakings to adapt their activities to the scale of the Union, whether in manufacturing and distributing goods or providing services.¹²³ To eliminate that barrier, The Community Trade Mark Regulation was adopted in December 1993 and finally, on April 1st, 1996, the unitary system was introduced to exist alongside protections available at a national level, to provide a unified registration procedure and guarantee the unitary protection of a mark in the entire Internal Market through the European Union Intellectual Property Office, formerly known as OHIM.¹²⁴

Since its inception, the Community trade mark system has been a momentous success. Nonetheless, legal adjustments were deemed necessary in order to modernize and improve its efficiency. The most recent recast of the Trade Mark Directive (EU) was approved in 2015 and has been in force since January of the following year,¹²⁵ as revised by Regulation (EU) 2015/2424 of the European Parliament and of the Council.¹²⁶ In contrast, Regulation (EU) 2017/1001,¹²⁷ which went into effect on October 1 along with the Implementing Regulation (EU) 2018/626¹²⁸ and the Delegated Regulation (EU) 2018/625.¹²⁹ contains meaningful and comprehensive rules on procedures and

¹²¹ Decision (EEC) 92/10 of the Council postponing the date on which the national provisions applying Directive (EEC) 89/104 to approximate the laws of the Member States relating to trade marks are to be put into effect (1991), L6/35/91.

¹²² N Jovic, 'Trade mark Exhaustion In European Union' (2019), *Godišnjak Pravnog Fakulteta u Banja Luci* 157, 162.

¹²³ Regulation (EU) 2017/1001, *Supra* n 114.

¹²⁴ B Herz and M Mejer, 'Effects of the European Union trade mark: Lessons for the harmonization of intellectual property systems' 48 (2019), *Research Policy* 1, 6-9.

¹²⁵ Directive (EU) 2015/2436 of the European Parliament and of the Council, of 16 December 2015, to approximate the laws of the Member States relating to trade marks (2015), L336/15.

¹²⁶ Regulation (EU) 2015/2424 of the European Parliament and of the Council, of 16 December 2015 (2015), L341/15.

¹²⁷ Regulation (EU) 2017/1001, *Supra* n 114.

¹²⁸ Implementing Regulation (EU) 2018/626 of the Commission, of 5 March 2018, laying down detailed rules for implementing certain provisions of Regulation (EU) 2017/1001 of the European Parliament and of the Council on the European Union trade mark, and repealing Implementing Regulation (EU) 2017/1431 (2018), L104/37/18.

¹²⁹ Commission Delegated Regulation (EU) 2018/625 of 5 March 2018 supplementing Regulation (EU) 2017/1001 of the European Parliament and of the Council on the European Union trade mark (2018), L104/1/18.

administrative practice.¹³⁰ Around the same time, the name of the Community Trade mark was changed to the European Union Trade mark, and OHIM was replaced by EUIPO.¹³¹

The European trade mark system was never intended to replace national rules, but rather to coexist with them. Recital 8 of the Community Trade Mark Regulation (EU) 2017/1001 expresses the *principle of cooperation*, and as stated: ‘*National trade marks continue to be necessary for those undertakings which do not want the protection of their trade marks at Union level, or which are unable to obtain Union-wide protection*’.¹³² To be more accurate, there is a four-tier structure for trade mark registration in the Union’s territory. In addition to the just recalled system, there are three other options: the national route, which is handled by each nation's trade mark office; an additional regional option, which involves the Benelux Office of Intellectual Property on behalf of Belgium, the Netherlands, and Luxembourg; and finally, the international option, which I will discuss in more details later.¹³³

3.1.2 Trade Marks in the fashion industry

In the fashion industry, trade marks are particularly valuable assets since they are among the most widely used means to protect brands, also by reason of the scarcity of protection in the other traditional fields.¹³⁴ Unlike copyright law, trade mark law is not concerned with encouraging the creation of new aesthetic works. Instead, to promote fair competition and protect consumers, trade mark law guards consumers from confusion by ensuring that certain symbols accurately reflect the source of goods. As an example, if a belt displays a distinctive DIESEL brooch, consumers should be able to trust that the item is manufactured by Diesel.¹³⁵

¹³⁰ E Karimov, ‘Non-traditional trade marks in the European Union and Japan: is there an inflating trade mark balloon?’ 17 (2) (2022), *Journal of Intellectual Property Law & Practice* 132, 133.

¹³¹ Regulation (EU) 2017/1001, *Supra* n 114, 2; See in A Kur, T Dreier, and S Luginbuehl, *infra* ‘Trade marks’, 184-185.

¹³² *Ibid.*

¹³³ EUIPO, ‘Trade marks in the European Union’, <https://euipo.europa.eu/ohimportal/en/trade-marks-in-the-european-union>

¹³⁴ Harvard Law Review, ‘The Devil Wears Trade mark: How The fashion industry Has Expanded Trade mark Doctrine To Its Detriment’ 127 (3) (2014) 995, 996-997.

¹³⁵ C Buccafusco and FC C., ‘Fashion's Function in Intellectual Property Law’ 93 (1) (2017), *Notre Dame Law Review* 51, 93.



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Fashion companies have logical cognition for relying heavily on prominent trade marks, due to the fact that they rarely turn into public domain, and given their unlimited duration, they reward investment because they can accumulate value over time. For example, although LANVIN was founded in 1889, both the company's name and its signature items will remain protected as long as trade mark law exists.

Trade mark protection is proven to be a business imperative for large fashion companies, which can charge a premium for their products to the extent that they have created brand value.¹³⁷ In fact, even if technically third parties can challenge one's application to register a particular sign only if they have an earlier right for similar goods or services, when the mark has a reputation, that possibility extends even to different sectors. This means that it is nearly unthinkable to register Salvatore Ferragamo for a beverage brand even considering the inconceivability to create confusion.¹³⁸ As a result, well-known designers with well-known brand names have higher trade mark protection. The more easily recognizable the logo is, the stronger the protection.¹³⁹ The economic benefits of creating a design that heavily incorporates the use of a trade mark are obvious. A designer may even indirectly obtain protection for a design so long as the design incorporates the use of a protectable trade mark. Although the excessive use of logos in the last decade has been used in a sense of status, it was definitely not just for the aesthetic.¹⁴⁰

3.1.3 The Multitude of Trade Marks

As Article 4 of Regulation (EU) 2017/1001 explains, a European trade mark can be found in '*...any signs, in particular words, including personal names, or designs, letters, numerals, colours, the*

¹³⁶ The figure portraits a belt by the brand Diesel.

¹³⁷ GC Jimenez and B Kolsun, *infra* 'A Survey of Fashion Law: Key Issues and Trends', 11-13.

¹³⁸ R Burbidge, 'Trade marks and your brands' in R Burbidge (1st eds), *European Fashion Law: A Practical Guide from Start-up to Global Success* (Elgar 2019) 23, 24-26.

¹³⁹ *Harvard Law Review*, 1013.

¹⁴⁰ *Ibid.*, 1002.

shape of goods or of the packaging of goods...'.¹⁴¹ This wide definition becomes particularly relevant for the fashion industry where trade marks went to take as many forms as the law allows. Word marks consist exclusively of words or letters, numerals, other standard typographic characters, or a combination thereof that can be typed.

CELINE B V L G A R I¹⁴²

When it comes to style names, they typically do not function as a trade mark, as they do not operate to identify to the consumer the source or origin of the product. However, some style names gain trade mark significance through advertising and use in commerce. The *Reva* product style name, owned by Tory Burch, is one of the most well-known instances of this occurring in the fashion business. While first used to refer to a ballet dancer flat that featured the double "TT" insignia as a hardware medallion on the top of the shoe's toe (as it can be seen in the image), due to effective marketing, this product name was effectively employed as a trade mark and as an adjective.¹⁴³



Especially when it comes to new labels, it is commonplace as well for a designer to use their own name, or their initials, as their labels' name and therefore turn it into a trade mark.

¹⁴¹ Regulation (EU) 2017/1001, Supra n 114, 4.

¹⁴² The figures depict two trade marks formed by words: CELINE (on the left side), and BVLGARI (on the right side).

¹⁴³ JE Cardon, 16.

¹⁴⁴ The figure depicts the REVA ballerinas by Tory Burch.



BRUNELLO CUCINELLI



TOM FORD

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The Court Of Justice Of The European Union requires name trade marks to be examined according to equal standards as other marks,¹⁴⁶ since stricter criteria cannot be applied to them.¹⁴⁷ However, while this tactic is possible, it also brings a major risk: if one ever decides to sell their business, they cannot ask for a new trade mark of their name unless they buy their own name trade mark back from those who now have obtained it. This may appear a rare circumstance but there are few examples of such practice happening. In 2006, the Court of Justice heard a similar case when Elizabeth Emmanuel, the designer of Princess Diana's wedding gown, sought to reclaim her legal name trade mark, which was still linked to the firm she founded in 1996, but sold a year later.¹⁴⁸ The equivalent company then applied to register a trade mark in the United Kingdom even after she was no longer associated with the business, and she was aware that this could lead to many people being deceived, contradicting the very reason for applying for a trade mark in the first place, which is to avoid consumer confusion, in particular concerning the nature of quality and geographical origin of the goods or service. The Court of Justice answered that no actual deceit is put in place, considering that the consumers were now guaranteed by the business that own the rights that she voluntarily assigned them to. They are the current owners and the trade mark just proves that.¹⁴⁹ Figurative marks, on the other hand, are constituted by non-standard characters, stylization, layout, graphic features or colours, including marks that consist exclusively of figurative elements.¹⁵⁰ A peculiar kind of figurative marks are those containing word elements, which consist of a combination of verbal and figurative elements.¹⁵¹

¹⁴⁵ The figures depict two trade marks formed by the creator's name and initials: BRUNELLO CUCINELLI (on the left side) and TOM FORD (on the right side).

¹⁴⁶ Case C-404/02 *Nichols v. Registrar of Trade Marks* (2004), ECLI:EU:C:2004:538., 26.

¹⁴⁷ A Kur and M Senftleben, 'Acquisition Of Rights' in A Kur and M Senftleben (1st online eds), *European Trade Mark Law: A Commentary* (Oxford Academic 2017) 89, 135-136.

¹⁴⁸ Case C-259/04 *Elizabeth Florence Emanuel v Continental Shelf 128 Ltd* (2006), ECLI:EU:C:2006:215.

¹⁴⁹ R Burbidge, *infra* 'Trade marks and your brands', 46-47.

¹⁵⁰ EUIPO, 'Trade marks examples', <https://euipo.europa.eu/ohimportal/en/trade-marks-examples>

¹⁵¹ *Ibid*



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Figurative marks are explicated as logos, too. They may be both exclusively used on tags or hangers or form a distinctive element of design. For example, Versace utilizes a logo derived from a Medusa head, used to convey a certain commercial impression, appearing prominently on fashion Article labels, hangtags, and packaging, and more sporadically on the Articles themselves as well, featured from time to time on apparel, jewelry, and eyewear.¹⁵³ Several corporations have instead utilized their logos as the dominant design feature on an otherwise simple piece of clothing, such as collared knit shirt or slacks. The Ralph Lauren polo logo, for example, is a major design component. This polo logo appears as a single mark on the company's polo shirts as well as on a variety of other fashion items, such as above the back pockets of pants and shorts and on the side of casual footwear, helping to distinguish otherwise ordinary apparel Articles from those of another company, but also attaching brand significance.¹⁵⁴



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A shape mark consists of, or extends to, a three-dimensional shape. It can include containers, packaging, the product itself or its appearance.¹⁵⁶

¹⁵² The figures depict two trade marks formed by figurative marks containing words: Prada (on the left side) and Moncler (on the right side).

¹⁵³ JE Cardon, 4-5.

¹⁵⁴ *Ibid.*, 7-10.

¹⁵⁵ The figures depict the use of a mythological creature, the Medusa head, as a fashion logo, which is linked to Versace.

¹⁵⁶ EUIPO, 'Trade marks examples', supra n 150



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Because a potentially everlasting monopoly for a shape is such a valuable asset, registering a shape is difficult. If shape markings were given out too freely, there is a major risk that a few corporations could monopolize the shapes for standard products, limiting competition. Each of these restrictions is based on the idea that trade marks should not be used to extend indefinite protection to shapes that should have been protected as patents or designs, or that should not be protected at all.¹⁵⁸ Examples include luxury brands such as Manolo Blahnik stilettos and their associated shoe buckle.¹⁵⁹



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This difficulty is particularly relevant in the case of the 'Le Pliage' handbag. Being a rather plain design, Longchamp had trouble registering it as a shape mark, and as a result, lacking a distinctive character, Longchamp was only able to successfully register the shape since the word Longchamp or their emblem was included in the trade mark application.¹⁶¹ While this allowed them to pass the trade mark registration line, its utility will be restricted, seeing that in situations where the bag will be reproduced without the phrase, insurance will be way more difficult.¹⁶²

¹⁵⁷ The image depicts Guerlain's Rouge G lipstick, whose particular shape was at the center of a legal battle between the French Maison and the EUIPO's Board of Appeal, until the General Court of the European Union intervened and recognized, in the Case T-488/20, a shape trade mark for the infamous cosmetic, as it represents a memorable shape that will be perceived by the relevant public as one that departs significantly from the norms and customs of the cosmetics sector.

¹⁵⁸ R Burbidge, *infra* 'Trade marks and your brands', 33.

¹⁵⁹ Application No 014460455 and 014460448

¹⁶⁰ The image depicts a pair of Manolo Blahnik stilettos and their associated shoe buckle, which has been recognized as a shape mark.

¹⁶¹ Applications No 014461958 and 13928528

¹⁶² R Burbidge, *infra* 'Trade marks and your brands', 35.



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When registering a form mark, the primary task is to demonstrate its distinctiveness, since, according to Article 7 of Regulation (EU) 2017/1001, one of the absolute reasons for refusal is the absence of any distinguishing character.¹⁶⁴ In subsequent decisions, the European Union's Court of Justice added that the reason for the difficulties in establishing distinctiveness was that the *average consumers are not in the habit of making assumptions about the origin of products based on their shape or the shape of their packaging in the absence of any graphic or word element*.¹⁶⁵ It was held that *'only a mark which departs considerably from the norm or customs of the sector and thereby fulfills its essential function of indicating origin'*,¹⁶⁶ meaning that, despite the theoretical basis, the Court has de facto established a higher threshold for claiming protection for the shape of products than for other types of marks.¹⁶⁷

Even well-known brands are not immune. Fendi's Double Baguette and Peekaboo bags were recently denied protection by the Office.¹⁶⁸ As we can see in the images below, they do carry unusual shapes, yet the EUIPO denied their application on the grounds that square-shaped handbags are *utterly common*, and combining the bags would not necessarily be seen as a sign of commercial source. For this exact reason, in a recent case, Louis Vuitton's two-dimensional mark representing its chequerboard figurative sign was challenged and held that *'the contested trade mark was a basic and banal feature composed of very simple elements... and that in the absence of features capable of distinguishing it from other representations of chequerboards, was not capable of fulfilling the essential 'identification' or 'origin' function of a trade mark and was devoid of any distinctive character'*.¹⁶⁹ This further demonstrates how difficult it may be to register a shape, even when

¹⁶³ The image depicts the 'Le Pliage' handbag from Longchamp.

¹⁶⁴ Regulation (EU) 2017/1001, *Supra* n 114, 7.

¹⁶⁵ Case C-218/01 Henkel v. OHIM (2004), ECLI: EU:C:2004:88, 52 and Case C-136/02 Mag Instruments v. OHIM (2004), ECLI:EU:C:2004:592, 30.

¹⁶⁶ *Ibid*, 31.

¹⁶⁷ A Kur and M Senfleben, *infra* 'Acquisition Of Rights', 150-151.

¹⁶⁸ Application No 014792485 and No 014032131

¹⁶⁹ Case T-359/12 Louis Vuitton Malletier v OHIM (2015), ECLI:EU:T:2015:215, 10.

additional elements which may appear innately distinctive, are present.¹⁷⁰ It is still possible to acquire individuality subsequently, and it is obtained through use, but depending on the circumstances, the time it takes to develop distinctiveness can vary.¹⁷¹



A position mark consists of the specific way in which the mark is placed or affixed to the product and is considered to be a subset of shape marks.¹⁷³



A position mark simply consists of specific parts, graphical or colored, of a product's look. In general, such marks are deemed distinctive unless they are perceived primarily as functional parts or as a common type of adornment or decoration that forms part of the overall appearance of the product. Although the Office's practice appears to be substantially more lenient, most appeals to the General Court appear to have been unsuccessful. For example, the General Court of the European Union upheld a denial of protection for a mark for socks and other pieces of hosiery in the shape of an orange cowl covering the tip of the toes, considering the sign indistinguishable from the product's look.¹⁷⁵ Similarly, the General Court Of The European Union dismissed Margarete Steiff GmbH's appeal against the OHIM's decision¹⁷⁶ to deny registration of its position mark consisting

¹⁷⁰ R Burbidge, *infra* 'Trade marks and your brands', 38-39.

¹⁷¹ E Karimov, 137-138.

¹⁷² The image depicts two bags from Fendi whose peculiar shape was not accepted for registration by the EUIPO: the Double Baguette (on the right side) and the Peekaboo (on the left side).

¹⁷³ EUIPO, 'Trade marks examples', *supra* n 150

¹⁷⁴ The image highlights Adidas' position mark.

¹⁷⁵ Case T-201/06 Gerson v. OHIM (2008), ECLI:EU:T:2008:332, 26.

¹⁷⁶ Case T-434/12 Margarete Steiff GmbH v. OHIM (2014), ECLI:EU:T:2014:6.

of a narrow ag-shaped piece of cloth with a round metal button in one ear of the soft toy.¹⁷⁷ The most recent case in this regard is that of Adidas and Thom Browne, in which the latter label was accused of trade mark infringement over a position mark, claiming that it was selling athletic-style apparel and footwear featuring two, three, or four parallel stripes in a manner that is confusingly similar to Adidas's three-stripe mark.¹⁷⁸ The dispute already arose in 2007 when Browne used a three-stripe sign on a jacket. On that occasion, Adidas managed to prevent the designer from using the three stripes, and he agreed to modify his design by adding a fourth stripe.¹⁷⁹ Thom Browne thus argued that Adidas' delay in taking action to prevent him from using its own four-stripe trade mark was unreasonably long because the German sportswear giant knew, or reasonably should have known, that Thom Browne was using a four horizontal stripes design. The Southern District Court of New York, claimed that this would also have constituted implicit proof that the respective striped brands had in fact co-existed on the market for a long time without Adidas having suffered any damage.¹⁸⁰ Adidas has already declared that it will appeal the New York District Court ruling,¹⁸¹ probably hoping to see a positive outcome similar to that of the Shoe Branding saga.¹⁸²



¹⁷⁷ A Kur and M Senftleben, *infra* 'Acquisition Of Rights', 144.

¹⁷⁸ M Dragani, 'Law and Order in the Fashion World', <https://www.lofficielusa.com/politics-culture/fashion-lawsuits-gucci-guess>

¹⁷⁹ Hodgson Russ LLP, 'Luxury Fashion Designer Earns Its Stripes In Trademark Victory Against adidas', <https://www.jdsupra.com/legalnews/luxury-fashion-designer-earns-its-9979741>

¹⁸⁰ U.S. Southern District Of New York, Case CV05 615, Adidas America, Inc. et al. v. Thom Browne, Inc. (2021).

¹⁸¹ A Terragni, 'Thom Browne wins against adidas in stripes war', <https://clovers.law/en/blog/2023/2/7/thom-browne-wins-against-adidas-in-stripes-war>

¹⁸² Case T-629/16 Shoe Branding Europe BVBA v EUIPO (2018), ECLI:EU:T:2018:108.

¹⁸³ The figures depicts a comparison between Adidas (on the right side) and Thom Browne (on the left side) socks, where the use of the three stripes is evident.

3.1.4 How to register a Trade Mark in the European Union

The European trade mark applies to the entire Internal Market, but protection is only achieved by registration.¹⁸⁴ According to the Regulation (EU) 2017/1001, an application for a European trade mark must be submitted to the Office, which must then promptly send the applicant a receipt that includes at the very least the file number, a representation, description, or other means of identifying the mark, as well as the type, quantity, and date of the supporting documentation. That receipt may be issued by electronic means.¹⁸⁵ If approved, the initial registration period is ten years from the filing date, with the option of renewal for additional ten-year periods that could last an indefinite period of time.¹⁸⁶ If one then owns a trade mark, they can either sell it to another party or grant a license to use it to another party.¹⁸⁷

It must be noted, though, that for a sign, in order to be properly registered, it must meet three requirements: it must fit the definition of a registrable mark; it must not be disqualified by one of the absolute reasons for disqualification; or it must not be disqualified by one of the relative grounds for disqualification. Graphic representation is required for a variety of reasons, including legal certainty, and as the Court of Justice stated in Sieckmann, that *graphic representation must allow the sign to be expressed graphically, particularly by images, lines, or characters. The depiction must be clear, exact, self-contained, easily accessible, comprehensible, durable, and objective.*¹⁸⁸ This need is easily met for most marks; word marks will be written, and figurative marks will be represented by drawings. However, there have been efforts to register forms, colors, smells, tastes, and noises, among other things. The requirement of pictorial representation may be a substantial barrier for some of them.¹⁸⁹

Aside from the assessment of distinctive character,¹⁹⁰ the analysis of distinguishability¹⁹¹ occurs independently of the real goods or services for which the sign is to be used, as well as regardless of

¹⁸⁴ Regulation (EU) 2017/1001, Supra n 114, 6.

¹⁸⁵ Ibid, 30.

¹⁸⁶ C Seville, infra ‘Trade marks and related rights’, 273.

¹⁸⁷ EUIPO, ‘Trade mark Definition’, <https://euipo.europa.eu/ohimportal/en/web/guest/trade-mark-definition>

¹⁸⁸ Case C-273/00 Ralf Sieckmann v. Deutsches Patent-und Markenamt (2002), ECLI:EU:C:2002:748, 46-55.

¹⁸⁹ C Seville, infra ‘Trade marks and related rights’, 273-275.

¹⁹⁰ Regulation (EU) 2017/1001, Supra n 114, 7.

¹⁹¹ Ibid, 4.

an eventual loss of inherent distinctive character. At this point, the sole concern is whether a sign consisting of a certain form can ever identify and distinguish commodities or services based on their commercial origin.¹⁹²

Goods and services are also divided into forty-five different classes for registration purposes, with one class serving each Member State. They are known as Nice classes, as Article 30 also designates,¹⁹³ which include fashion items such as jewelry and watches (Class 14), luggage and carrying bags (Class 18), clothing, footwear, and headgear (Class 25). The Court, in a case regarding the Chartered Institute of Patent Attorneys, requested to be as clear as possible and thereby choose a literal interpretation for the class titles.¹⁹⁴ The rationale for this approach is most likely that among the many classes, the same thing can be treated as distinct objects and hence classified under several classes based on relatively minor features. Bags, for example, are classified as '*wrapping and carrier bags*' in class 16, '*traveling bags*' in class 18, and '*sacks and bags not classified*' in other classes in class 22. Although we understand the reasoning behind such a decision, it makes it much more difficult to choose the proper class for a fashion firm, because the future profit and usage of the mark can be dependent on the classification one assigns to such an item.¹⁹⁵



For a variety of reasons, the Office may decline to register a mark. The absolute reasons for refusal involve intrinsic objections, such as *being contradictory to public policy or established moral values, or deceiving the public*.¹⁹⁷ According to the Court of Justice, there must be either actual

¹⁹² A Kur and M Senfleben, *infra* 'Acquisition Of Rights', 92-93.

¹⁹³ Regulation (EU) 2017/1001, *Supra* n 114, 33.

¹⁹⁴ Case C-307/10, Chartered Institute of Patent Attorneys v Registrar of Trade Marks (2012), ECLI:EU:C:2012:361, 62-64.

¹⁹⁵ R Burbidge, *infra* 'Trade marks and your brands', 26-27.

¹⁹⁶ The figures depicts the same brand (Gucci), having three different classifications of bags under the Nice classes. Their shopping bags (on the left side) would fall under class 16; their traveling bag (in the middle) would fall under class 18; the last (on the right side), as a sack, would be classified under class 22.

¹⁹⁷ Regulation (EU) 2017/1001, *Supra* n 114, 7.

deception or a sufficiently severe danger that the customer will be fooled.¹⁹⁸ Signs that do not meet the above-mentioned definition of a trade mark may also be refused registration.¹⁹⁹ Other than absolute grounds for rejection, relative grounds for refusal are also considered, most notably by Article 8.²⁰⁰ Examples include marks that *conflict with prior marks in order to protect the earlier trade mark owner while still protecting the guarantee of origin*. The related reasons for rejection reflect the infringement clauses. The owner of an earlier mark may prevent the registration of a later mark if the use of that mark would infringe on the rights of the earlier mark owner.²⁰¹ That is because a registered trade mark will assist in preventing others from using the same or a confusingly similar mark in the covered territory, protecting a brand identity by avoiding confusion, acting against counterfeiters and unfair tarnishment of someone's reputation.²⁰²

3.2 Copyright:

3.2.1 Definition & History

Copyright can be defined as the right of a creator over their literary or artistic productions, which include music, paintings, films, books, and so on. When it comes to the context of the fashion industry, generally, copyright will deal with two-dimensional works and very often would be considered only as complementary to other rights. Although a recent ruling from the Court of Milan stated *that there will not be automatic copyright protection because of the commercial success of a fashion item*,²⁰³ the radical view that fashion designs are not copyrightable may result as an implicit statement that such field is not considered to have enough value or importance to society, but as we all know, that statement can be easily contradicted by a factual economic-based approach. From a purely pragmatic financial perspective, fashion is without any doubt one of the biggest industries in the world, and even more so in Europe.²⁰⁴

¹⁹⁸ C Seville, *infra* 'Trade marks and related rights', 308-310.

¹⁹⁹ *Ibid*, 281.

²⁰⁰ Regulation (EU) 2017/1001, *Supra* n 114, 8.

²⁰¹ C Seville, *infra* 'Trade marks and related rights', 312.

²⁰² European IP Helpdesk, 'IP in the fashion industry' (2020), Publications Office of the European Union 1, 7.

²⁰³ Court of Milan, Section 14, Commercial Court, Case 10280/2021 JE. S.A.S., LO. S.A.S. and PH. CASSEGRAIN v Longchamp S.A.S (2021).

²⁰⁴ B Scruggs, 'Should Fashion Design Be Copyrightable?' 6 (1) (2007), *Northwestern Journal of Technology and Intellectual Property* 122, 132.

Copyright protection arises automatically in all countries that are part of the Berne Convention without the need to file for registration, although it must be said then when such official registration is available, it is a bigger protection that should be incentivized.²⁰⁵ A work is considered to be copyrightable as it constitutes the author's own intellectual creation and can be accurately and objectively identified. For this very reason, ideas, names, titles, and concepts, given that they stay in the mind of the creator without having ever any exterior expressions, are not available for protection, although that does not mean they may not gain other types of intellectual property rights.²⁰⁶

To benefit fully from copyright protection, especially in the fashion industry, it should be demonstrated that a creative effort was put into place. It is therefore obvious that one of the central themes of any copyright case is the question of originality. Recently, a French Court of Appeal, regarding the reproduction of a model of a shoe, considered that originality *may result from the choice of proportion and forms and or coordination of all the elements, which demonstrates a specific aesthetic coming from the personality of the creator.*²⁰⁷ In a similar manner, other French jurisprudence also held that when it comes to originality we should *appreciate how all the different elements there, individual to the model in question, are assembled as a whole and not by examining each of them exclusively.*²⁰⁸ It is only in such assembly that the creative effort is demonstrated whether or not it reaches the public domain.²⁰⁹

In addition to the Berne Convention²¹⁰ and the TRIPs agreement,²¹¹ the Union released a number of instruments, such as the Infosoc Directive (EC) 2001/29,²¹² Database Directive (EC) 1996/9,²¹³ and the Term Directive (EC) 2006/116,²¹⁴ to establish a consistent framework for community copyright,

²⁰⁵ Berne Convention, Supra n 24.

²⁰⁶ European IP Helpdesk, infra 'IP in the fashion industry', 10.

²⁰⁷ Court of Appeal of Paris, Section 5, Chamber 2, Case 17382/2012 La Redoute SA v Minelli SA (2013).

²⁰⁸ Court of Appeal of Paris, Section 5, Chamber 1, Case 12518/2012 Christian Dior Couture SA and Brandalley SA v Just Perfect SARL (2013).

²⁰⁹ D Barbizet, 'Creative industries' in A Jolly (4th eds), *The Handbook of European Intellectual Property Management: Developing, Managing and Protecting Your Company's Intellectual Property* (Kogan Page Ltd 2015) 39, 41.

²¹⁰ Berne Convention, Supra n 24.

²¹¹ Agreement on Trade-Related Aspects of Intellectual Property Rights (1994).

²¹² Directive (EC) 2001/29 on the harmonisation of certain aspects of copyright and related rights in the information society (2001), L167/01.

²¹³ Directive (EC) 1996/9 on the legal protection of databases (1996), L77/96.

²¹⁴ Directive (EC) 2006/116 of the European Parliament and of the Council, of 12 December 2006, on the term of protection of copyright and certain related rights (2006), L372/06.

despite hardly ever fully standardizing the law. While some components are now consistently understood and then applied across nations, others continue to be considerably diverse. Although in all of the European Union copyright lasts 70 years after its creator's death, unlike China, Canada or Japan where the term is 50 years, or Mexico where it stays at one hundred years, up to now the Community has failed to fully harmonize on the matter.²¹⁵ As a result, often we can observe huge differences between national systems.²¹⁶ In fact, in some Member States (e.g. France, Belgium) fashion designs that are traditionally protected by copyright may be also protected by design rights, due to the fact that the Designs Protection Directive (EC) 98/71 granted not only discretion to Member States, but also provided a very wide definition of what a design should be considered like, as in '*The appearance of the whole or a part of a product resulting from the features of the lines, contours, colors, shape, texture or its ornamentation*'.²¹⁷

Each country, when it comes to the intellectual protections allowed for the fashion industry, can vary considerably, yet, copyright always seems to have essential points, perhaps because it lacks most formalities, conjointly lasts for a very long time and grants very broad protection of original works against both direct and indirect rip-off in any media.²¹⁸ The majority of European countries have a flexible stance. For example, in Belgium fashion items such as bags, belts and suits can be protected by copyright if they are original under the term of artistic works.²¹⁹ In France, meanwhile, their intellectual property code considers fashion items to be copyrighted but they still have to respect the originality obstacle.²²⁰ Although the law is not particularly strict, the French Courts, in their interpretation, have instead been. The same reasoning follows also under Polish law,²²¹ where as long as the creator proves that their *creation is individual and inventive on a global scale*,

²¹⁵ R Burbidge, 'Copyright and your creative work' in R Burbidge (1st eds), *European Fashion Law: A Practical Guide from Start-up to Global Success* (Elgar 2019) 56, 68.

²¹⁶ J Buchalska, 'Fashion Law: A New Approach?' (2016), *Queen Mary Law Journal* 13, 20.

²¹⁷ Directive (EC) 98/71 of the European Parliament and of the Council, of 13 October 1998, on the legal protection of designs (1998), L289/98, 1.

²¹⁸ M Mackinney-Valentin and S Teilmann-Lock, 'Copy Chic: Status Representation and Intellectual Property Rights in Contemporary Luxury Fashion' 1 (1) (2014), *Luxury: History, Culture, Consumption* 93, 98-99.

²¹⁹ *Belgian Code of Economic Law* (2013), Book XI.

²²⁰ *French Intellectual Property Code* (1992), No. 92-597, Book I, L112-2.

²²¹ *Polish Act Of 4 February 1994 On Copyright And Related Rights* (1994), No.83, 1.

anybody's creative activity can be protected as a copyrighted work regardless of its value, purpose or form.²²²

While the first stage of copyright protection for clothing can be discovered back to the French Copyright Act of 1793,²²³ its protection within the European Union legislative framework came into focus very late, likely because the Member States have extremely distinct cultural traditions and linguistic obstacles when it comes to this subject.²²⁴ Thankfully, this changed with the introduction of modern technology in communication tools, particularly the Internet. However, unlike patents and trade marks, we do not have a single, universally enforceable regulation. Rather, when we use the term '*European copyright law*' we denote the secondary acts of legislation by which the European legislator attempted to harmonize different national laws and also the common interpretation that is given by the Court of Justice to both primary and secondary laws.²²⁵ In France, the Intellectual Property Code safeguards original works of the mind under Article L.112-1, including those that '*reflect the personality of their author*' and expressly lists '*the creations of the seasonal industries of dress and Articles of fashion*' as a protectable work of the mind in Article L.112-2.²²⁶

French Courts tend to adhere more strictly to the originality requirement for designs and typically will deny copyright protection for a design that could be considered commonplace. Like France, Italy protects fashion items under its national copyright system. The Italian Copyright Law protects conceptions of the mind having a creative character and belonging to literature, music, figurative arts, architecture, theater or cinematography, whatever their mode or form of expression, and in particular, *protection shall extend to industrial design works that have a creative character or inherent artistic character.*²²⁷ Copyright registration is not mandatory, but sometimes it could be recommended, in particular for catalogs of those fashion products like sunglasses and garments that are mostly seasonal and for which a design registration may be too expensive or not cost-efficient.

²²² R Burbidge, *infra* 'Copyright and your creative work', 56-60.

²²³ French Decree of the National Convention regarding the property rights of authors to writings of all kinds, of composers of music, of painters and illustrators, Copyright Act (1793).

²²⁴ KN Pytlak, 'The Devil Wears Fraud-a: An Aristotelian-Randian Approach to Intellectual Property Law in the fashion industry' 15 (2) (2016), *Virginia Sports and Entertainment Law Journal* 273, 286.

²²⁵ A Kur, T Dreier, and S Luginbuehl, 'Copyright' in A Kur, T Dreier, and S Luginbuehl (2nd eds), *European Intellectual Property Law: Text, Cases And Materials* (Edward Elgar Publishing Limited 2019) 287, 289.

²²⁶ French Intellectual Property Code, *Supra* n 220, Book I, L.112-1 and L.112-2.

²²⁷ Italian Law for the Protection of Copyright and Neighbouring Rights Law No. 633 of April 22 1941, as last amended by Legislative Decree No. 68, of April 9 2003 (1941), 1-5.

Copyright protection granted under the national laws of France and Italy is separate and distinct from the unique design rights designated under the Community's legislation, but the availability of dual protection (copyright and design) over a fashion Article may sometimes cause Courts to confuse the novelty requirement applicable to design protection and the originality requirement for copyrights. For example, in 2011, the Paris Court of Appeals held that a shoe design was not only unique, thus militating in favor of copyright protection, but also novel and possessing of individual character,²²⁸ as in militating in favor of design protection on the grounds that no identical model was disclosed to the public and the overall impression imposed upon the consumer was different from that of other models disclosed to the public.²²⁹ One can easily imagine why it was and continues to be extremely difficult to set identical rules for twenty-seven jurisdictions, where, for instance, some countries used to grant copyright protection to fashion design products on the condition that the works were of superior artistic value, pursuant to the *scindibilità* principle in Italy²³⁰ and the *Stufentheorie* in Germany.²³¹ In contrast, other countries like France did not require a showing of artistic value because the 1793 Statute prohibits it.²³² The Patricia and Warner Brothers cases highlighted the lack of harmonization between different legislations that were governing literary and artistic property.²³³ What this showed is that there was a focal prerequisite to convert the current system by way of harmonization between different national copyright laws, to both refrain from the negative outcomes that those disparities brought into the free movements of goods and services, as well as giving a final response to the art-utility discourse.²³⁴

²²⁸ Court of Appeal of Paris, Section 5, Chamber 2, Case 08000/2010 SAS Chaussea v. SARL Menport (2011).

²²⁹ FM Witzburg, 'Protecting Fashion: A Comparative Analysis Of Fashion Design Protection In The United States And The European Union' 107 (6) (2017), The Law Journal of the International Trade mark Association 1131, 1141-1148.

²³⁰ From around 1925 until 2001, Italian's Courts used the separability (*scindibilità*) principle with high consistency, and from 2001 onwards, because of the Italian Legislative Decree 95/2001 implementing the Design Directive (EC) 98/71, the criterion of artistic work also took over.

²³¹ German judges applied the separability (*Stufentheorie*) principle for many decades, under which commercial works of applied art had to meet extremely high requirements for protection. The high threshold was abandoned with the landmark Case I ZR 143/2012, *Geburtstagszug/Birthday Train* (2013), where the German Federal Supreme Court, changed its practice of judging the eligibility of product designs or works of applied art for copyright protection.

²³² French Decree of the National Convention regarding the property rights of authors to writings of all kinds, of composers of music, of painters and illustrators, Copyright Act, Supra n 223

²³³ Case 341/87, *EMI Electrola v. Patricia* (1989), ECLI:EU:C:1989:30, 11 and Case 158/86, *Warner Brothers v. Christiansen*, Supra n 85

²³⁴ A Kur, T Dreier, and S Luginbuehl, *infra* 'Copyright', 290-291.

3.2.2 Copyright, the Fashion World and the Giant Dilemma of the Art-Utility Dichotomy

Once the copyright is owned, the right's holder will be granted the exclusive right to exploit financial rewards from their work. This is defined as economic rights, including the work's reproduction distribution adaptation and broadcasting.²³⁵ Patrimonial rights are fundamental but they are not the only ones, since moral rights will commence as well, and differently from the previous ones, these advancements do not expire but extend to heirs.²³⁶ Moral rights, being multifaced, shall include attribution rights, as for instance the right to object when the work is being falsely attributed, the right to withdraw the work from further use, the right to determine when the work will be first made available to the public and overall everything that contributes to protecting the creator's reputation, which is of fundamental importance especially in the couture scene, where garments are used as vessels of messages from the author to the public. Those types of rights can never be transferred and therefore can never be an object of a contract or an assignment, they can only be passed once the author dies.²³⁷



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In all of Europe and most jurisdictions worldwide, also thanks to the Berne Convention, copyright arises automatically upon the creation of the work. Although not necessary, registration may still be an option, especially as a way to evidence in times of litigation, which is why some Member States have various voluntary systems in place. For example, in France, through the Soleau Envelope, which is a service provided by the French Intellectual Property Office, one has the option, through a

²³⁵ European IP Helpdesk, *infra* 'IP in the fashion industry', 10.

²³⁶ KN Pytlak, 287-289.

²³⁷ R Burbidge, *infra* 'Copyright and your creative work', 67.

²³⁸ The image depicts a very relevant take on the strict relationship between couture creations and the underlying message, which can be both profound or satirical. The image is taken from the Spring-Summer 2001 Voss collection from Alexander McQueen, one of the most controversial runways of all time, where the designer created an entire wardrobe inspired by asylums to highlight the importance of mental health.

simple and cost-effective way, of protecting their ideas. This system allows one to tie a creation to a specific date while keeping them confidential. At the time of writing, the Soleau Envelope is kept by the French Intellectual Property Office for an initial five years and can be renewed once for a further five years and if one keeps the envelopes unopened in their personal files, it is still possible to prove useful for evidentiary purposes. Similar systems to the Soleau Envelope also exist in Belgium (i-Depot) and the Netherlands (via the Tax Office).²³⁹

But if we want to point out the most perplexing situation in the already complex relationship between fashion and intellectual property, we cannot skip the art-utility dichotomy. One of the most difficult obstacles to copyright protection is that fashion designs are often the outcome of applied art. This phrase refers to a creative product that combines an exotic side with functional features, which is problematic because the presence of functionality is typically, but not always, excluded from the scope of protection.²⁴⁰ In fact, most modern legislatures revolve around a very strict distinction between what is useful and what is artistic.²⁴¹ The various Member States' authorities have chosen different solutions, and it is no surprise that those with barely any fashion history, such as Finland, Sweden, or Norway created parallel strategies to limit the copyright protections of works of applied art, and it is not uncommon for them to demand a higher threshold of originality, due to a widespread perception of '*second-rate inventiveness*' of the fashion industry. The European Union, and particularly the Court of Justice, as I shall discuss later, became aware of this discrimination, and chose to question the extremely tight distinction between works of pure art and works of applied art. This is where the *unity of art doctrine*, originating in France, comes into play.

On account of a long history of fashion design and a policy of nondiscrimination, France refused to make the aforementioned distinction between the arts, demonstrating how much different states' cultural traditions can influence their legislation. Norway is not famous for its haute couture. Norway holds no Fashion Week. And Norway's gross domestic product is definitely not very influenced by the apparel industry.²⁴² In the international sphere, various copyright rules can discriminate against works of applied art under the Berne Convention for the protection of literary and artistic works. According to Article 2(7), '*it shall be a matter for legislation in the countries of*

²³⁹ R Burbidge, *infra* 'Copyright and your creative work', 68-70.

²⁴⁰ H Härkönen, 'Fashion and Copyright: Protection as a Tool to Foster Sustainable Development' (2021), PhD Dissertation, *Acta electronica Universitatis Lapponiensis* 1, 24-25.

²⁴¹ MC Miller, 'Copyrighting the Useful Art of Couture: Expanding Intellectual Property Protection for Fashion Designs' 55 (4) (2014), *William & Mary Law Review* 1617, 1633-1634.

²⁴² H Härkönen, *infra* 'Fashion and Copyright: Protection as a Tool to Foster Sustainable Development', 53-54.

the Union to determine the extent to which their laws shall apply to works of applied art and industrial designs and models, and the circumstances under which such works, designs and models shall be protected.²⁴³ In contrast, European Union Member States are required to treat works of applied art under equal copyright restrictions as any other sort of work. The cause of this is the InfoSoc Directive (EC) 2001/29, which standardized exclusive rights provided to authors for all sorts of works.²⁴⁴ Because there is no boundary between pure and applied art, the originality of a product is emphasized. It also protects fashion designs if they can be identified by their uniqueness. In Painer, the Court ruled that Article 2 of the InfoSoc Directive (EC) 2001/29 should be interpreted broadly, and that originality should be viewed as a reflection of the author's personality.²⁴⁵ Confusion arose when the Court, in the Flos decision in 2011, limited that freedom by leaving it up to the Member States to define the scope and conditions under which such protection is granted.²⁴⁶ As a result, multiple national strategies and originality standards were developed throughout the Union. At that time, Cofemel entered the picture to finally settle the debate and specify the originality criterion. In the dispute between G-Star and Cofemel concerning various apparel models, the Portuguese Supreme Court requested an opinion from the European Court of Justice on whether the national bar for copyright protection for utilitarian devices should be maintained. Works of applied art had to provide their own unique leisure and distinctive effect from an aesthetic standpoint in order to be protected by copyright under Portuguese national law. The Court went on to confirm that *the possession of an original subject matter, in the sense that it is the author's own intellectual work, and the subject matter being recognized with sufficient accuracy and objectivity are the only two prerequisites for copyright rights. Subjective criteria, such as the Portuguese aesthetic effect, are not applicable*.²⁴⁷ It is then made clear that the originality criterion is equivalent as it is for other works of art, and as a result, it is a fully applicable legally enforceable guideline from the European Union that cannot be subjected to a higher originality level.²⁴⁸

²⁴³ Berne Convention, Supra n 24, 2(7).

²⁴⁴ Directive (EC) 2001/29, Supra n 212.

²⁴⁵ Case C-145/10 Eva-Maria Painer v. Standard Verlags GmbH et al. (2011), ECLI:EU:C:2011:798.

²⁴⁶ Case C-168/09 Flos SpA v. Semeraro Casa and Famiglia SpA (2011), ECLI:EU:C:2011:29, 34-35.

²⁴⁷ Case C-683/17 Cofemel - Sociedade de Vestuário SA v. G-Star Raw CV (2019), ECLI:EU:C:2019:721, 49-53.

²⁴⁸ European IP Helpdesk, infra 'IP in the fashion industry', 11.

3.3 Patents

3.3.1 Definition, fashion industry, and Integration

In recent times, society experienced a shift from the battles for control of raw materials to the most dynamic strategies and productive knowledge, where patent systems became of primary importance.²⁴⁹ A patent is an exclusive right over an invention, a product or a process that will provide a new way of achieving something, or offering a solution to a problem, that is both technical and new. Not every invention can be patentable, and the threshold is surpassed by including new characteristics that are not comprised in any prior art, or involving an inventive step, which means that no other ordinary person through the same skills could have commonly obtained or deduced such a product. The other fundamental criterion is that it must hold an industrial application.

When it comes to the fashion industry, without a doubt the patent system does not immediately come to mind; however, fashion businesses always try to gain a competitive advantage over other firms and technical innovation can achieve that. Innovations have not only been limited to new fabrics, as in softer, thinner water resistant etc., but now have also included embedded connectivity, smart textiles or even fabric with embedded on-demand illumination.²⁵⁰ The most notable fashion industry patents tend to revolve around textiles innovations and sportswear, which is a field where new inventive products come out quite frequently. For example, an English Court of Appeal case between a patent owner, Stretchline, and H&M concerned Stretchline's patent for a specific style of fusible yarn bonding creating tubular fabric for use in underwired garments such as bras. The Court considered Stretchline's patent as valid and ordered the Swedish brand to pay damages in the form of lost royalties as well as legal costs.²⁵¹ Another example is given by Speedo, where the convergence of smart textiles and nanotechnology opened up endless possibilities and extensive patenting opportunities. In particular, the sports firm created and patented a fabric inspired by shark skin named "*FastSkin*", which manages to increase the glide in water by reducing resistance, enabling swimmers to win valuable seconds in competitions.

²⁴⁹ B Andersen, 'If 'intellectual property rights' is the answer, what is the question? Revisiting the patent controversies' 13 (5) (2004), *Economics of Innovation and New Technology* 417, 417.

²⁵⁰ JE Cardon, 2.

²⁵¹ Royal Courts of Justice of England and Wales, Case 3605 *Stretchline Intellectual Property Ltd v H&M Hennes & Mauritz (UK) Ltd* (2014).



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A patent can be achieved following the national route, by complying with the requirements of each national Intellectual Property Office, with the International route, through the Patent Cooperation Treaty,²⁵³ and finally, through the European route. This latter process is put forward by the European Patent Office, but, with the major difference from trade mark and design that the European patent does not grant one title valid in all Member States, but instead only secures a single European procedure for the grant of multiple patents based on a single application, making it faster to protect one's patent in the contracting states.²⁵⁴

An immense mistake that one can make is disclosing an invention, not only as the product itself but also the way it is manufactured, that could be patentable before its official application to register it as a patent. That would result in a loss for all the possible advantages that a patent may bring, principally the return for the time and money spent on developing innovative products, which would have ensured the exclusive use of the economic exploitation of the right for up to 20 years. In the exact moment someone shares their idea with the public, that idea will be no longer considered new and therefore not eligible for protection, unless the public pronouncement happened because of a foreign patent for the same object and within 12 months from the priority date, a new application is filed.

3.3.2 The European Unitary Patent

It took many years but after intense debates, major serious disappointments and small victories, the European Commission, at last, decided to implement a unitary patent package. It all started in 2011, when many Member States decided to set up a program for enhanced cooperation, which resulted, a year later, in the so-called '*patent package*' consisting of a regulation creating a European patent with unitary effect, a regulation establishing an applicable language regime and an agreement to set

²⁵² The image depicts on the many uses by the brand Speedo of their patented FastSkin.

²⁵³ Patent Cooperation Treaty PCT (1970), amended in 1979 and modified in 1984 and 2001 (PCT Union).

²⁵⁴ European IP Helpdesk, *infra* 'IP in the fashion industry', 12-14.

up a single and specialized patent jurisdiction, defined as the *Unified Patent Court*.²⁵⁵ These three pillars provide the end goal of making the existing patent system simpler and less expensive, in order to stimulate research, development and investment in innovation, helping to boost growth in the single Internal Market.²⁵⁶

The journey has not been easy, with various countries opposed to this cooperation because of divergent reasons, such as their national language being included. Some, like Spain, went as far as to challenge the legitimacy of the regulations before the Court of Justice of the Union, but encountered a declination of the complaints. The system was considered to enter into force somewhere in 2016, but the date has been delayed to that of June 2023, following the last ratification from Austria back in January 2022. The new system will initially cover only 17 Members, and while it may appear to be underwhelming, we must remember that this has probably been the biggest challenge in the landscape of intellectual property since the Community trade mark. Currently, inventions are not without protection, but they are solely granted on a country-by-country basis and once the new system will come into place, a patent's applicant will be granted a single right across all the States of the Treaty through a singular unitary passage. Similarly to Brexit, the European Patent Office is currently considering what key transitional measures should be put in place to guide applicants into the new systems.²⁵⁷

3.3.3 Utility Models

Utility modules are a subcategory of patents also known as *petty patents*, since just like normal patents they can protect inventions, but unlike them, they tend to be restricted to only mechanical features in a machine or in a device and are only available in few European countries, such as Germany. Because of those restrictions they are of limited use to the average fashion business but are worth considering if one has some innovative packaging feature, like that of a new perfume

²⁵⁵ Regulation (EU) No 1260/2012 of the Council, of 17 December 2012, implementing enhanced cooperation in the area of the creation of unitary patent protection with regard to the applicable translation arrangements (2012), L361/89/12 Regulation (EU) No 1257/2012 of the European Parliament and of the Council, of 17 December 2012, implementing enhanced cooperation in the area of the creation of unitary patent protection (2012), L361/12.

²⁵⁶ H Hutter and R Jorritsma, 'The EU's unitary patent' in A Jolly (4th eds), *The Handbook of European Intellectual Property Management: Developing, Managing and Protecting Your Company's Intellectual Property* (Kogan Page Ltd 2015) 31, 35.

²⁵⁷ R Burbidge, 'What is the Unitary Patent and why does it matter to you?' (2022), <https://www.europeanfashionlaw.com/post/what-is-the-unitary-patent-and-why-does-it-matter-to-you>

bottle, since they protect the useful or functional features of a new product or technology.²⁵⁸ Usually, utility models will not be checked whether they are new or inventive and they also will last for a much shorter time, which may go between 6 and 15 years, and because of those, it is seen as a patent of lesser value.²⁵⁹ Not only must the patented good or service be brand-new and unique, but it must also be ‘nonobvious’, that is, not obvious or trivial. Namely, if sneakers are made by a fashion house, the utility patent will only cover the nonobvious differences between the invention and existing footwear.²⁶⁰

3.4 Industrial Designs

3.4.1 Definition & Fashion’s Applications

The term design, also recalled as industrial design or design patent, refers to the appearance and composition of an Article or to the given preliminary drawings or models. It represents a concept that covers both playful and functional items, which triggers a particular challenge when it comes to intellectual property laws, compelling the question of how to protect such things to remain vivid for decades.

Applied to the fashion world, considered that they protect the ornamental side of any product or component of such, they could safeguard eyeglass frames, handbags, footwear and in the case of a watch, the watch face, the hour and minute hands, and the band might be all protected by separate design patents. The major advantage of adding multiple separate protection design patents is that a competitor may more easily be found to be in breach of the law.²⁶¹ The major issue with obtaining design patents will arise when it would be difficult to separate the functional and the static aspect of a design, similar to what I have already explained concerning copyright protection. This difficulty was translated into a complex pattern of protection, where every country pursued its approaches, ensuring little consensus on the fundamental philosophical differences. Although the first time we

²⁵⁸ B Herz and M Mejer, 27.

²⁵⁹ R Burbidge, ‘Other important rights’ in R Burbidge (1st eds), *European Fashion Law: A Practical Guide from Start-up to Global Success* (Elgar 2019) 96, 100.

²⁶⁰ B Herz and M Mejer, 6.

²⁶¹ GC Jimenez and B Kolsun, ‘Design Patents, Utility Patents, and Trade Secrets’ in GC Jimenez and B Kolsun (2nd eds), *Fashion Law: A Guide for Designers, Fashion Executives, and Attorneys* (Bloomsbury Publishing PLC 2014) 55, 55-56.

ever saw the mention of applied art was with the revision of the Berne convention of 1908, it was not granted full protection as literary property.²⁶² Because of it, Berne Union's members remained free to determine both the scope of protection for applied art and industrial designs and models, and any necessary formalities.²⁶³

This intricate background of design protection triggers the fashion industry since very few market fields benefit from design law protection more than fashion does.²⁶⁴ Luckily, the Union offers a combination of protection for fashion items which can be appraised as ideal, already providing in Article 1 of the Design Regulation (EC) 6/2002 both a short-term unregistered right and a longer-term registered right, which I will delve more into later.²⁶⁵ Overall, under European Union's law, designs are used to protect the appearance of the whole or a part of a product resulting from the features of, in particular, the lines, contours, colours, shape, texture and/or materials of the product itself and/or its ornamentation. In the fashion industry designs have major relevance as they can protect both the structure and the look of core products.²⁶⁶



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Depending on where one is planning to commercialize, there are three options available for design protection. National route: if one plans to commercialize their products in one or two countries only, they will have to comply with the requirements of each national intellectual property Office. European route: one can apply for a Registered Community Design before the EUIPO. It grants protection for all Member States through a single application and review process, as Article 12 from

²⁶² Berne Convention, Supra n 24.

²⁶³ C Seville, 'Designs' in C Seville (2nd eds), EU Intellectual Property Law and Policy (Elgar European Law series 2016) 217, 217-218.

²⁶⁴ E Ferrill and T Tanhehco, 'Protecting the Material World: The Role of Design Patents in the fashion industry' 12 (2) (2011), North Carolina Journal Of Law & Technology 251, 277.

²⁶⁵ Regulation (EC) 6/2002, Supra n 103, 1(2)(a) and (b).

²⁶⁶ Ibid, 3(1)(a).

²⁶⁷ The figures depict the Registered design 201715393 for a playsuit (on the right side) under Austrian law and the same design turned into a garment (on the left side), both by the brand Zimmermann.

the Design Regulation (EC) 6/2002 explains, for an initial 5-year period renewable for additional 5-year periods up with a maximum of 25 years in total;²⁶⁸ and finally, the International route. At the European level, not everything will be granted protection: design protection will not extend to features of appearance of a product that are dictated solely by the product's technical function, that are contrary to public policy or accepted principles of morality or that include a protected symbol if permission has not been granted by the country or organization concerned.²⁶⁹

For community design to be capable of receiving the registration, and therefore better protection, it needs to be *new and have an individual character* under Article 4 of the 6/2002 Design Regulation.²⁷⁰ Novelty is then defined by the following Article, which connotes that *no identical design has been made available to the public*.²⁷¹

On the other hand, under Article 6, a design shall be considered to have an individual character if *the overall impression it produces on the informed user differs from the overall impression produced on such a user by any design which has been made available to the public before the date of filing of the application for registration or, if priority is claimed, the date of priority*.²⁷² The right holder will maintain the exclusive right to use the design and to prevent any third party from using it without his consent. This includes, but is not limited to, the making, offering, putting on the market, importing, exporting, or using of a product in which the design is incorporated or to which it is applied, or stocking such a product for those purposes.²⁷³ This overlined scheme that was developed in the Union has proven to be very effective and beneficial to high-end fashion designers,²⁷⁴ as in the reported case where Jimmy Choo utilized the protection offered in suing a retailer for infringing its registered and unregistered design rights for its Ramona's handbag.²⁷⁵

²⁶⁸ Regulation (EC) 6/2002, Supra n 103, 12(1).

²⁶⁹ European IP Helpdesk, infra 'IP in the fashion industry', 8-9 and Regulation (EC) 6/2002, Supra n 103, 8-9.

²⁷⁰ Regulation (EC) 6/2002, Supra n 103, 4.

²⁷¹ Ibid, 5.

²⁷² Ibid, 6(1)(a) and (b).

²⁷³ Ibid, 19-20.

²⁷⁴ J Buchalska, 21-23.

²⁷⁵ Royal Courts of Justice of England and Wales, Case 346 Case Jimmy Choo (Jersey) Limited v. Towerstone Limited & Others (2008).



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3.4.2 The Harmonization Process

Going back in time, the lack of consensus caused obvious difficulties for the European Community, having an impact on the free movement of goods. In 1991, the Commission published a Green Paper where it proposed a Community design system, to include both registered and unregistered protection, requiring a Regulation.²⁷⁷ After extensive consultation with interested parties, from both industry and practice, the legislative process, although not smoothly, started again, redrafts of both the Directive and the Regulation were produced, and the many amendments proposed by the European Parliament were incorporated in a further proposal. A Directive was finally adopted in July 1998.²⁷⁸ It aimed to approximate design protections, requiring Member States to safeguard designs by registration, and provide exclusive rights to the holders of the registration in accordance with it. In order to achieve protection of a design, it must be of novel and individual character. The Regulation²⁷⁹ followed in December 2001 and is possibly the most modern advances within the Internal Market regarding design protection.²⁸⁰

In addition to the Union's protection, as Article 27 also provides,²⁸¹ European national intellectual property laws provide additional rigorous protection.²⁸² In this articulate scheme, Member States must designate Community design Courts, of first and second instance, in their domestic

²⁷⁶ The figure depicts the Ramona handbag by Jimmy Choo.

²⁷⁷ European Commission, 'Green Paper on the Legal Protection of Industrial Design' (1991), III/F/5131/91-EN.

²⁷⁸ Directive (EC) 98/71, *Supra* n 217.

²⁷⁹ Regulation (EC) 6/2002, *Supra* n 103, L3/1/01.

²⁸⁰ C Seville, *infra* 'Designs', 218-219.

²⁸¹ Regulation (EC) 6/2002, *Supra* n 103, 27.

²⁸² MK Brewer, 'Fashion Law: More than Wigs, Gowns, and Intellectual Property' 54 (4) (2017), *San Diego Law Review* 739, 755.

territories.²⁸³ This is to emphasize the importance of ensuring that the rights conferred by a Community design can be enforced in an efficient manner throughout the territory of the Community as in the need to avoid as far as possible ‘*forum shopping*’.²⁸⁴ These Community design Courts have exclusive jurisdiction over infringement actions, actions for declaration of non-infringement of Community designs, actions for a declaration of invalidity of an Unregistered Community Design, and any counterclaims for a declaration of invalidity of a Community design raised in connection with infringement actions.²⁸⁵ A judgment of a Community Design Court declaring a Community Design invalid also has effect in all Member States.²⁸⁶

3.4.3 Registered and Unregistered Community Designs

There are various advantages to registration. It offers the certainty of a formal filing date, which will establish priority over later designs and lasts for a significantly longer period. Taking into consideration how many fashion items are only intended to last for very few seasons, sometimes the protection that is granted to unregistered community designs, which equals to three years under Article 11, could potentially be more than enough and ever requires no effort or fee for the designers.²⁸⁷ Therefore, if design fashions change rapidly and a short market life is predicted, there may be no need to bother with registration.

The application for a Registered Community Design may be filed either at the EUIPO, or through one of the national offices.²⁸⁸ One has one year to register their design from the date they first disclose it to the public, known as the *grace period*, unlike patents where one loses that right immediately after they tell anyone about their invention.²⁸⁹ If the application satisfies all the requirements for registration it will be registered, normally within ten working days.²⁹⁰ If the

²⁸³ Regulation (EC) 6/2002, Supra n 103, 80.

²⁸⁴ Ibid, 30.

²⁸⁵ Ibid, 81.

²⁸⁶ Ibid, 87.

²⁸⁷ Ibid, 11.

²⁸⁸ Ibid, 35.

²⁸⁹ R Burbidge, ‘Designs’ in R Burbidge (1st eds), *European Fashion Law: A Practical Guide from Start-up to Global Success* (Elgar 2019) 84, 86.

²⁹⁰ Regulation (EC) 6/2002, Supra n 103, 36.

application is deficient in some way, the deficiencies will be identified in an examination report, so that they may be remedied.²⁹¹ The Office will refuse an application on substantive grounds in two situations: first, where the subject matter of the application does not correspond to the required definition of a design; and second, where the design is contrary to public policy or accepted principles of morality. In these cases, the applicant will be given the opportunity of withdrawing or amending the application, or of submitting observations before the examiner takes a decision.²⁹²

One can register up to 99 designs in a single application at the EUIPO provided that they are all in the same Locarno class.²⁹³ Locarno classes are a standard classification system for designs that have helped to provide consistency in their global description. The most relevant classes for the fashion industry are class 2 (Articles of Clothing and Haberdashery), class 3 (Travel Goods, Cases, Parasols and Personal Belongings, Not Elsewhere Specified) and class 11 (Articles of Adornment - including jewelry). Unlike trade marks, the use of the class system is primarily as a search tool and design protection is not limited to designs in that particular class. Registered Community Designs can cover both two-dimensional and three-dimensional objects. This means that a logo, patterns, and textures can all be registered as two-dimensional designs. They can cover both two-dimensional and three-dimensional objects. This means that a logo, patterns, and textures can all be registered as two-dimensional designs.²⁹⁴

Registered Community Designs have a number of benefits over registered trade marks, making it worthwhile to register both. Benefits such as no requirement to use a design, so it cannot become vulnerable to cancellation proceedings for non-use, the fact that unlike a trade mark, a design can be descriptive and/or non-distinctive; one registration for a single design conceivably could cover all goods; anyone can file a Registered Community Design, regardless of nationality or country of incorporation. At the same time, it has just as many drawbacks compared to a registered trade mark: registered Community Designs last for twenty-five years, requiring renewals every five years, whereas registered trade marks can potentially be renewed indefinitely; there is a novelty test which does not exist for registered trade marks. registered Community Designs protect only goods and not

²⁹¹ C Seville, *infra* 'Designs', 221-222.

²⁹² *Ibid*, 224-226.

²⁹³ Locarno Agreement Establishing an International Classification for Industrial Designs as amended on September 28, 1979 (1968).

²⁹⁴ R Burbidge, *infra* 'Designs', 91-93.

services and may be more vulnerable when challenged, given that the Office will not examine applications except on limited grounds.²⁹⁵

Since March 6, 2002, qualifying designs automatically have protection as an Unregistered Community Design across the Union. However, this protection only lasts three years from the date the design was first disclosed, with no possibility of renewal.²⁹⁶ Although this method provides limited protection, for certain industries that renew their design collections seasonally, Unregistered Community Design protection may be entirely acceptable for a short-term design portfolio.²⁹⁷ For example, the whole of a bag could be protected as an Unregistered Community Design or just its clasp. It can protect shape, texture, and surface decoration such as patterns or weaves on the product itself. In order to have a valid Unregistered Community Design, the design must be new and have individual character. Essentially a design is new if it is not identical to an existing design. Designs are considered to be identical if the only differences are insignificant.²⁹⁸ This is interpreted fairly literally by the Courts. For example, the French Supreme Court recently held that although a 'Derby' shoe design reproduced certain elements of earlier pairs, it could still benefit from design right protection provided that no identical model had previously been disclosed to the public.²⁹⁹



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Instead, to hold '*individual character*' means that the overall visual impression that the design makes on an informed user must be sufficiently different from earlier published designs. These limitations are important as they prevent a business from obtaining a monopoly right over standard

²⁹⁵ CM Aide, 'The Community Design: European Union-Wide Protection for Your Design Portfolio' 1 (1) (2003), Northwestern Journal of Technology and Intellectual Property 35, 37-39.

²⁹⁶ Regulation (EC) 6/2002, Supra n 103, 11.

²⁹⁷ CM Aide, 36.

²⁹⁸ Regulation (EC) 6/2002, Supra n 103, Article 5(2).

²⁹⁹ Italian Court of Cassation, Civil Section, Chamber 1, Case 10/27 J-M Weston and Manbow v. Fiman (2012).

³⁰⁰ The image depicts a pair of Derby shoes by the brand J-M Weston.

clothing items such as a green blouse with no peculiarity whatsoever.³⁰¹ A notable case is that of *Karen Millen v. Dunnes Stores*.³⁰² Claiming the Unregistered Community Design rights on its garments, Millen began the proceedings for injunctions and damages before the Irish Supreme Court in the Irish High Court, which referred two questions to the Court of Justice. Dunnes admitted making copies of Millen garments but argued that Millen had no unregistered design right because the garments had no individual character. The Court of Justice held that the assessment *must be conducted in relation to one or more specific, individualized, defined and identified designs from among all the designs which have been made available to the public previously*.³⁰³ The Court considered that the question of proof, under the purposes of Article 85(2),³⁰⁴ required the *right's holder only to prove when the design was first made available to the public and indicate the element or elements of the design which give it individual character. There is no obligation to prove that the design concerned does have individual character*.³⁰⁵

CHAPTER II

HOW THE EUROPEAN UNION'S INTELLECTUAL PROPERTY SYSTEM COMPARES TO THE REST OF THE WORLD

The European Union's system of protection of Intellectual property Rights is central in the sphere of the fashion industry, but it is not the sole one. And since I have mentioned the key role the EU institutions and Member States hold in regard to the topic in the previous Chapter, it would be vain and insufficient to not compare them with norms that are applied outside of the Union. And the most immediate and fulfilling way there is to better grasp why the European Union's apparatus is considered the most advanced in the defense and growth of fashion goods, is to underline a direct juxtaposition with different international frameworks that concern to the corresponding subjects, allaying similarities, and differences. Therefore, this Chapter will focus on the direct confrontation between the European Union's legal protection of intellectual property rights and foreign systems.

³⁰¹ R Burbidge, *infra* 'Designs', 84-86.

³⁰² Case C-345/13 *Karen Millen Fashions Ltd v Dunnes Stores and Dunnes Stores (Limerick) Ltd* (2014), ECLI:EU:C:2014:2013.

³⁰³ M Woods and M Monroig, 'Fashion Design and Copyright in the US and EU' (2015), WIPO Copyright Law Division 1, 13-14.

³⁰⁴ Regulation (EC) 6/2002, *Supra* n 103, 85.

³⁰⁵ C Seville, *infra* 'Designs', 240.

Once again, the unfolding of the theme will mainly focus on the application of such rules to the fashion industry, with no claim of being exhaustive of concerns that remain unrelated to Fashion Intellectual Property Law.

1. The United States

Unlike most of Europe, designers in the United States do not have *sui generis* protection for their fashion creations.³⁰⁶ While many forms of general intellectual property protection are in fact available, none of these are specifically tailored to fashion design.³⁰⁷ But, differently from what someone may think, protecting original fashion designs is not a new problem. Tracing back as early as 1933, garment makers banded together to create the Fashion Originators Guild of America in cooperation with retailers, pledging to only sell original creations, which bore a label stating their exclusivity.³⁰⁸ The Supreme Court, differently from an earlier Court of Appeals judgment though,³⁰⁹ ruled their *practices as illegal because even if design piracy was a tort, their regulations impermissibly hindered interstate commerce.*³¹⁰

1.1 Trade Mark Law in the United States

The Lanham Act, which was passed in 1946 and expanded the purview of trade mark law beyond source identification, serves as the primary source of protection.³¹¹ The Act's two primary goals are to safeguard consumers from false information and designers from unfair competition. In the United States, as opposed to the European Community, the first person to use a trade mark in commerce, even without registration, may automatically gain some common law rights.³¹² That is because

³⁰⁶ B Scruggs, 132.

³⁰⁷ E Ferrill and T Tanhehco, 270.

³⁰⁸ Ibid, 271-272.

³⁰⁹ U.S. Court of Appeals for the First Circuit, Case 90 F.2d 556 Wm. Filene's Sons Co. v. Fashion Originators' Guild (1937), 558.

³¹⁰ U.S. Supreme Court, Case 312 U.S. 457 Fashion Originators' Guild of America v. Federal Trade Commission (1941), 468.

³¹¹ United States' Lanham Act, United States Code, 15 U.S.C. §§ 1051 et seq. (1946).

³¹² D A. Saleem, 'Differences Between U.S. And EU Trademark Law', <https://tm.legal/en/differences-between-us-and-eu-trademark-law/#:~:text=Common%20Law%20Trademark%20Rights%20or,be%20registered%20to%20receive%20protection.>

registration is not required to obtain protection, given that it is expensive and time-consuming. Benefits that are not available to common law trade marks are provided by federal trade mark registrations.

First, trade marks with federal registration enjoy international protection. Second, federally registered trade marks may be registered with the United States Customs Service so that Customs may be involved in the prevention of the importation of illegal or fake goods.³¹³ One of the most notable cases in the United States concerning Trade mark law is the one from 2010 between the Hells Angels Motorcycle Club and the iconic British fashion house Alexander McQueen.³¹⁴ The reason for the lawsuit was the fact that a famous mark from Hells Angels was being appropriated, and because of it, there were reasons to claim trade mark infringement, unfair competition, and dilution of a famous mark.³¹⁵ Since McQueen's designs were directly exploiting the signature Death Head from Hell Angels, the case was straightforward and settled with financial compensation and the destruction of all merchandise, including that already sold. This lawsuit became particularly relevant because it showed how brands can strategically utilize trade mark protection to their business interest reputation and to gain some type of intimidating power. It is a remarkably interesting action. After all, it was not about the traditional argument of consumer confusion because, in practice, *no people would actually be fooled* but instead, was what at stake was the power associated with such design which derives directly from myth and symbolisms accumulated within that logo.³¹⁶



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³¹³ GC Jimenez and B Kolsun, 'Trademarks and Trade Dress' in GC Jimenez and B Kolsun (2nd eds), *Fashion Law: A Guide for Designers, Fashion Executives, and Attorneys* (Bloomsbury Publishing PLC 2014) 26, 32.

³¹⁴ U.S. Western Central District Division of California, Case CV10 8029 Hells Angels Motorcycle Corporation v. Alexander McQueen Trading Limited et al. (2010).

³¹⁵ T Kuldova, 'Hells Angels Motorcycle Corporation in the Fashion Business' 30 (4) (2017), *Journal of Design History*, Special Issue: Interrogating Intellectual Property Rights in Fashion and Design 389, 389.

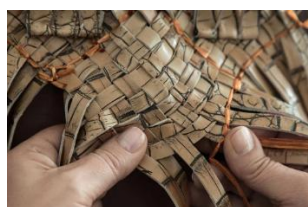
³¹⁶ *Ibid*, 399-400.

³¹⁷ The two images depict one of the items at the center of the dispute, a ring from Alexander McQueen (on the left side), and Hell Angels trademarked logo (on the right side).

1.2 Trade Dress Law in the United States

One of the most interesting aspects of intellectual protection in the United States, peculiar only to them, is the concept of trade dress.³¹⁸ Trade dress has been protected under trade mark law under the Lanham Act due to the broad definition of a trade mark in Section 43 (a) as ‘*any word, name, term, symbol, or device, or any combination thereof*’.³¹⁹ A trade dress claim, de facto, looks and sounds like a trade mark claim in the form: in substance, it is usually an attempt to outright prohibit the replication of a new and popular product, as well as to prevent unfair competition.³²⁰ To be legally protected, trade dress must be naturally distinctive or have acquired secondary meaning, namely be widely recognized by the general public as identifying the company that is the originator of the product.³²¹

To exploit putative trade dress rights, a fashion firm must have substantial evidence of customer awareness that the style in question derives from the fashion company. Such proof will almost certainly have to be present for at least five years, including five years of prominent advertising and promotional use. Because many fashion designs do not have a five-year shelf life, trade dress claims are frequently difficult to prove.³²² However, it is not impossible, and numerous examples can be provided, like Bottega Veneta, which has obtained trade dress protection for its woven ‘*intrecciato*’ patterns.



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³¹⁸ P Holton, ‘Intellectual Property Laws for Fashion Designers Need No Embellishments: They Are Already in Style’ 39 (2) (2014), *Journal of Corporation Law* 415, 419.

³¹⁹ United States’ Lanham Act, *Supra* n 311, 43(a).

³²⁰ G Lunney, ‘Trade mark Law's De-Evolution: Why Courts Get Trade mark Cases Wrong Repeatedly’ (2016), *SSRN Electronic Journal* 1, 16.

³²¹ JE Cardon, 5.

³²² *Ibid*, 11.

³²³ The two images depict the infamous intrecciato technique used by Bottega Veneta’s artisans.

Finally, in order for a product to have a distinguishing feature that can be protected by trade dress, the brand must first achieve unmistakable awareness.³²⁴ *Knitwares, Inc. v. Lollytogs Ltd* is a case that demonstrates the difficulty in gaining Trade Dress protection: Knitwaves, a domestic maker of children's knitwear, advertised a range of sweaters with a *fall* design.³²⁵ Lollytogs' design executive notified his design department's boss that he intended to launch a comparable line. When the rival sweaters hit the market, Knitwaves was unable to sell its whole inventory and was forced to lower its prices. The Court determined that Knitwaves' principal goal in the sweater designs was *aesthetic*, rather than identifying itself as the source of the product, and as a result, it stated that these sweaters were not protected by trade dress.³²⁶

1.3 Copyright Law in the United States

Copyright protection is probably the most fragmented and troublesome aspect of intellectual property for fashion design in the United States.³²⁷ The Copyright Act of 1790, the first US copyright statute, granted 14 years of protection, with a possible 14-year renewal term.³²⁸ The term has progressively been extended by Congress, up to the current protection, which equals to the whole life of the author plus 70 years. That being said, even despite the expansion of the law, much of fashion remains outside of the scope of copyright protection.³²⁹

Throughout 1910 and 1983, approximately seventy-four attempts to amend the Copyright Act to include fashion design were unsuccessful.³³⁰ For instance, fashion creations could have been covered by the Design Piracy Prohibition Act, which was submitted in 2007, which would have provided three years of *sui generis* protection.³³¹ A different, more recent attempt, the Innovative

³²⁴ A Huttner, 'Overdressed & Underprotected: The Not-So Glamorous Side of the United States fashion industry Without Explicit Copyright Protection' 70 (2) (2022), *Cleveland State Law Review* 363, 384.

³²⁵ U.S. Court Of Appeals for the Second Circuit, Case 71 F.3d 996 *Knitwaves, Inc. v. Lollytogs Ltd.* (1995).

³²⁶ GC Jimenez and B Kolsun, *infra* 'Trademarks and Trade Dress', 37.

³²⁷ EM Lackman, 'Cartwheeling through Copyright Law: *Star Athletica, L.L.C. v. Varsity Brands, Inc.*: The Supreme Court Leaves as Many Open Questions as It Provides Answers about the Viability and Scope of Copyright Protection for Fashion Designs' 107 (6) (2017), *The Trade mark Reporter* 1251, 1251.

³²⁸ United States' Copyright Act of 1790, Public Law 1-15 (1790), Section 1.

³²⁹ GC Jimenez and B Kolsun, 'Copyright' in GC Jimenez and B Kolsun (2nd eds), *Fashion Law: A Guide for Designers, Fashion Executives, and Attorneys* (Bloomsbury Publishing PLC 2014) 45, 45.

³³⁰ KA Barton, 'Back to the Beginning: A Revival of a 1913 Argument for Intellectual Property Protection for Fashion Design' 35 (2) (2009), *Journal of Corporation Law* 425, 434.

³³¹ United States' Design Piracy Prohibition Act, S.1957, 110th Congress (2007-2008).

Design Protection and Piracy Prevention Act, caught the media's attention and the Senate Judiciary Committee unanimously even approved it on December 1, 2010.³³² But despite this, the Act was still quite divisive, and never bloomed above a simple proposal.³³³ Copyright protection is available for certain fashion Articles if they meet the requirements to be a protectable work, which generally means that they are original and not functional. Examples of fashion Articles that have met the standards for copyright protection as pictorial, graphic, and sculptural works include jewelry items, such as several creations that have been protected by David Yurman and Tiffany & Co.³³⁴

Clothing has historically been regarded as a *useful Article*, and the general view among US Courts is that the pictorial, graphical, or sculptural features of a fashion creation are too near to the functional aspects of the work to be protected by copyright.³³⁵ A useful Article can only be protected under copyright in the United States statutory and case law doctrine under the "*separability test*", which amounts to clothing pieces that may be physically or conceptually removed from their utilitarian aspects.³³⁶ The outcome of such tests, though, have given very different outcomes by the Courts and the history of copyright infringement cases within the United States fashion industry demonstrates how an ambiguous test grants the Courts too much discretion and leads to unpredictable and inconsistent outcomes in future litigation of similar cases.³³⁷ In *Kieselstein-Cord v. Accessories by Pearl*, for example, a manufacturer of fine jewelry, belt buckles, and leather goods filed a copyright infringement claim, alleging that a knockoff manufacturer was copying its belt buckle design and creating inexpensive knockoffs.³³⁸ Different from ordinary, utilitarian belt buckles,³³⁹ the Court was able to find them conceptually separable from their utilitarian function, and thus, were eligible for copyright protection.³⁴⁰

³³² United States' Innovative Design Protection and Piracy Prevention Act, H.R.2511-112th Congress (2011-2012).

³³³ E Ferrill and T Tanhehco, 273-276.

³³⁴ JE Cardon, 7.

³³⁵ C Buccafusco and FC C., 69.

³³⁶ D Strukelj, 'Comparison of the Intellectual Property Protections Available for Fashion Designs in the U.S. and the EU' (58) (2020), TTLF Working Papers, Stanford-Vienna Transatlantic Technology Law Forum 1, 26-30.

³³⁷ A Huttner, 373.

³³⁸ J Zerbo, 'Protecting Fashion Designs: Not Only "What?" but "Who?"' 6 (3) (2017), American University Business Law Review 595, 612-613.

³³⁹ A Huttner, 373.

³⁴⁰ U.S. District Court for the Southern District of New York, Case 489 F. Supp. 732 *Kieselstein-Cord v. Accessories by Pearl* (1980).

Unfortunately, in many other cases, the Court failed to find some type of separability and therefore ruled out copyright protection for those items. In *Jovani Fashion Ltd. v. Fiesta Fashions*, the Court held that the design only served to ‘*enhance the functionality of the dress as clothing for a special occasion,*’ and ‘*the aesthetic merged with the functional to cover the body in a particularly attractive way for that special occasion*’. As a result, the Court held that the prom dress lacked copyrightable elements, and thus, the knockoff manufacturer was not liable for copyright infringement for creating and selling a nearly exact copy.³⁴¹ In a similar vein in *Morris v. Buffalo Chips Bootery*, the Court ruled that the elements latent in the design of a vest and a frock, which featured *handmade unique leather artwork*, were ineligible for copyright protection because they lacked separability.³⁴² From these cases, it can be determined that when garments and accessories are at issue, Courts are extremely hesitant to provide copyright protection. For that reason, it is not difficult to see how copyright law, in its current state, is not an entirely sufficient form of protection for the majority of fashion designs.³⁴³

Finally, we cannot address copyright law in the United States’ Courts and its relationship with the fashion industry without talking about the most relevant case. On March 22, 2017, in *Star Athletica, L.L.C. v. Varsity Brands, Inc.*, the Court took up the issue of whether the stripes, chevrons, and color blocks on cheerleading uniforms met the test for copyright protection. It comes without saying that this was also the way to finally address whether the design elements of a useful Article could be or not be protected by copyright.³⁴⁴ The uniforms passed the separability test, yet, in a footnote, the Court confirmed that it was expressing no opinion on whether the conceptions were sufficiently original to qualify for copyright protection, or whether any other prerequisite of a valid copyright had been satisfied. Well, this is where the problem stands. Because while the battle of eligibility for copyright protection has been won, this victory says little about the likely outcome in subsequent episodes. The nature of the ruling does not necessarily dictate outcomes; it merely shifts the focus rather than foreclosing any debate and the Court’s holding, while potentially noteworthy, leaves much uncertainty. Despite defining the appropriate test for determining conceptual separability, the Court’s opinion lacked any deep discussion of copyright, particularly as applied to fashion.³⁴⁵

³⁴¹ U.S. Court Of Appeals for the Second Circuit, Case CV12 598 *Jovani Fashion, Ltd. v. Fiesta Fashions* (2012).

³⁴² U.S. District Court for the Southern District of New York, Case 160 F. Supp. 2d 718 *Morris v. Buffalo Chips Bootery Inc.* (2001).

³⁴³ J Zerbo, 612-617.

³⁴⁴ U.S. Supreme Court Case, 15 U.S. 866 *Star Athletica, L.L.C. v. Varsity Brands, Inc. et al.* (2017).

³⁴⁵ EM Lackman, 1251.

When developing apparel Articles, which typically are functional and therefore not protectable under the Copyright Act in the United States, companies therefore need to evaluate whether aspects of the apparel Articles are protectable using other available protection regimes, thus enabling a degree of protection for the Article in its entirety. For example, Diane Von Furstenberg has been known for her intricate and bold textile designs that are often featured in her famous wrap dresses. While the wrap dress pattern is not protectable, by using original textile designs in these dresses, Von Furstenberg develops her ability to enforce and commercially exploit these apparel designs against other companies. Some companies, such as Valentino, have attained copyright registrations for ornate studding and jeweled motifs on simple fashion apparel Articles as visual material works or for patterned decorative elements.



The United States also recognizes, just like the Union does, moral rights, with the peculiarity that they can be divided into the right of attribution and the right of integrity.³⁴⁷ The right of "*attribution*" allows the creator to claim authorship of their own creations, to prevent their name from being used on work they did not create, and to prevent their name from being used on their work if that has been distorted, modified, or mutilated in a way that would be detrimental to the author's honor or reputation. The "*integrity*" right empowers the author to demand that their work not be purposefully altered, twisted, maimed, or destroyed.³⁴⁸

³⁴⁶ The image on the left depicts a typical wrap dress by Diane Von Furstenberg, also including a peculiar pattern, while the image on the right depicts a range of products from Valentino that include the protected stud details.

³⁴⁷ United States' Copyright Act, United States Code, 17 U.S.C. §§ 201-216 (1976), Section §106A.

³⁴⁸ L Darcy, 'The Brash and the Old: Comparing American and French Fashion Intellectual Property Laws' 22 (2019-2021), *Adelphia Law Journal* 47, 54-55.

1.4 Design Law in the United States

The United States has not established a *sui generis* form of protection for industrial designs equivalent to that of the Union, but it is nevertheless the closest intellectual property protection type between the two, despite the clear substantial differences.³⁴⁹ The claimed design must be a ‘*novel, non-obvious, and non-functional ornamental design for an Article of manufacture*’ in order to be granted a design patent.³⁵⁰ Design patents give their creators a monopoly over their innovative designs by granting them the exclusive right to produce, use, and sell the patented design for 14 years from the date of issuance.³⁵¹

A design patent is obtained by filing an application with the United States Patent and Trade mark Office and must meet three basic requirements: the design must be new, it must be nonobvious in comparison to prior known designs in the marketplace or earlier patents, and it must be decorative rather than useful.³⁵²

2. China

In China, the fashion industry was born as part of the economic reform and open-door policy from 1979 onward, by enacting of the very first laws recognizing personal and economic rights on creativity and innovation, particularly, the Trade mark Law In 1982³⁵³ and the Patent Law in 1984.³⁵⁴ Between the late 1980s and 2001, China witnessed a tremendous increase in its role in the global supply chain, particularly in clothing manufacturing and the law followed this evolution. Although the number of laws in China governing intellectual property protection increased and they were gradually brought into line with international norms, there was no effective enforcement of the

³⁴⁹ T Mahmood, ‘Design Law in the United States as Compared to the European Community Design System: What Do We Need to Fix?’ 24 (2) (2014), Fordham University School of Law 555, 570-571.

³⁵⁰ United States’ Industrial Design Laws and Regulations, United States Code, 35 U.S.C. §§ 171-173 (1952).

³⁵¹ S Beltrametti, ‘Evaluation of the Design Piracy Prohibition Act: Is the cure worse than the Disease? An analogy with counterfeiting and a comparison with the protection available in the European community’ 8 (2) (2010), Northwestern Journal of Technology and Intellectual Property 147, 155.

³⁵² GC Jimenez and B Kolsun, *infra* ‘Design Patents, Utility Patents, and Trade Secrets’, 56.

³⁵³ Chinese Trade mark Law of the People’s Republic of China, Adopted at the 24th Session of the Standing Committee of the Standing Committee of the Fifth National People's Congress on August 23, 1982, (1982).

³⁵⁴ Chinese Patent Law of the People's Republic of China, Adopted at the 4th Meeting of the Standing Committee of the Sixth National People's Congress on March 12, 1984, (1984).

laws for many years because of intricate relationships between the administrative, judicial, and economic forces, particularly at the local level.

Recent Court cases, notably those involving foreign organizations, demonstrate a tendency toward greater uniformity and dedication to upholding the law, like the series of lawsuits that New Balance Trading had to file in China for more than a decade to protect its brand and design, resulting in the favorable decisions of the Suzhou Intermediate People's Court,³⁵⁵ which led to an extensive interpretation, definitely unusual for a Chinese Court, of the duty of fairness in competition.³⁵⁶ Fashion items in China are governed by protection for applied arts, but only out of obligation to its Berne Convention membership, since neither its copyright nor patent laws ever reference applied arts.³⁵⁷ Because of this, Chinese Courts have had difficulty defining the proper scope and terms for protecting it. In 1999, a Beijing Court defined works of applied art as pieces of art with utilitarian functions. The justices went on to say that *an important feature of works of applied art is that it is independently both useful and artistic and neither their functionality nor their artistic feature can be separated.*³⁵⁸ Applying this to apparel, the judge used a sliding scale of functionality and esthetic value and decided that even clothes consisting of a heightened form of expressions such as unique cuts, shapes, or ornamentation, have an intrinsic utilitarian function and can still be referred to as *clothes*. Thus, even when an Article's esthetic value overshadows its functionality, such as Thierry Mugler Couture's oyster gown, it is to be recognized as a work of applied art.³⁵⁹



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³⁵⁵ Suzhou Intermediate People's Court, Case 1798 New Balance Trading Co. Ltd. v. New Ballon Co., Ltd. (2017).

³⁵⁶ R Cavalieri and M Wu, 'Developments and Challenges of Fashion Law in China' 25 (7) (2021), Fashion Theory 983, 984-986.

³⁵⁷ Berne Convention, Supra n 24.

³⁵⁸ Beijing Second Intermediate Intellectual Property Court of First Instance, Case 145 (1999).

³⁵⁹ JN Mays, 309.

³⁶⁰ The image depicts the iconic oyster gown by Thierry Mugler, as shown on the 1995 Fall-Winter runway.

2.1 Trade Mark Law in China

Trade mark registration with the Trade Mark Office of the China National Intellectual Property Association is essential to enforce Intellectual Property rights in the mainland. According to China's *first-to-file* procedure, the trade mark will belong to the first applicant who submits an and as a result, individuals engage in the practice of *trade mark squatting*, where they willfully register the trade marks of other parties in order to profit from leasing them to the original owners of the rights.³⁶¹

As an illustration, Hermes uses the term "*Ai-ma-shi*" as its official brand name in China, but the expression has not been filed as a trade mark. It all began when a Chinese clothing company filed the word *Amashi* as a trade mark on the mainland in 1995. Hermes filed a request to have the trade mark invalidated on the grounds that the clothing company was abusing its fame. Given that Hermes' mark was unregistered when the clothing maker filed its trade mark application in 1995, Hermes' request to have the registration canceled was denied.³⁶² Another important aspect of brand recognition in China, is the registration of trade marks in Chinese characters.³⁶³

Because the registration of a trade mark in Roman characters does not automatically protect the trade mark against the use or registration of the same or similar trade mark written in Chinese, it is highly advisable to register a Chinese version of a foreign trade mark as well. For instance, Ralph Lauren discovered that his brand was known as '*San Jiao Ma*' in China, which translates as '*three-legged horse*'.³⁶⁴ But the biggest case on the matter remains the one started in 1997, when a company formed a business entity under the name 乔丹 or "*Qiaodan*", which is an approximate translation, or audible pronunciation, of Michael Jordan's last name in the Chinese language.³⁶⁵ Particularly relevant in *Michael Jordan v. Qiaodan Sports Co.* is the extent to which a famous trade mark may grant a retrial applicant not only name rights but also image rights. During all times

³⁶¹ European Intellectual Protection Helpdesk, 'Guide to IPR Protection in China for the Fashion and Design Industry' (2021), European Commission's European Innovation Council and SMEs Executive Agency (EISMEA) 1, 2.

³⁶² GC Jimenez and B Kolsun, 'International Fashion Law: Brand Protection and IP Law in Key Fashion Markets' in GC Jimenez and B Kolsun (2nd eds), *Fashion Law: A Guide for Designers, Fashion Executives, and Attorneys* (Bloomsbury Publishing PLC 2014) 347, 351.

³⁶³ European Intellectual Protection Helpdesk, *infra* 'Guide to IPR Protection in China for the Fashion and Design Industry', 2-3.

³⁶⁴ European Intellectual Protection Helpdesk, 'Guide to Trade Mark Protection in China' (2021), European Commission's European Innovation Council and SMEs Executive Agency (EISMEA) 1, 6.

³⁶⁵ The Supreme People's Court of the People's Republic of China, *Case ZGFXZ 27 Michael Jeffrey Jordan v. Trademark Review and Adjudication Board and Qiaodan Sports Co., Ltd.* (2016).

relevant to the Court's findings, Jordan was a public figure in China. The Court decided that Qiaodan Sports had unlawfully registered Jordan's prior name rights as a trade mark, leading the relevant public to believe that their products had some sort of special relationship with Jordan, such as an endorsement or license.³⁶⁶ In a different but symmetrical instance involving Nike, the company attempted to register the trade mark *Lebron James* in Chinese but discovered that someone else had already done so.³⁶⁷

2.2 Copyright, Design and Patent Law in China

One does not have to register a copyright to enjoy protection; however, registration is an option and is recommended in order to prove ownership, through voluntary registration at the Copyright Protection Centre in China.³⁶⁸ That is because the practice of harmful parties trying to register other people's copyrights so they can use them on e-commerce platforms is still a problem in China and one must then go to a Court to have the bad-faith copyright certificate revoked.³⁶⁹ While partial designs were not granted protection in China until two years ago, the latest amendment of the Patent Law expanded the subject matters of a design patent to also include partial designs.³⁷⁰

Since the 2020 Patent Law amendment,³⁷¹ the term of design patent protection expanded from 10 years to 15. Designs, in order to be protected, shall have *absolute novelty*, that is to say, they must not have been published anywhere in the world before the date of application and must be *sufficiently distinguishable from other designs*. It, therefore, follows that a design that has been made public and is covered by Unregistered Design in Europe is ineligible for a design patent in

³⁶⁶ J Blair, 'Contextualizing Michael Jordan v. Qiaodan Sports: I Don't Believe I Can Fly, or Do Business, in China' 29 (1) (2021), *Journal of Intellectual Property Law* 1, 7-8.

³⁶⁷ L Wen-yu Young, 'Understanding Michael Jordan v. Qiaodan: Historical Anomaly or Systemic Failure to Protect Chinese Consumers' 106 (5) (2016), *The Trade mark Reporter* 883, 894.

³⁶⁸ European Intellectual Protection Helpdesk, 'INTELLECTUAL PROPERTY SYSTEMS: China/Europe Comparison' (2021), European Commission's European Innovation Council and SMEs Executive Agency (EISMEA) 1, 11.

³⁶⁹ European Intellectual Protection Helpdesk, *infra* 'Guide to IPR Protection in China for the Fashion and Design Industry', 4.

³⁷⁰ European Intellectual Protection Helpdesk, 'Understanding and Using China's Design Patent' (2021), European Commission's European Innovation Council and SMEs Executive Agency (EISMEA) 1, 2.

³⁷¹ Republic of China Patent Law of the People, Amended for the fourth time in accordance with the Decision of the Standing Committee of the Thirteenth National People's Congress on Amending the Patent Law of the People's Republic of China adopted at its 22nd Session on 17 October 2020, (2020).

China because it has already been made available to the public.³⁷² In China, the term patent refers to three distinct Intellectual Property rights: invention patents, utility models, and design patents, but they can all be registered with the China National Intellectual Property Administration.³⁷³

3. United Kingdom

Brexit is an acronym that stands for 'Britain' and 'exit' and refers to the United Kingdom's exit from the European Union. There were discussions in the United Kingdom as early as July 2012 about holding a referendum on withdrawal from the institution, and the idea became a reality following the referendum held on June 23, 2016, and the subsequent notification to the European Council on March 29, 2017. The historic occurrence, a first for the European Community, was made possible by Article 50 of the Treaty of the European Union, which states that *any Member State may resign in accordance with its constitutional legislation*.³⁷⁴ Following the official withdrawal on 1 February 2020, the Withdrawal Agreement comes into place, controlling the event but allowing businesses to continue to use the *acquis Communautaire* in their dealings until 31 December 2020. On that date, the United Kingdom officially exited the European Union and the European Economic Area, much to the sorrow of many. The question then becomes how this may influence intellectual property rights in the Continent.

The harm Brexit presents to the European Union fashion industry and its designers is the destabilization of harmonization goals. Due to the broad breadth of the laws, the European Union affords its Member States stronger protections than the United Kingdom. The fashion industry in the United Kingdom bears the risk of encouraging infringers to take advantage of laxer protections for design rights, offering a clear route for violators to exploit.³⁷⁵ In addition, that might even result in the United Kingdom consciously changing or passing legislation that is opposed to the European Union's goals of harmonization.³⁷⁶ It is at least debatable that if infringement occurs in the United Kingdom, being the United Kingdom registered designs law substantially identical to registered

³⁷² European Intellectual Protection Helpdesk, *infra* 'Guide to IPR Protection in China for the Fashion and Design Industry', 3-4.

³⁷³ European Intellectual Protection Helpdesk, *infra* 'INTELLECTUAL PROPERTY SYSTEMS: China/Europe Comparison'

³⁷⁴ Treaty on European Union (2012), 326/13/12, 50.

³⁷⁵ R Esparza, 'En Vogue: The Risks of Brexit to the European fashion industry' 46 (3) (2018), *International Journal of Legal Information* 163, 167.

³⁷⁶ *Ibid*, 168.

Community Design law, the Court could impose the same criminal sanctions that would be applicable under the Registered Designs Act 1949.³⁷⁷ This is because Article 89(1)(d) of the Regulation (EC) 6/2002 permits sanctions to be imposed in accordance with the laws of the Member State in which the threatened infringement occurs.³⁷⁸

The conclusion of the Brexit transition phase and the completion of the Trade and Cooperation Agreement have also led to several modifications to the previously unified Intellectual Property legislation in the European Union.³⁷⁹ Although unitary European Union intellectual property rights that were in existence prior to the end of the transition period have been automatically converted to comparable United Kingdom rights,³⁸⁰ beginning on January 1, 2021, registered trade marks and designs of the European Union are no longer recognized in the United Kingdom. According to Article 54(1)(a) of the Withdrawal Agreement, *owners of European Union trade marks that were registered or granted before the transition period's end will automatically be granted a trade mark in the United Kingdom that uses the same sign for the same goods or services.*³⁸¹ Therefore, an *older* European Union trade mark is divided into two rights: a national United Kingdom right and a European Union trade mark without protection for the United Kingdom.³⁸²

3.1 Trade Mark Law in the United Kingdom

Following what has been said thus far, the Withdrawal Agreement required the United Kingdom to convert any European Union trade mark into a trade mark registered under domestic law.³⁸³ The applicant had until the end of September 2021 to file an application at the United Kingdom

³⁷⁷ CM Aide, 42-43.

³⁷⁸ Regulation (EC) 6/2002, Supra n 103, 89(1)(d).

³⁷⁹ Trade and Cooperation Agreement between the European Union and the European Atomic Energy Community, of the one part, and the United Kingdom of Great Britain and Northern Ireland, of the other part (2021), L149/21.

³⁸⁰ G Dennis, 'Brexit and IP rights: impact on the fashion industry' (2021), <https://www.pinsentmasons.com/out-law/analysis/brexit-ip-rights-impact-on-fashion-industry>

³⁸¹ Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community (2019), C384I/19, 51(1)(a).

³⁸² J Jan, 'The impact of Brexit for EU trade mark injunctions' (2022), <https://ipkitten.blogspot.com/2022/02/the-impact-of-brexit-for-eu-trade-mark.html>

³⁸³ Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community, Supra n 381, 54.

Intellectual Property Office in order to claim the priority date of that earlier European Union application.³⁸⁴

Currently, the United Kingdom officially applies the Trade Marks Act of 1994, under which, the *principle of exhaustion* in Section 12, seems to be the most interesting aspect.³⁸⁵ Even prior to the entry into the European Union, trade mark owners could not forbid a branded product from being sold in another country or region once it had been placed on the market anywhere in the world.³⁸⁶ That phenomenon is defined as *global product exhaustion*. After becoming part of the Internal Market, the United Kingdom restricted exhaustion to products coming from the European Economic Area, but that may change now, either adopting a more constrained principle, or, instead, returning to the previous full international exhaustion.³⁸⁷ The free flow of goods across the single market in the European Economic Area and the avoidance of intellectual property rights severing that market has been inextricably linked.³⁸⁸ In the *Copad SA v. Christian Dior couture SA* case, it was decided that the rights holder could forbid resale when the reputation or "*aura of luxury*" was harmed by the parallel trade.³⁸⁹ If the United Kingdom were to adopt the international exhaustion regime back, that may not be good news for fashion houses because they may lose control over pricing and where the product ultimately ends up for sale, which could cause brand tarnishment.³⁹⁰

3.2 Copyright Law in the United Kingdom

The United Kingdom, like the United States, does not provide copyright protection to fashion designs. However, there is an exception if the design relates back to the original sketch, or if they

³⁸⁴ P Johnson, 'Trade marks, unfair competition and geographical indications' in P Johnson (1st eds), *Intellectual Property, Free Trade Agreements and the United Kingdom: The Continuing Influence of European Union Law* (Edward Elgar Publishing Limited 2021) 111, 118.

³⁸⁵ Trade Marks Act of 1994 (1994), Public General Acts, No. 26, United Kingdom, Section 12.

³⁸⁶ GK Doğan, 'Trade mark Right Exhaustion in the United Kingdom Post Brexit' (2023), *Eurasian Journal of Researches in Social and Economics* 70.

³⁸⁷ R Burbidge, 'What's Next?' in R Burbidge (1st eds), *European Fashion Law: A Practical Guide from Start-up to Global Success* (Elgar 2019) 389, 389-390.

³⁸⁸ The Fashion Law, 'The Good, the Bad and the Ugly of Brexit for Intellectual Property Law in Fashion' (2016), <https://www.thefashionlaw.com/the-good-the-bad-and-the-ugly-of-brexit-for-intellectual-property-law-in-fashion/>

³⁸⁹ Case C-59/08 *Copad SA v Christian Dior couture SA, Vincent Gladel and Société industrielle lingerie* (2009), ECLI:EU:C:2009:260.

³⁹⁰ The Fashion Law, *infra* 'The Good, the Bad and the Ugly of Brexit for Intellectual Property Law in Fashion'

are defined as works of artistic craftsmanship.³⁹¹ Even if a work is an avant-garde expression, it cannot be protected if it does not fit into one of the eight categories listed in the Copyright Act.³⁹² The difficulty obviously then stands in the definition of *artistic* and on the fact that Caselaw hesitates to judge if *craftsmanship* means handicraft or not.³⁹³ According to it, Courts are reluctant to defend fashion designs as *artistic works*, particularly when they are mass-produced fashion items. Haute couture items are considered to be *works of craftsmanship* because the name suggests hand-made items.³⁹⁴

One last peculiarity of the British system is that copyright duration is reduced in some cases. Section 52 of the Copyright, Designs and Patents Act provides that if a protected artistic work is produced by an industrial process and exploited commercially, the duration of the copyright transforms itself to 25 years from the first marketing of the industrially produced Articles in question.³⁹⁵ This can both happen during the life of the designer or after.³⁹⁶

3.3 Design Law in the United Kingdom

In the United Kingdom, the law relating to the protection of industrial designs has been laid down in two different legislations: the Registered Designs Act, from 1949,³⁹⁷ as amended by the Regulatory Reform Order in 2006, provides for the registration of designs and the protection of registered designs.³⁹⁸ Whereas, the Copyright, Designs and Patents Act, from 1988, governs the provisions for design rights which subsist in unregistered designs.³⁹⁹ The length of registered protections of designs extends for a maximum of twenty-five years, and similar to the European Union, the

³⁹¹ Y Eldik and M Michaels, 'Eyes off the Runway: How to Prevent Piracy in Fashion' (2014), Harvard Negotiation Law Review Online 1, 11.

³⁹² United Kingdom's Copyright, Designs and Patents Act (1988), Public General Acts, No. 48, Section 1-8.

³⁹³ M Woods and M Monroig, 18.

³⁹⁴ D Strukelj, 38.

³⁹⁵ United Kingdom's Copyright, Designs and Patents Act, Supra 392, Section 52.

³⁹⁶ E Derclaye, 'Are Fashion Designers Better Protected in Continental Europe than in the United Kingdom? A Comparative Analysis of the Recent Case Law in France, Italy and the United Kingdom' 13 (3) (2010), The Journal of World Intellectual Property 315, 331.

³⁹⁷ United Kingdom's Registered Designs Act, Public General Acts, No. 88, (1949).

³⁹⁸ United Kingdom's The Regulatory Reform (Registered Designs) Order, Statutory Instruments, No. 1974, (2006).

³⁹⁹ United Kingdom's Copyright, Designs and Patents Act, Supra 392.

registration has to be renewed every five years. The act itself reflects similar language, including benefits, requirements, and limitations, to the European Union's protections for registered designs.⁴⁰⁰ According to the Act, the unregistered design right expires either ten years after the initial marketing of products using the design or fifteen years after the design was created, whichever comes first, which is much more durable than Community designs.⁴⁰¹ Given the short lifespan of the majority of garment lines, the time difference is not of utmost importance.

What instead is more precious is that in the European Union, unregistered design rights also protect a product's appearance as a result of its color, lines, texture, surface decoration, materials, and/or ornamentation in addition to its shape and configuration, as it happened in *John Kaldor Fabricmaker v Lee Ann Fashions*, whereas in the United Kingdom, only appearance resulting from a design's shape or configuration is protected.⁴⁰² The unregistered design right for clothing in the United Kingdom has been examined in two fairly recent cases. The first discovered that a Superdry hooded gilet had an unregistered design right where the sweatshirt-style hood could be detached from the more conventional body of the gilet using fastenings that were hidden once the gilet was worn.⁴⁰³ The second discovered an unregistered design in a pair of G-Star RAW jeans that were constructed employing an odd panel connection.⁴⁰⁴

4. Latin America

Latin American countries have both similarities and differences with the European system. For example, the type of intellectual property rights covered and the scope of protection in Brazil is remarkably similar to that in Europe. Furthermore, like the Union, Brazil and Colombia are members of the World Intellectual Property Organization and parties to some of the international treaties related to intellectual property managed by it, such as the Patent Cooperation Treaty and the Madrid System for the international registration of marks.⁴⁰⁵

⁴⁰⁰ R Esparza, 166.

⁴⁰¹ T Shishir, 'Intellectual Property Rights Protection of Fashion Design in India' (2014), SSRN Electronic Journal 1, 12-13.

⁴⁰² Royal Courts of Justice of England and Wales, Case 3779 *John Kaldor Fabricmaker United Kingdom Ltd v Lee Ann Fashions Ltd* (2014).

⁴⁰³ Royal Courts of Justice of England and Wales, Case 4034 *DKH Retail Lid v H. Young Operations Ltd* (2014).

⁴⁰⁴ Royal Courts of Justice of England and Wales, Case 216 *G-Star Raw CV v Rhodi Ltd* (2015).

⁴⁰⁵ Patent Cooperation Treaty PCT, *Supra* n 253 and Madrid Agreement Concerning the International Registration of Marks (1891), of April 14, 1891, as revised at Brussels on December 14, 1900, at Washington on June 2, 1911, at The

A clear advantage in their participation in these international agreements is that the legislation on intellectual property is mostly aligned with that of European countries. Additionally, Colombia is also a member of the Andean Community,⁴⁰⁶ a regional pact that also encompasses Peru, Ecuador, and Bolivia.⁴⁰⁷ Generally speaking, it is possible to register conventional trade marks in all Latin American countries, whereas non-conventional trade marks are only accepted by a few Latin American countries. For example, Chile and Venezuela do not accept three-dimensional trade marks. On the contrary, Ecuador and other countries in the Andean Community are more open and flexible to non-conventional trade marks, such as positional trade marks, which are widespread in the fashion sector. Unlike the EUIPO, most national intellectual property offices in Latin America still require the graphical representation of the sign to protect it as a trade mark.⁴⁰⁸ Brazil, as well as the EUIPO and trade mark offices in all Member States countries resort to the 11th edition of the Nice Classification for the description of goods and services protected under a trade mark.⁴⁰⁹ Colombia also has a special procedure for trade mark oppositions called “*facilitation hearings*”, where the parties are summoned to the Trade Mark Office in order to try to reach an agreement where, if no objections are raised, registration takes only around 6 months.⁴¹⁰

As in Europe, copyright conceptions are protected from the date of creation and the author’s rights are automatically protected. Works can be registered with the Dirección Nacional de Derecho de Autor, creating evidence of authorship.⁴¹¹ In Brazil copyright does not need registration, however, it may be registered at the Brazilian National Library in order to prove authorship or ownership,

Hague on November 6, 1925, at London on June 2, 1934, at Nice on June 15, 1957, and at Stockholm on July 14, 1967, and as amended on September 28, 1979.

⁴⁰⁶ Agreement on Andean Sub-regional Integration (Cartagena Agreement) of 26 May 1969 (1969).

⁴⁰⁷ European Latin America Intellectual Property Rights Small Medium Enterprises Helpdesk, ‘Factsheet IP Systems Comparative: Colombia vs Europe’ (2020), European Commission’s European Innovation Council and SMEs Executive Agency (EISMEA) 1, 1.

⁴⁰⁸ Latin America Intellectual Property SME Helpdesk, ‘IP and the fashion industry’ (2022), European Commission 1, 1.

⁴⁰⁹ European Latin America Intellectual Property Rights Small Medium Enterprises Helpdesk, ‘IP systems comparative: Brazil vs Europe’ (2020), European Commission’s European Innovation Council and SMEs Executive Agency (EISMEA) 1, 4-5.

⁴¹⁰ European Latin America Intellectual Property Rights Small Medium Enterprises Helpdesk, *infra* ‘Factsheet IP Systems Comparative: Colombia vs Europe’, 5 - 6.

⁴¹¹ European Latin America Intellectual Property Rights Small Medium Enterprises Helpdesk, ‘IP Systems Comparative: Argentina vs Europe’ (2020), European Commission’s European Innovation Council and SMEs Executive Agency (EISMEA) 1, 1.

which may be useful to enforce the rights.⁴¹² Copyright in Colombia typically lasts for the life of the author plus 80 years. When an owner is a legal person, the term lasts 50 years counting from the date of creation, disclosure, or publication of the work.⁴¹³ Countries such as Chile and Venezuela explicitly exclude clothing from design protection. However, in Chile, one is entitled to register their textile print. In general, all countries in Latin America need *novelty* as a minimum requirement for design protection. The novelty requirement implies that *no identical or closely similar design has been applied for, commercialized, or otherwise disclosed anywhere in the world*. Some countries in the region, like Argentina or Venezuela, also require singularity or originality for the design to be granted protection, whereas other countries, such as Honduras or Mexico, also require industrial applicability. The maximum duration of the registered design is not harmonized in Latin America. It is 10 years in Colombia, Peru, Chile or Ecuador and 15 years in Honduras, Panama, Argentina, or Uruguay. In Brazil and Mexico, however, protection can be obtained for up to 25 years from the application date, consisting of an initial period of 10 years with three subsequent renewals of 5 years each.⁴¹⁴

Broadly speaking, Latin American countries grant protection to fashion creations that are *original and fixed intangible means of expression*, but Latin American legislations do not share a common concept of *originality*. For example, in the Dominican Republic, originality is understood in the sense of a *unique, ingenious and/or creative work*, while in Peru it is defined as a *reflection of the personality of the author*. Some Latin American countries even consider fashion products as works of *applied art* as in their own industrial applicability. Colombia and Ecuador give protection to works of applied art, provided those devices are original and their artistic value can be dissociated from the industrial character of the object into which they are incorporated.⁴¹⁵

In Argentina, in order to receive protection, designs must be registered, because contrary to the European Union unregistered designs are not considered. The designs that grant a registration will be valid for five years from the date of the application which can be renewed for two more periods to an extension for a maximum period of 15 years. While in Europe the registration time depends on the different country of the Union, in Brazil registration takes over five years for patents and slightly less for utility models, although there is a patent prosecution highway or accelerated

⁴¹² European Latin America Intellectual Property Rights Small Medium Enterprises Helpdesk, *infra* 'IP systems comparative: Brazil vs Europe', 1.

⁴¹³ European Latin America Intellectual Property Rights Small Medium Enterprises Helpdesk, *infra* 'Factsheet IP Systems Comparative: Colombia vs Europe', 2.

⁴¹⁴ Latin America Intellectual Property SME Helpdesk, *infra* 'IP and the fashion industry', 2.

⁴¹⁵ Latin America Intellectual Property SME Helpdesk, *infra* 'IP and the fashion industry', 4.

examination procedure for patent applications that are based on a favorable result from a cooperating Foreign Office. The term will not be less than 10 years for patents of inventions and 7 years for utility model patents, counted from the granting date.⁴¹⁶

In Colombia, the patent system includes utility models, sometimes called “*small patents*”, which protect new technological advances but have a lower threshold for registration and are only granted for products. Patents are granted for a 20-year term as of the date of application. The term of protection shall under no circumstances be extended. Utility models are protected and are granted for a 10-year term as of the date of application. Utility models are granted when the requirements of novelty and industrial applicability are met. They do not need to satisfy any inventiveness requirement and can only protect objects, not methods.⁴¹⁷ Industrial designs can only be obtained by filing an application directly with the Colombian Superintendency of Industry and Commerce.⁴¹⁸ Some countries in Latin America also protect some of their traditional handcrafted textile products as part of their cultural heritage or through appellations of origin. The commercial exploitation of such products may be subject to authorization or certain requirements regarding materials or production areas.⁴¹⁹

5. South East Asia

The South-East Asian region's creative economy is significantly driven by the fashion, design, and lifestyle industry. Some of the nations in South East Asia are participants in the global Madrid Protocol System. Singapore, Cambodia, Vietnam, Brunei, and the Philippines are among these nations. One needs to submit a national application for each one that is not a member of the Madrid System. From one country to the next, the process for obtaining a trade mark is different.

The majority of nations use the *first-to-file* system, like Cambodia, Indonesia, Laos, Philippines, Thailand, and Vietnam are the first to file whereas Brunei, Malaysia, and Singapore are the first to use it. As of right now, Myanmar still does not offer trade mark registrations. Since trade mark

⁴¹⁶ European Latin America Intellectual Property Rights Small Medium Enterprises Helpdesk, *infra* ‘IP Systems Comparative: Argentina vs Europe’, 3.

⁴¹⁷ European Latin America Intellectual Property Rights Small Medium Enterprises Helpdesk, *infra* ‘Factsheet IP Systems Comparative: Colombia vs Europe’, 3-4.

⁴¹⁸ *Ibid*, 6.

⁴¹⁹ Latin America Intellectual Property SME Helpdesk, *infra* ‘IP and the fashion industry’, 7.

rights are territorial, a successful registration in Singapore does not translate to protection in Cambodia or vice versa.⁴²⁰

Heavy fines can be imposed to deter others from pursuing similar trade mark infringement. Further, in Singapore it is not uncommon for prison sentences to be imposed in intellectual property infringement cases, particularly those involving hawking of counterfeit goods in public. Most pertinently to fashion and lifestyle brands, the Court held that the culpability of someone counterfeiting luxury goods is generally greater as the sale of such goods would presumably be more lucrative, both in terms of the prices that could be charged and the demand for these goods. Therefore, taking criminal action could be more effective as a deterrent in similar circumstances.⁴²¹ Currently, fashion designs are generally not protectable through copyright. However, even though the designs themselves are not protectable because they are considered *functional*, certain aspects are protectable, such as unique prints, patterns, unique color arrangements and novel combinations of elements. The surface pattern of a fabric or feature for garments may fall into the copyright's aesthetic and originality consideration and be regarded as an artistic work, thus, be subjected to copyright protection.

Although in most South-East Asian countries, copyright arises automatically once the work is created, the best practice in this scenario is to voluntarily record it with the relevant local agencies as soon as possible.⁴²² In some instances, where there is an overlap with copyright protection, there is no cumulative safeguard, and protection is available under registered designs only. In some countries like Malaysia and Singapore, products cannot be simultaneously protected by copyright and registered industrial design. In these countries, once the design is registered as an industrial design, it loses copyright protection. In the case of Singapore, however, where the design is registrable, all steps should be taken to register it. Otherwise, neither copyright protection nor registered design protection is available when the design is industrially applied and exploited commercially.⁴²³

⁴²⁰ European South-East Asia Intellectual Protection Rights for Small and Medium Enterprises Helpdesk, 'IP Considerations in the Textile Industry in South-East Asia' (2021), European Commission's European Innovation Council and SMEs Executive Agency (EISMEA) 1, 7-8.

⁴²¹ Ibid, 1-6.

⁴²² Ibid, 4-5.

⁴²³ European South-East Asia Intellectual Protection Rights for Small and Medium Enterprises Helpdesk, 'IP Considerations in Fashion, Design and Lifestyle industry' (2021), European Commission's European Innovation Council and SMEs Executive Agency (EISMEA) 1, 4.

By protecting an industrial design, the owner is ensured an exclusive right against any unauthorized copying or imitation by third parties. The owner can typically exercise this negative right for 5 years with the possibility of renewal, up to a maximum of 15-25 years depending on the particular national law in South-East Asia. The time period for such protection may vary from country to country. In addition to this, in most South-East Asian countries, an industrial design must be registered in order to be protected under industrial design law and, as a general rule, in order to be registered, the design must be *new or original*. What constitutes its novelty or originality may differ from country to country and the registration process itself also varies from country to country, and it remains important not to assume, without verification, that local rules will be similar to those in their home country or even in the target market's neighboring countries.⁴²⁴

6. International Systems

Starting from the consideration that Intellectual Property rights are territorial in nature, international protection consequentially creates a dilemma for brand owners: registration on a country-by-country basis can become quite expensive. One solution for brand owners is to avail themselves of a multinational registration device.⁴²⁵ There is no such thing as a global or worldwide trade mark. However, there is an international filing system known as the Madrid system, as governed by the Madrid Agreement, concluded in 1891,⁴²⁶ and the Protocol relating to that Agreement, concluded in 1989, administered by the World Intellectual Property Organisation.⁴²⁷

This system has two main advantages: first, it has a centralized location which is easier to manage. Second, the costs are usually lower compared to filing directly in each trade mark office. The Madrid System allows a trade mark owner to protect a trade mark in several countries, 130 as of now, with the accession of the Government of Mauritius on February 6th 2023, simply by filing one

⁴²⁴ European South-East Asia Intellectual Protection Rights for Small and Medium Enterprises Helpdesk, *infra* 'IP Considerations in the Textile Industry in South-East Asia', 2-4.

⁴²⁵ GC Jimenez and B Kolsun, *infra* 'International Fashion Law: Brand Protection and IP Law in Key Fashion Markets', 347-348.

⁴²⁶ Madrid Agreement Concerning the International Registration of Marks, of April 14, 1891, as revised at Brussels on December 14, 1900, at Washington on June 2, 1911, at The Hague on November 6, 1925, at London on June 2, 1934, at Nice on June 15, 1957, and at Stockholm on July 14, 1967, and as amended on September 28, 1979 (1891).

⁴²⁷ Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks Madrid Protocol, Adopted at Madrid on June 27, 1989 (1989).

application in the trade mark owner's home jurisdiction.⁴²⁸ This system is similar to patent applications under the Patent Cooperation Treaty, an international trade mark registration results in a bundle of national trade mark rights subject to national enforcement laws.⁴²⁹ Yet, when compared, the Madrid System also provides the possibility of a central attack that is not available under the Patent Cooperation Treaty.⁴³⁰

Other regional examples are the Benelux trade mark,⁴³¹ the African Intellectual Property Organisation⁴³² and Andean Pact.⁴³³ Very few countries aside from the United States have national copyright offices that issue certificates of registration to copyright owners, with Canada and China being two notable exceptions. However, many countries, including the United States, are members of an international Treaty on copyright that I have already mentioned, the Berne Convention.⁴³⁴ All signatories to the Treaty have agreed to recognize the rights of copyright owners in each member country and afford those owners the exact protection as national citizens.⁴³⁵

Rather than registering design rights in each country, it is possible to register across several territories via the Hague system.⁴³⁶ It consists of three international Treaties: the Geneva Act of 1999,⁴³⁷ the Hague Act of 1960,⁴³⁸ and the London Act of 1934.⁴³⁹ The Hague Agreement Concerning the International Registration of Industrial Designs permits designers to obtain protection for a design in designated countries by filing a single application with the World Intellectual Property Organization. As of now, there are 77 contracting parties, including the

⁴²⁸ GC Jimenez and B Kolsun, *infra* 'International Fashion Law: Brand Protection and IP Law in Key Fashion Markets', 348.

⁴²⁹ Patent Cooperation Treaty PCT, *Supra* n 253

⁴³⁰ B Herz and M Mejer, 7.

⁴³¹ Benelux Trade Mark Convention of 19 March 1962 (1962).

⁴³² African Intellectual Property Organization (OAPI) of 2 March 1977 (1977).

⁴³³ Agreement on Andean Sub-regional Integration (Cartagena Agreement), *Supra* 406. See R Burbidge, *infra* 'Trade marks and your brands', 27-28.

⁴³⁴ Berne Convention, *Supra* n 24.

⁴³⁵ GC Jimenez and B Kolsun, *infra* 'Copyright', 50.

⁴³⁶ Hague Agreement Concerning the International Registrations of Industrial Designs of November 6, 1925 (1925).

⁴³⁷ Geneva Act of July 2, 1999 (1999).

⁴³⁸ The Hague Act of November 28, 1960 (1960).

⁴³⁹ London Act of 1934 (1934).

European Union. The Hague Agreement yet does not provide for any harmonized standards for the type of protection that Contracting Parties to the agreement should provide to designs.⁴⁴⁰

CHAPTER III

THE MANY CHALLENGES IN THE PRAGMATIC APPLICATION OF FASHION FOCUSED INTELLECTUAL PROPERTY RIGHTS

1. Legal Enforcement

As defined in the first Chapter and as specified by the European Union's glossary, innovators have the right to own and benefit from intellectual property protection for their creative mental works and the same reasoning can be applied to fashion designers which, combining their mental effort with inspiration and tangible needs, create what we could define as wearable art.⁴⁴¹ Through the case law that was previously highlighted, the 1985 Commission's White Paper and the revolution brought by the Lisbon Treaty, the European Union placed a higher and higher value on intellectual property rights, but in order for those rights to be useful to the economy of the region, their effective enforcement became a central point. In particular, fashion items are often prey of counterfeiting and piracy, which the Union takes very seriously, identifying them as an authentic danger to trade, investment, and efficient competition in the Single Market. Value Added Taxes and customs charges are evaded, the labor market suffers, and ramifications may be felt not only in the economic sphere, but additionally in consumer protection, healthcare, and security.⁴⁴² But before we delve further into the topic, we shall describe how the European Community attained its place as the leader in the protection of fashion under intellectual property.

Decades ago, international intellectual property standards were mostly found in WIPO Treaties such as the Berne Convention, and although these had great virtues, they were widely acknowledged to have serious flaws in terms of rights enforcement. That is because while the Berne Convention created common substantive intellectual property rules and introduced the principle of national

⁴⁴⁰ T Mahmood, 569-570.

⁴⁴¹ X Li, 'IP Protection of Fashion Design: To Be or Not To Be, That is the Question' 3 (1) (2012), IP Theory 14, 15.

⁴⁴² C Seville, 'Enforcement of intellectual property rights' in C Seville (2nd eds), EU Intellectual Property Law and Policy (Elgar European Law series 2016) 502, 505.

treatment, it did not provide for harmonized standards across the party states.⁴⁴³ The absence of specific enforcement criteria evidently maintained existing disparities in national jurisdictions, and it was not until the signing of the Agreement on Trade-Related Aspects of Intellectual Property Rights, or TRIPS, in the 90s that a comprehensive international framework of principles for remedies and procedures was established.⁴⁴⁴ This text went into effect on January 1, 1995, and can be likely drawn as the twentieth century's greatest accomplishment in international intellectual property law.⁴⁴⁵ The TRIPS establishes normative rules for a wide range of intellectual property rights, including copyright and trade marks, and even goes beyond that, by formulating a key set of norms addressing domestic procedures and remedies, which shall be implemented in a way that does not create impediments to lawful trade and provide safeguards against their exploitation, shall be fair and equitable, not overly complicated or costly, and shall not impose excessive time limits or unjustified delays, as the General Obligation under Article 3 explains.⁴⁴⁶ The Agreement does not self-execute, though, and as a result, it is not enforceable until new laws are put into place.⁴⁴⁷

Despite the fact that its involvement in the Agreement on Trade-Related Aspects of Intellectual Property Rights is sometimes overlooked by that of the US, the European Union played a crucial role nevertheless. Not only discussions accelerated only after the European Union offered a draft agreement in 1990 that was comparable to the United States position,⁴⁴⁸ but even before the negotiations began, the Union modified its Trade Law in 1984 to include intellectual property issues among actionable trade obstacles in third countries.⁴⁴⁹ Then the Green Paper on Combating Counterfeiting and Piracy in the Single Market in October 1998 happened, which can be defined as the first tool to combat intellectual property infringement in the Community.⁴⁵⁰ Through this tool, the Commission initiated a broad consultation process which revealed widespread unhappiness with

⁴⁴³ Berne Convention, *Supra* n 24.

⁴⁴⁴ F Petillion and A Heirwegh, 'Genesis, Adoption And Application Of European Directive 2004/48/EC' in F Petillion (1st eds), *Enforcement Of Intellectual Property Rights In The EU Member States* (Intersentia 2019) 1, 5-6.

⁴⁴⁵ Agreement on Trade-Related Aspects of Intellectual Property Rights, *supra* n 211.

⁴⁴⁶ Corrigendum to Directive (EC) 2004/48 of the European Parliament and of the Council, of 29 April 2004, on the enforcement of intellectual property rights (2004), L195/04, 3.

⁴⁴⁷ CJ Orscheln, 'Bad News Birkins: Counterfeit In Luxury Brands' 14 (2015), *The John Marshall Review Of Intellectual Property Law* 249, 255.

⁴⁴⁸ V Muzaka, 828.

⁴⁴⁹ Regulation (EEC) 2641/84 of the Council, of 17 September 1984, on the strengthening of the common commercial policy with regard in particular to protection against illicit commercial practices (1984), L252/84.

⁴⁵⁰ European Commission, *Green Paper on Combating counterfeiting and piracy in the single market* (1998), COM 569.

the bureaucratic difficulties, considerable delays, and erratic replies connected with Member States' enforcement systems. As a result, the Commission offered an action plan,⁴⁵¹ consisting of a proposal for a Directive on intellectual property enforcement, particular training for law enforcement officials, education campaigns, and efforts to define a methodology for gathering, analyzing, and comparing data on piracy.⁴⁵²

Along with these steps, the Customs Regulation was proposed to facilitate customs seizures of counterfeit goods from outside the Union. The nature of these suggestions was highly contentious and they were subsequently withdrawn.⁴⁵³ Again, in 2005, a Commission Communication stressed the need for immediate action, calling for a more far-reaching and comprehensive approach, going past confiscation and into prosecutions to halt the production, distribution, and sale of counterfeit commodities.⁴⁵⁴ The Commission began to investigate an integrated approach across the spectrum of intellectual property rights in a subsequent Green Paper in 2008, an Industrial Property Rights approach for Europe.⁴⁵⁵

In the meantime, numerous Directives that aimed to harmonize intellectual property rules came out, yet only some contained sporadic provisions on enforcement and remedies, such as Directive 91/250/EEC⁴⁵⁶ on the Legal Protection of Computer Programs, Directive 2000/31/EC on Electronic Commerce,⁴⁵⁷ and Directive 2001/29/EC on the Harmonisation of Certain Aspects of Copyright and

⁴⁵¹ European Commission, Communication from the Commission to the Council, the European Parliament and the Economic and Social Committee - Follow-up to the Green Paper on combating counterfeiting and piracy in the single market (2000), COM 0789.

⁴⁵² Proposal for a European Parliament and Council Directive on criminal measures aimed at ensuring the enforcement of intellectual property rights (2005), COM 0276.

⁴⁵³ Regulation (EC) 1383/2003 of the Council, of 22 July 2003, concerning customs action against goods suspected of infringing certain intellectual property rights and the measures to be taken against goods found to have infringed such rights (2003), L196/03. It has now been replaced by the Regulation (EU) No 608/2013 of the European Parliament and of the Council, of 12 June 2013, concerning customs enforcement of intellectual property rights (2013), L181/13.

⁴⁵⁴ European Commission, Communication from the Commission to the Council, the European Parliament and the European Economic and Social Committee on a Customs response to latest trends in Counterfeiting and piracy, Supra 451.

⁴⁵⁵ European Commission, Communication from the Commission to the European Parliament, the Council and the European Economic and Social Committee - An Industrial Property Rights Strategy for Europe (2008), COM 0465.

⁴⁵⁶ Directive (EEC) of the Council 91/250, of 14 May 1991, on the legal protection of computer programs (1991), L122/91.

⁴⁵⁷ Directive (EC) of the European Parliament and of the Council 2000/31, of 8 June 2000, on certain legal aspects of information society services, in particular electronic commerce, in the Internal Market (2000), L178/00.

Related Rights in the Information Society.⁴⁵⁸ Then it all converged into the Enforcement Directive 2004/48/EC (hereinafter Enforcement Directive or the Directive).⁴⁵⁹

The Directive did not repeal the existing enforcement principles in previous legislation but instead tried to improve on the latter. Also, it was not the first ever attempt, as Customs Regulation 3295/94/EC already created procedural rules directly applicable to the enforcement of intellectual property rights at the European Union's external borders in order to take action against the import, export, and re-export of pirated and counterfeited goods.⁴⁶⁰ The Enforcement Directive recognizes the TRIPS common standards and has no effect on Member States' international commitments, but aims to eliminate some of the remaining gaps across national systems by ensuring a high, equivalent, and homogeneous level of intellectual property protection across the Internal Market..⁴⁶¹ The Directive is divided into twenty-two sections, the majority of which involve specific policies, procedures, and remedies for intellectual property rights protection and while not all of these were needed, the Directive attempted to create a high level of standardization, allowing for the widest possible dispersion of works, ideas, and know-how across the Union.⁴⁶²

1.1 Civil Liability

While neither the 2015/2436 Trade Mark Directive⁴⁶³ nor the 2017/1001 Trade Mark Regulation⁴⁶⁴ succeeded in the consistent government of sanctions, the Intellectual Property Enforcement Directive helps to bridge the gap to some extent.⁴⁶⁵ According to the preamble, the Directive seeks to ensure a *'high, equivalent and homogeneous level of protection in the Internal Market'* for intellectual property rights.⁴⁶⁶ By looking at the different dispositions of the legislation, it is nonetheless noticeable how the harmonization is only on a surface level, establishing minimum

⁴⁵⁸ Directive (EC) 2001/29, supra n 212.

⁴⁵⁹ Corrigendum to Directive (EC) 2004/48, Supra n 446.

⁴⁶⁰ Regulation (EC) 3295/94 of the Council, of 22 December 1994, laying down measures to prohibit the release for free circulation, export, re-export or entry for a suspensive procedure of counterfeit and pirated goods (1994), L341/94.

⁴⁶¹ C Seville, infra 'Enforcement of intellectual property rights', 508-509.

⁴⁶² F Petillion and A Heirwegh, 11-12.

⁴⁶³ Directive (EU) 2015/2436, Supra n 125.

⁴⁶⁴ Regulation (EU) 2017/1001, Supra n 114.

⁴⁶⁵ Corrigendum to Directive (EC) 2004/48, Supra n 446.

⁴⁶⁶ Ibid, Recital 10.

rules, which also explains why, pursuant to Article 2,⁴⁶⁷ ‘*in so far as those means may be more favourable for rightholders, the measures, procedures and remedies provided for by this Directive*’ may be set aside in favor of the application of Member States’ additional suitable punishments, so long as they are more favorable to the right holder.⁴⁶⁸

In most trade mark infringement proceedings, claims are made against the manufacturers or dealers of the goods or services on which or in relation to which an infringing mark is used. These individuals are direct infringers in the sense that their activities meet the requirements for infringement.⁴⁶⁹ Judicial control in civil litigation is exercised by national Courts and, in most matters concerning European Trade Marks, by the so-called European Trade Mark Courts.⁴⁷⁰ They were created after the Union requested to designate a number ‘*as limited as possible*’ of national Courts that shall follow that purpose.⁴⁷¹ These Courts have exclusive jurisdiction over actions seeking to establish the infringement and, if permitted by national law, the threatened infringement, or a declaration of non-infringement of a European Trade Mark.⁴⁷² They also have exclusive jurisdiction over counterclaims for invalidity or revocation raised in defense of an infringement action.⁴⁷³

The regulation also includes a number of optional clauses, the majority of which deal with precautions for defending the rights of alleged infringers, like measures guaranteeing confidentiality or the right to object to being used against oneself in Court.⁴⁷⁴ Different types of liabilities can also be found. The first, defined as *vicarious liability*, sees one be held liable for the actions of third parties such as agents or employees, for example, for what an employee committed during their employment including copyright infringement. Another similar situation is found in the so-called *contractual liability*, where one is liable for someone else's actions for contractual terms, even if the cause of the fall was outside their control.

⁴⁶⁷ Ibid, 4.

⁴⁶⁸ A Kur and M Senftleben, ‘Civil Sanctions and Proceedings’ in A Kur and M Senftleben (1st online eds), *European Trade Mark Law: A Commentary* (Oxford Academic 2017) 639, 673.

⁴⁶⁹ Ibid, 691.

⁴⁷⁰ Ibid, 641.

⁴⁷¹ Regulation (EU) 2017/1001, *Supra* n 114, 95.

⁴⁷² Ibid, 96.

⁴⁷³ A Kur and M Senftleben, *infra* ‘Civil Sanctions and Proceedings’, 662.

⁴⁷⁴ Ibid, 673.

Lastly, the Court of Justice confined a *landlord liability*. This decision followed a referral from the Czech High Court in Prague and concerned the sale of counterfeit goods from Tommy Hilfiger, Lacoste, Burberry and other well-known brands.⁴⁷⁵ Although landlord liability does not yet extend to damages and costs, if the injunction is breached, the landlord is in contempt of Court, which typically carries criminal penalties such as imprisonment or a fine. These principles declare that it is possible to sue a landlord for the actions of the tenant.⁴⁷⁶ Under the Enforcement Directive 2004/48/EC, civil liability comes in the form of infringement sanctions, which include damages, the right to claim third-party information, corrective measures, legal expenses and publication of judgements. The Directive then also establishes guidelines for gaining access to evidence held by the infringement, safeguarding evidence before proceedings, and allowing for the ordering of provisional and preventative actions.

1.1.1 The Scope of the Enforcement Directive

As the Enforcement Directive preamble itself defines “*it is necessary to define the scope of this Directive as widely as possible in order to encompass all the intellectual property rights covered by Community provisions in this field and/or by the national law of the Member State concerned. Nevertheless, that requirement does not affect the possibility, on the part of those Member States which so wish, to extend, for internal purposes, the provisions of this Directive to include acts involving unfair competition, including parasitic copies, or similar activities.*” In fact, as it is reinstated within Article 1 of the Directive, this secondary law “*concerns the measures, procedures and remedies necessary to ensure the enforcement of intellectual property rights.*” As mentioned beforehand, we cannot expect to have a flourishing intellectual property system, which is one of the main goals of our common market, without adequate protection in case of infringement of these intangible rights. That explains why, as defined by Article 2, the framework shaped by this Directive shall apply to any and every infringement of intellectual property rights, unless this causes some type of concern with national and international compliances.⁴⁷⁷

⁴⁷⁵ Case C-494/15 Tommy Hilfiger Licensing LLC, Urban Trends Trading BV, Rado Uhren AG, Facion Kft., Lacoste SA and Burberry Ltd v Delta Center a.s. (2016), ECLI:EU:C:2016:528.

⁴⁷⁶ R Burbidge, ‘Resolving Disputes’ in R Burbidge (1st eds), *European Fashion Law: A Practical Guide from Start-up to Global Success* (Elgar 2019) 272, 293-294.

⁴⁷⁷ Corrigendum to Directive (EC) 2004/48, *Supra* n 446, 1-2.

1.1.2 Damages

The foundation for damages resulting from intellectual property infringement is laid out in Article 13 of the Enforcement Directive. It specifies that if the infringer acted "*knowingly or with reasonable ground to know*" of the infringement, the right holder must be entitled to claim damages "*appropriate to the actual prejudice suffered by him*".⁴⁷⁸ Courts must consider all relevant factors when determining damages, including lost earnings and unfair profits. In appropriate circumstances, non-economic issues like the moral harm done to the right holder must also be considered, however, this is less usually done in reality. Alternately, damages can be assessed as a lump sum that at the very least equals a typical royalty fee.

There are three main methods used by the Member States to determine the financial compensation that may be awarded for intellectual property infringement. The *general damages* are calculated depending on the business loss. For instance, if merely a bikini top was determined to be infringing, one might also be able to seek compensation for the matching bottoms because they are frequently marketed as a set. The *account of earnings* the infringer made from the goods is another remedy and is granted much more frequently than general damages. *Additional damages* are the third and last kind of damages recognized, and they can all be granted by Courts. The question of whether the increased damages proposed in Article 13 of the Enforcement Directive qualified as punitive damages for the European Union was examined by the Court Of Justice.⁴⁷⁹

Polish copyright legislation, which was the source of the reference to the Court, gave people the opportunity to sue twice or even triple the amount of damages based on a fictitious license price if the violation was willful.⁴⁸⁰ This method makes calculating damages simple, but some were concerned that they were closer to punitive damages than Article 13's authors had intended, to which the Court could only answer that punitive damages are not expressly forbidden by European Union law.⁴⁸¹ Whereas it appears to be customary practice that parties without a registered trade mark are not entitled to damages for infringement, under Article 9(3), reasonable damages may still be sought in relation to actions taken before the publication of a Trade Mark registration if those actions would have violated the mark's rights if they had been taken after the registration date,⁴⁸² as

⁴⁷⁸ Ibid, 13.

⁴⁷⁹ Case C-367/15 Stowarzyszenie "Oławska Telewizja Kablowa" w Oławie v. Stowarzyszenie Filmowców Polskich w Warszawie (2017), ECLI:EU:C:2017:36.

⁴⁸⁰ Polish Act Of 4 February 1994 On Copyright And Related Rights, Supra n 221, 79.

⁴⁸¹ R Burbidge, *infra* 'Resolving Disputes', 302-304.

⁴⁸² Regulation (EU) 2017/1001, Supra n 114, 9(3).

the Court of Justice ruled in *Nikolajeva v. Multi Protect*.⁴⁸³

The wider harm, such as moral prejudice, that the owner of the mark may have experienced cannot, however, be covered by the recovery.⁴⁸⁴ When it comes to a published European Union trade mark application, the "*reasonable compensation*" that the owner may accomplish is governed by European Union Law, while damage claims for trade mark infringement are governed by the national law of the European Union Member States, yet Article 9(b)(2) of the Trade Mark Regulation does not expressly refer to domestic laws in order to ascertain its meaning and scope and therefore,⁴⁸⁵ it follows that there is a requirement for a consistent interpretation throughout the European Union given the necessity for uniform application and the principle of equality.⁴⁸⁶

Aside from that, European Trade Marks are subject to the same national laws as national marks. The majority of Member States limit the recovery of damages for infringement to cases of fault, which often require some degree of negligence. All systems have established as a starting point for calculating damages that payment is due for the actual loss incurred. It is not news that this idea, which was developed from general tort law, conflicts with the position that, by virtue of their non-rival nature, intellectual property rights are not *lost* in the same sense as tangible property that is stolen or destroyed. Therefore, computation of "*actual loss*" in the context of intellectual property generally involves a variety of elements, such as lost earnings, infringer's gains, or standard license fees, rather than linking damage calculation to the value of the right as such.⁴⁸⁷

1.1.3 Disclosure of information or evidence

One of the most notable accomplishments of the Intellectual Property Enforcement Directive at the time of its adoption was the creation of a right to request information from the offender or party involved in the infringement, regarding the names and addresses of other parties involved, as well as the type, quantity, and distribution routes of the illegal goods, which can be found in Article 8.⁴⁸⁸

⁴⁸³ Case C-280/15 *Irina Nikolajeva v. Multi Protect OÜ* (2016), ECLI:EU:C:2016:467.

⁴⁸⁴ M Veifhues, 'Monetary recovery for infringement of eu trade marks in statu Nascendi' 107 (3) (2017), *The Trade mark Reporter* 787, 787.

⁴⁸⁵ Regulation (EU) 2017/1001, *Supra* n 114, 101(2), 102(2) and 9 (b)(2).

⁴⁸⁶ M Veifhues, 791.

⁴⁸⁷ A Kur and M Senftleben, *infra* 'Civil Sanctions and Proceedings', 681-682.

⁴⁸⁸ Corrigendum to Directive (EC) 2004/48, *Supra* n 446, 8.

Considering that before, only Germany and the Benelux Convention permitted such, the introduction of that clause across the entire Union was viewed as a significant development to give investigators a useful tool for probing the social and organizational structure of distribution networks, most of which were criminal in nature.⁴⁸⁹

Since those who commit crimes have the right to remain silent during criminal investigations so as not to implicate themselves, it could be argued that a civil information request would provide better outcomes than public prosecution. In that situation, it is frequently necessary to strike a balance between the need to disclose information and the equally critical duties to data confidentiality and privacy. The right to demand information about the scope and financial outcomes of the infringer's own activity appears to be more significant in reality than obtaining information about other parties involved in a distribution chain or a cartel of infringers. In this regard, Article 8 is sometimes equated with Article 6 of the same Directive, which deals with requests for the disclosure of information under the opposing party's control.⁴⁹⁰ If the information request is directed at the party in the proceedings, it is conceivable that failure to comply will not be sanctioned but may nevertheless result in procedural prejudice.⁴⁹¹

1.1.4 Corrective Measures

Infringing items and tools must be recalled, removed from the channels of commerce, and finally destroyed, according to Article 10 of the Intellectual Property Enforcement Directive. The vast majority of European Union Member States have incorporated Article 10 into the pertinent codifications, but even in cases where no such provisions are discovered, the required effect may still be achieved by following general guidelines. According to Article 12 of the Intellectual Property Enforcement Directive, Member States may also offer defendants "*escape roads*" by altering the goods to make them less infringing, turning them over to the right holder in exchange for payment, holding them in custody until the end of the protected period, or any combination of these options, which often stated in several codifications, where they are frequently left up to the discretion of the Courts, in accordance with the proportionality principle.⁴⁹² Though, it must be

⁴⁸⁹ Benelux Trade Mark Convention, Supra n 431

⁴⁹⁰ Corrigendum to Directive (EC) 2004/48, Supra n 446, 6.

⁴⁹¹ A Kur and M Senftleben, *infra* 'Civil Sanctions and Proceedings', 688-689.

⁴⁹² Corrigendum to Directive (EC) 2004/48, Supra n 446, 10 and 12.

noted that there are not many examples of corrective measures in the Member States and that may be because in cases of typical infringement, recall and destruction of goods are somewhat excessive as a civil remedy.⁴⁹³

1.1.5 Publicity

According to Article 15 of the Intellectual Property Enforcement Directive, Member States are required to make arrangements for the public transmission of information regarding the judgment, including the presentation of the decision and its full or partial publication.⁴⁹⁴ In other cases, they may even allow for harsher forms such as public advertising.⁴⁹⁵ Although similar protections have been included into the relevant laws of all Member States or are accessible on general legal grounds, publicity measures appear to play a limited impact.⁴⁹⁶

1.1.6 Prohibitive Injunctions

The most common and least troublesome consequence granted in intellectual property infringement cases is a prohibitive injunction ordering the defendant to refrain from violating the right. This sanction is codified in Article 102 of the 2017/1001 Regulation for European Trade Marks,⁴⁹⁷ whereas for national rights, prohibitory injunctions are made mandatory under Article 11 of the Intellectual Property Enforcement Directive.⁴⁹⁸ To ensure that the measures ordered are followed, final injunctions must be subject in the event of noncompliance, even if the defendant is unlikely to commit another infringement given the facts of the case.⁴⁹⁹

Permanent injunctions are typically granted on a national basis by a Court, but it may be possible to obtain an injunction that applies to the entire European Union under certain circumstances, albeit, it

⁴⁹³ A Kur and M Senftleben, *infra* 'Civil Sanctions and Proceedings', 690.

⁴⁹⁴ Corrigendum to Directive (EC) 2004/48, *Supra* n 446, 15.

⁴⁹⁵ R Burbidge, *infra* 'Resolving Disputes', 307.

⁴⁹⁶ A Kur and M Senftleben, *infra* 'Civil Sanctions and Proceedings', 691.

⁴⁹⁷ Regulation (EU) 2017/1001, *Supra* n 114, 102.

⁴⁹⁸ Corrigendum to Directive (EC) 2004/48, *Supra* n 446, 11.

⁴⁹⁹ A Kur and M Senftleben, *infra* 'Civil Sanctions and Proceedings', 675.

cannot apply to regions of the European Union where the use of a sign would not constitute infringement because of linguistic differences.⁵⁰⁰ For example, the Court Of Justice held that the pan-European injunction should not apply to English-speaking Member States in the Combit/Commit case since those Member States could easily discern between Combit and Commit and no likelihood of confusion was found.⁵⁰¹ So permanent injunctions can generally be obtained, but not invariably.⁵⁰²

1.1.7 Preliminary Injunctions

When there is an infringement of intellectual property, the reputational damage to a brand may not be quantifiable or compensated by money paid in the future. In these circumstances, a temporary injunction is likely. This is an injunction that stops additional violation while the case is still being heard. Much depends on the jurisdiction and the specific circumstances, but convincing a judge to give an interim injunction can be challenging because it normally causes severe impairment to the other company.⁵⁰³ To separate prohibitive injunctions imposed as a remedy in typical infringement procedures from ordering a party to cease allegedly infringing conduct on a provisional basis, as in Article 9 of the Enforcement Directive,⁵⁰⁴ Article 50 TRIPS handles preventive orders limiting allegedly infringing conduct as well as evidence preservation procedures.⁵⁰⁵ Preliminary injunctions are often sought before initiating main proceedings, often together with Article 7,⁵⁰⁶ since both types of preventive measures are closely related and may follow the same or very similar principles depending on the national system.⁵⁰⁷

⁵⁰⁰ R Burbidge, *infra* 'Resolving Disputes', 305.

⁵⁰¹ Case C-223/15 Combit Software GmbH v Commit Business Solutions Ltd (2016), ECLI:EU:C:2016:719.

⁵⁰² AEL Brown, 'Enforcement and remedy: what is success? IP litigation and the Creative Industries' in AEL Brown and C Waelde (1st eds), *Research Handbook on Intellectual Property and Creative Industries* (Edward Elgar Publishing Limited 2018) 143, 145-146.

⁵⁰³ R Burbidge, *infra* 'Resolving Disputes', 278-279.

⁵⁰⁴ Corrigendum to Directive (EC) 2004/48, *Supra* n 446, 9.

⁵⁰⁵ Agreement on Trade-Related Aspects of Intellectual Property Rights, *supra* n 211, 50.

⁵⁰⁶ Corrigendum to Directive (EC) 2004/48, *Supra* n 446, 7.

⁵⁰⁷ A Kur and M Senftleben, *infra* 'Civil Sanctions and Proceedings', 676.

1.2 Criminal Liability

Using criminal law and criminal sanction to oppose intellectual property infringement is a much more complicated matter. Due to their aggravating effects, criminal sanctions are generally seen as *ultima ratio*, a last resort in cases when civil sanctions prove to be inefficient. Nevertheless, civil sanctions may not work where those committing infringements remain in the dark and will hardly be deterred by injunctions or payment of damages.⁵⁰⁸ But, considering the criminalizing of behavior as *ultima ratio*, it is essential for it to be so improper that it becomes necessary to use the criminal law to condemn or prevent such behavior.

The difficulty then becomes how to show wrongfulness, because a certain behavior should not be outlawed unless it can be considered unjust and when it comes to intellectual property violations, the concept of injury is equally important.⁵⁰⁹ Globally, criminal sanctions for trade mark infringement are not harmonized, nor is there any uniform legal basis and the type and level of sanctions, is therefore left in principle to national law. However, a minimum threshold is presented by Article 61 of the Agreement on Trade Related Aspects of Intellectual Property Rights, which establishes that: *‘Members shall provide for criminal procedures and penalties to be applied at least in cases of wilful trade mark counterfeiting or copyright piracy on a commercial scale. Remedies available shall include imprisonment and/or monetary fines sufficient to provide a deterrent, consistently with the level of penalties applied for crimes of a corresponding gravity. In appropriate cases, remedies available shall also include the seizure, forfeiture and destruction of the infringing goods and of any materials and implements the predominant use of which has been in the commission of the offence. Members may provide for criminal procedures and penalties to be applied in other cases of infringement of intellectual property rights, in particular where they are committed willfully and on a commercial scale.’*⁵¹⁰

As it could have and was indeed predicted by scholars, this minimum standard failed to reduce global counterfeits and did not satisfy intellectual property owners. Because of this situation, developed countries’ governments turned to bilateral and plurilateral trade agreements as an

⁵⁰⁸ A Kur and M Senftleben, ‘Criminal Sanctions’ in A Kur and M Senftleben (1st online eds), *European Trade Mark Law: A Commentary* (Oxford Academic 2017) 723, 724-725.

⁵⁰⁹ A Sharma and D Dube, ‘The Relevance of Criminal Law in Intellectual Property Law Research’ in I Calboli and ML Montagnani (1st eds), *Handbook of intellectual Property Law Research* (Oxford University Press Available 2022) 198, 205-206.

⁵¹⁰ Agreement on Trade-Related Aspects of Intellectual Property Rights, *supra* n 211, 61.

alternative avenue, and out of these the most relevant one was a proposal for increased criminal sanctions named Anti-Counterfeiting Trade Agreement.⁵¹¹ It defined acts on a scale on whether infringements are for purposes of commercial advantage or private financial gain; whether significant willful infringements are made; or whether involving the knowing trafficking in counterfeit labels intended to be used on intellectual property protected goods. The Act also proposed deterrent-level penalties, including the seizure and forfeiture of illegal proceeds. Several growing economies were not parties to the Acts negotiations, such as India, China, Brazil, and, identified several major issues related to the it. First, it was argued that the Anti-Counterfeiting Trade Agreement conflicts with existing international trade law and would create legal uncertainty for countries around the world.

Second, it was noted that the Agreement undermines the balance of rights, obligations, and flexibilities existing within international law. All in all, it established a dangerous precedent and ultimately, because of growing opposition from civil society and academics, the Union and most other signatories did not ratify the Agreement and it never entered into effect.⁵¹² Before that, driven by the wish to ensure, or even exceed compliance with TRIPS, the European Commission even undertook an attempt to harmonize criminal sanctions throughout the Member States. While such provisions were not included in the Intellectual Property Rights Enforcement Directive, a proposal was tabled in 2006, but was met with strong resistance in the European Parliament and was passed only with substantive amendments. The Commission thereupon did not pursue the proposal any further.⁵¹³ But, clear of how different criminal liability can be even in our continent, given the lack of harmonization, most of the Member States do in fact provide for criminal sanctions, going as far as imposing jail time over heavy fines.

Yet divergences in the national laws currently applying can also be observed in regards to the formalities as well as other aspects of criminal procedures. This concerns, for example, the question whether procedures are initiated *ex officio* by the public prosecutor or only upon request of the injured party. Member States may also apply a mixed system: while infringements are, as a rule, instituted only upon formal request by the aggrieved party, the public prosecutor steps in on his own motion if the infringement was carried out under aggravating circumstances. Another relevant aspect concerns the qualification of persons against which criminal sanctions can be imposed.

⁵¹¹ Anti-Counterfeiting Trade Agreements (2011).

⁵¹² A Sharma and D Dube, *infra* 'The Relevance of Criminal Law in Intellectual Property Law Research', 208-211.

⁵¹³ A Kur and M Senftleben, *infra* 'Criminal Sanctions', 725-727.

Whereas all Member States provide for penal sanctions against natural persons, others also allow bringing criminal procedures against legal persons who, if found guilty, are subject to monetary fines.⁵¹⁴

1.3 Alternative Dispute Resolutions

Although criminal and civil enforcement of intellectual property rights are incredibly helpful, they are not flexible or easy tools. The ideal way to reach the same resolutions without years of litigation, hefty legal bills, and the various negative impacts that come along with such lawsuits appears to be through alternative dispute resolutions. They have become viable alternatives to litigation in recent years. Also, because not all clothing or designs are currently covered by legal safeguards, it is crucial to select judges who are knowledgeable about the relevant legal principles and for a business that depends on a strong mark, the quick resolution of trade mark disputes through alternative dispute resolutions appears to be a far better option than waiting for a protracted trial. In such cases, there is a significant benefit to avoiding outright litigation, saving not only time and expense but also preventing the dispute from escalating into a purely aggressive approach, which could destroy any potential for future collaboration.⁵¹⁵

Settlement negotiations are the most popular and least adjudicative type of alternative dispute resolutions. Nearly everyone uses it in pre-litigation dispute resolution.⁵¹⁶ Another well-known type of alternative dispute resolution is arbitration, where the decision and remedy are typically decided by a third party and are typically binding and final, therefore albeit it is the most comprehensive type of alternative dispute resolution, it is also typically the most limiting. Except in cases where the arbitrator have been accused of abuse or improper behavior, there is typically no appeal or judicial review. In contrast to arbitration, mediation offers a neutral third party who helps the disputing parties agree to a settlement but does not make the final decision and enables more innovative alternatives.⁵¹⁷ Mediation is an excellent way to resolve intellectual property conflicts in the fashion

⁵¹⁴ Ibid, 730.

⁵¹⁵ ES Schwartz, 'Red with Envy: Why the Fashion Industry Should Embrace ADR as a Viable Solution to Resolving Trade mark Disputes' 14 (1) (2012), *Cardozo Journal of Conflict Resolution* 279, 301-303.

⁵¹⁶ A Sawicki, 'Fashion, Models, and Intellectual Property' 39 (2) (2021), *Cardozo Arts & Entertainment Law Journal* 671, 673-676.

⁵¹⁷ ES Schwartz, 299-301.

sector for many reasons. First, as it was already mentioned, legal actions involving intellectual property can be very pricey. Next, even when it goes for longer than expected, mediation is still much quicker than traditional litigation, which traditionally affects current trends and sales. As it was evident in the Converse case, the brand's main objective was to prevent rivals from offering comparable styles, and during the two years it took to obtain a judgment, the firm probably lost millions to those rivals.⁵¹⁸ They could have avoided such a substantial loss in income if they had been able to settle or find a mediated deal with at least some of the 31 brands they sued sooner.⁵¹⁹

2. Antitrust And Unfair Competition

Intellectual Property rights refers to a collection of rights that grant the owner the ability to prevent others from using the product for a specific amount of time. However, competition law actively pursues a non-monopolistic market and aims for the exact opposite. An extensive monopoly would be incompatible with a system of undistorted competition, in particular, because it could have the effect of creating an unjustified competitive advantage for a single trader.⁵²⁰ A balance between the two worlds is urgently needed when it comes to luxury clothes. Even if intellectual property rights are crucial to luxury companies above all others, the brand's distinctiveness is what distinguishes it as a luxury one. But it is equally essential that these exclusive rights do not develop into monopolies, which would then just serve to exploit other producers.⁵²¹ Fundamentally, a lack of real rivalry is implied by rapid shifts in fashion. This phenomenon alone should raise antitrust concerns. Seller competition would result in price reductions, quality improvements, or both if there were numerous sellers of a fairly standardized and stable commodity. Producers would charge less for the same product or would sell a better or more durable product for the same price, and all seller competition would be reducible to price competition.⁵²² All these practices undermine competition in this market, one that critically depends on originality, innovation, and dynamic substitution, and that is even more worrisome. Consumers benefit from fierce competition, but in some

⁵¹⁸ U.S. Court Of Appeals for the Federal Circuit, Case 16-2497 Converse, Inc. v. International Trade Commission and Skechers U.S.A., Inc., New Balance Athletics, Inc. et al. (2018)

⁵¹⁹ O Molineux, 'Mediation On The Runway: Advocating For The Use Of Mediation To Help Resolve Intellectual Property Disputes In The Fashion Industry' 73 (2) (2018), *Dispute Resolution Journal* 61, 66-68.

⁵²⁰ A Kur and M Senftleben, *infra* 'Acquisition Of Rights', 112.

⁵²¹ 'Competition Law Issues in the Fashion Industry' (2021), <https://enhelion.com/blogs/2021/01/17/competition-law-issues-in-the-fashion-industry/>

⁵²² PM Gregory, 'Fashion and Monopolistic Competition' 56 (1) (1948), *Journal of Political Economy* 69, 74-75.

circumstances where competitors engage in intentional parasitism, the resultant market distortion justifies Court action even in the absence of an intellectual property rights violation or consumer fraud.⁵²³

The Union tries to address the issue in multiple legislative sources. To name some, all agreements between businesses, by associations of businesses, and coordinated actions that trade across Member States and have as their goal the prohibition, limitation, or distortion of competition within the market are forbidden under Article 101 of Treaty on the Functioning of the European Union.⁵²⁴ In order to strengthen and make the European Common Market more equitable and competitive, the Community competes primarily against policy cartels and blatant trade restrictions between pricing agreements and the horizontal division.⁵²⁵ The peculiarities of the fashion and luxury market also suggest that vertical agreements are quite important to this business. The new Vertical Block Exemption Regulation and the accompanying Guidelines on Vertical Restraints, which regulate vertical agreements between businesses operating at different levels of the production or distribution chain, are generally viewed as less harmful to competition than horizontal agreements between rival businesses offering comparable goods or services. However, vertical agreements may cause competition issues if the parties engage in actions that might result in collusion, softening of competition, or foreclosure. When it comes to managing their brands, brand owners typically engage into agreements with distributors and/or resellers to run and set up their distribution network. The relationship between competition law and the fashion and luxury industries is therefore crucial to the sector.⁵²⁶

Resale price maintenance is a different strategy that entails agreements or clauses in which a supplier establishes a fixed or minimum price at which a distributor may resell a certain product. Under the 2022/720 Vertical Block Exemption Regulation, it is regarded as a severe violation of competition law and a strong limitation.⁵²⁷ This is due to the possibility that maintaining resale prices might encourage collusion, lessen the pressure on the supplier's margin, and eliminate price

⁵²³ V Atkinson and W van Caenegem, 'The fashion sector: copyright, designs or unfair competition?' 14 (3) (2019), *Journal of Intellectual Property Law & Practice* 214, 215.

⁵²⁴ SW Waller, 'Understanding And Appreciating Ec Competition Law' 61 (1) (1992), *Antitrust Law Journal* 55, 58.

⁵²⁵ *Ibid*, 60.

⁵²⁶ F Carloni, M Hofmann, S Prinzivalli Castelli, V Todisco, and C Corell Pérez de Rada, 'Survey: Competition Law Enforcement in the Fashion and Luxury Sector' 14 (1) (2023), *Journal of European Competition Law & Practice* 52, 53.

⁵²⁷ Regulation (EU) 2022/720 of the Commission, of 10 May 2022, on the application of Article 101(3) of the Treaty on the Functioning of the European Union to categories of vertical agreements and concerted practices (2022), L134/22.

competition.⁵²⁸ Territorial restrictions are a general rule that states that suppliers can, in some circumstances, stop their distributors from actively selling to customers in territories designated for other distributors but typically cannot stop passive selling. In recent years, the Commission has enforced territorial restrictions.⁵²⁹ The Community then addresses the unilateral actions of businesses abuse with substantial market power, defined as dominant position, in Article 102 of the Treaty on the Functioning of the European Union.⁵³⁰

The term "*abuse of a dominant position*" refers to an action taken unilaterally to impair competition and, ultimately, consumer welfare. At the European Union level, large examples of abusive behavior under Article 102 did not arise in the fashion and luxury sector, perhaps as a result of the industry's highly fragmented market.⁵³¹ Since the just the establishment of large enterprises with significant market power genuinely may be advantageous to the expansion and integration of the Common Market, the Article is only stated in terms of the *abuse* of such dominating position. As a result, the development or purchase of a dominant position is not frowned upon, but the actions of companies with such authority are closely monitored.⁵³² To give a practical example, due to its dominance in the eyeglass frame business, Essilor International Luxottica has been accused of having a monopoly. Luxottica is able to charge high rates for the glasses it offers because of efficient distribution and supply chains, which raises concerns about both cost and customer choice. That suggests that it may be conceivable, even if it is not proven, that the company has the power to influence eyeglass frame costs. Additionally, Luxottica owns companies that create eyeglass frames and holds rights to provide well-known fashion businesses like Persol, Oliver Peoples, Mosley Tribes, and Oakley with their products.⁵³³ On the other hand, it might be claimed that Luxottica does not have a monopoly because there are many eyewear and sunglass alternatives on the market that even provide frames at prices far cheaper than those.⁵³⁴

Recently, Essilor Luxottica was fined by the French Competition Authority (FCA) on November 8, 2022, for engaging in discriminatory business practices that hampered competition. The FCA said

⁵²⁸ F Carloni, M Hofmann, S Prinzivalli Castelli, V Todisco, and C Corell Pérez de Rada, 54.

⁵²⁹ F Carloni, M Hofmann, S Prinzivalli Castelli, V Todisco, and C Corell Pérez de Rada, 58.

⁵³⁰ Treaty on the Functioning of the European Union, Supra n 40, 101 and 102.

⁵³¹ F Carloni, M Hofmann, S Prinzivalli Castelli, V Todisco, and C Corell Pérez de Rada, 60.

⁵³² SW Waller, 68.

⁵³³ P Liu, 169.

⁵³⁴ Ibid, 170.

that Essilor Luxottica had reduced customer choice and exploited its dominant position in the French corrective-lens market. Given its sizable and consistent market share, the density and dependability of its distribution network, its presence at every stage of the industry's value chain, and the absence of countervailing demand, the Authority determined that Essilor dominated the French market for wholesale distribution of corrective lenses. The FCA believed that by refusing to send them branded lenses and forbidding them from utilizing Essilor's trade marks and logos, Essilor had blocked several online platforms from providing customers with Essilor or Varilux branded lenses.⁵³⁵ Worldwide mergers and acquisitions in the luxury apparel market over the past several years have produced a small number of prominent businesses. None of them, though, has been charged with breaking competition law rules. On November 7, 2018, the Commission gave its approval for the American company Michael Kors Holding Limited to purchase the Italian fashion label Gianni Versace.⁵³⁶ The same can be said concerning LVMH, when Bernard Arnault purchased Christian Dior's struggling parent business, Boussac, in 1984 and never stopped from there. After becoming successful with Dior, Arnault bought Louis Vuitton-Mot Hennessy in 1987, giving the business its name. He purchased Givenchy in 1988 and Berluti and Kenzo in 1993. He then bought many more luxury brands since 2000, including JW Anderson, Bulgari, Loro Piana, and Fendi.⁵³⁷ The combined purchase of the fashion business Fendi by rivals Prada and LVMH was even authorized in 2000 by the European Commission, who decided to examine the luxury sector as a whole rather than breaking it down into segments like luxury clothing, luxury handbags, luxury wines, and the merger was therefore permitted even though the 25% threshold was exceeded in the luxury handbags sector and leather accessories. Despite their merger, the parties would not have a dominating position in the market, according to the Commission, *luxury items have low to no substitutability with other similar but non-luxurious products; and The purchase of a luxury good is linked to prestige rather than consumption of a specific item, indicating that one luxury label's product cannot be substituted by a similar effect of another luxury label.*⁵³⁸ Additionally, on October

⁵³⁵ F Carloni, M Hofmann, S Prinzivalli Castelli, V Todisco, and C Corell Pérez de Rada, 60.

⁵³⁶ Ibid, 61.

⁵³⁷ 'The Monopoly Man: How Bernard Arnault and his LVMH Empire are Eliminating Competition in the Luxury Market' (2020), <https://smulook.com/2020/02/13/the-monopoly-man-how-bernard-arnault-and-his-lvmh-empire-are-eliminating-competition-in-the-luxury-market/>

⁵³⁸ 'Competition Law Issues in the Fashion Industry', Supra 521, from European Commission, LVMH / PRADA / Fendi (2000), COMP/M.1780

26, 2020, the Commission also approved the deal that would result in the merger of an indirect 100% subsidiary of LVMH with and into Tiffany.⁵³⁹

The question then comes obvious, is the fashion industry a monopoly market or not? By providing some examples, it may appear that it is a monopolistic market, and in fact, twelve fashion firms alone are thought to have a 10% market share. Nevertheless, the percentage of each in total fashion sales is still rather tiny. One of the biggest apparel companies in the world is Nike. However, it barely accounts for 2.8% of the worldwide clothing market.⁵⁴⁰ Now, in this industry, we will probably never approach a monopoly in the very sense of the word because to have a single firm or even company own more than the majority stock is very far from reality, especially for a sector that is so rooted in experimenting and being the “*new IT thing*”. But at the same time, we cannot deny that there is definitely a major presence from some brands over others. So, until competition law will be adjusted to take into consideration the peculiarities of fashion, we are prone to believe the fashion industry is an oligopolistic sector, where there is undeniable market power from some agglomerates over other smaller brands, but no real solitary monopoly.⁵⁴¹

And it is certain that some antitrust concerns do arise, or we would have not seen the European Commission begin conducting surprise inspections of the locations of businesses involved in the fashion sector in many Member States on April 18, 2023, including even Gucci itself. The Commission has also formally requested information from businesses operating in the same industry because they may have broken European Union antitrust laws, including Article 101 of the Treaty on the Functioning of the European Union.⁵⁴² The General Court of the European Union even touched upon the matter in 2022 through the case of “*Nehera*”.⁵⁴³ It all started in 2013, when an application for registration of an European Union trade mark with EUIPO for the following figurative sign under Classes 18, 24 and 25 of the Nice Agreement was made.

⁵³⁹ F Carloni, M Hofmann, S Prinzivalli Castelli, V Todisco, and C Corell Pérez de Rada, 61.

⁵⁴⁰ ‘Do Fashion Brands Have a Monopoly on the Clothing Market?’ (2022), <https://fashionbombdaily.com/do-fashion-brands-have-a-monopoly-on-the-clothing-market/>

⁵⁴¹ The difference stands in the fact that while a monopoly represents the dominance of only one seller in the market, in the oligopoly, which what I recognize the fashion industry as, that dominated is shared by multiple players and undertakings, although they remain few compared to the width of the market, which also stays far from perfect.

⁵⁴² ‘Antitrust: Commission confirms unannounced inspections in the fashion sector’ (2023), https://ec.europa.eu/commission/presscorner/detail/en/ip_23_2352

⁵⁴³ Case T-250/21 Ladislav Zdút v. EUIPO/Isabel Nehera/Jean-Henri Nehera/Natacha Sehnal (2022), ECLI:EU:T:2022:430.

Nehera

But in June 2019, the interveners, Ms. Isabel Nehera, Mr Jean-Henri Nehera and Ms. Natacha Sehnal, filed an application for a declaration of invalidity against that mark in accordance with the provisions of Article 59(1)(b) of Regulation 2017/1001, claiming that the applicant was acting in bad faith when he filed the application.⁵⁴⁴ That is because back in the 1930s, their grandfather, Mr. Jan Nehera, had established a business marketing clothing and accessories and had filed and used a national mark identical to the contested mark in Czechoslovakia. The Court went on to explain, first of all, what the concept of bad faith corresponds to: *“the presence of a dishonest state of mind or intention”*, and since the rules on the European Union trade mark are aimed at contributing to the system of undistorted competition in the European Union, *“the absolute ground for invalidity referred to in Article 52(1)(b) of Regulation No 207/2009 applies where it is apparent from relevant and consistent indicia that the proprietor of an European Union trade mark has filed the application for registration of that mark, not with the aim of engaging fairly in competition but with the intention of undermining, in a manner inconsistent with honest practices, the interests of third parties, or with the intention of obtaining, without even targeting a specific third party, an exclusive right for purposes other than those falling within the functions of a trade mark, in particular the essential function of indicating origin”*.⁵⁴⁵ In the present case, EUIPO and the interveners have not established that the applicant was driven by a dishonest state of mind or intention when he filed the application for registration of the contested mark and therefore the Court found the Board of Appeal to have erred in finding that the applicant intended to take unfair advantage of the reputation of Mr Jan Nehera, and overall that no bad faith could have been imposed.

2.1 Parasitic Copying

A particular type of unfair competition claim, which the French Courts have over time transformed into a specialized branch, is named *"parasitic copying,"* or parasitism, which involves the close imitation of another person's ideas, image, brand, and product and, in essence, hijacking their goodwill, investment, and notoriety. The argument is that by doing so, the rival is behaving somewhat parasitically. The luxury goods business has a specific issue with parasitic copying. An

⁵⁴⁴ Regulation (EU) 2017/1001, Supra n 114, 59(1).

⁵⁴⁵ Case T-250/21 Ladislav Zdút v. EUIPO/Isabel Nehera/Jean-Henri Nehera/Natacha Sehnal, Supra n 543, 23-25.

important ruling in this area, involving L'Oréal and Cartier, demonstrates how widespread the practice is in France.⁵⁴⁶ The Opium perfume by L'Oréal's advertising campaign featured a leopard and red, gold, and black gems, which are all extremely reminiscent of Cartier's branding. L'Oréal was accused by Cartier of copying in order to capitalize on Cartier's fame and reputation, according to Cartier. Cartier prevailed at first instance, and L'Oréal appealed the decision on the grounds that it effectively granted Cartier a monopoly right regarding the use of feline animals with specific colors and jewels, and that as a result, the judges had substituted rights that should be restricted to the field of intellectual property by using the theory of parasitic copying. On the grounds that "*parasitic copying involves a company unjustly benefiting from the notoriety of a brand which has been acquired through legitimate investments,*" the Paris Court of Appeal confirmed that parasitic copying had taken place, proving that it can provide extremely broad protection even in the absence of any chance of confusion, direct copying, or dishonesty. There is no need to take into account the legality of a right, the underlying technology, or actual infringement, and that is since even in the absence of consumer deception, a remedy may still be applicable if there is proof of willful copying and a rival riding on the coattails of a creator.⁵⁴⁷

However, unfair competition cannot be used as a last resort in infringement cases if the only evidence is the similarities between two items, as doing so runs the danger of granting monopolies that go beyond those protected by intellectual property rights. As an example, Céline claimed in a lawsuit for unfair competition that Zara had successfully copied its designs from season to season, but since the defendant had eliminated any chance of customers assuming that the items were Céline by its marketing strategy, the Court of Appeal dismissed both claims.⁵⁴⁸ Sensationally, the Court decided that there was insufficient evidence to support Zara's claim that she sought to profit off Céline's fame.⁵⁴⁹

A similar situation happened when an Italian company, Wishlist, registered the trade mark "*Cesare Armani*" in Italy, which resulted into Giorgio Armani S.p.A. bringing claims of unfair competition because of the unfair advantage that would have been gained.⁵⁵⁰ The Court ruled Wishlist's "Cesare Armani" trade mark registration as invalid and prohibited them from using the trade mark in the

⁵⁴⁶ Court of Appeal of Paris, Section 5, Chamber 4, Case 08861/2013 L'Oréal v Cartier (2015).

⁵⁴⁷ V Atkinson and W van Caenegem, 216.

⁵⁴⁸ Court of Appeal of Paris, Section 5, Chamber 1, Case 04542/2012 Celine vs Zara (2013).

⁵⁴⁹ V Atkinson and W van Caenegem, 219.

⁵⁵⁰ Court of Rome, Section I, Intellectual Property Section, Case 411/2010 Giorgio Armani S.p.A. v Wishlist (2010).

future.⁵⁵¹ According to Italian law, unfair competition claims may be made in circumstances similar to those in France, such as when a competitor's trade mark or other distinctive sign is used in an effort to cause confusion, when a competitor's products or methods of presenting its services are imitated slavishly, when a competitor's products or business or activity is disparaged or appropriated, or when any other practices that are contrary to the standards of professional fairness are used, either directly or indirectly. Parasitic copying is covered by the third and fourth examples. To be caught by parasitic copying, one needs to engage in repetitive conduct which considered together represents the repeated and continuous copying of a competitor's initiatives. This kind of behavior is considered to be the systematic, illegal exploitation of the competitor's efforts and originality. On the opposite, unfair competition should also not be exploited by the defendant when they are found to be guilty of malpractices. For example, when Chanel recently sued the luxury resale platform The RealReal on the basis of selling counterfeit handbags bearing its logo, the latter responded by claiming that Chanel is close to being a monopolist and that the continuous impeding to second-hand resellers of their handbags is an unfair practice under competition law.⁵⁵² The case remains ongoing.



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Parasitic copying was an important part of the famous dispute between Gucci and Guess. This saga saw Gucci battling Guess worldwide, starting in the United States.⁵⁵⁴ In early 2018, a global settlement was achieved following the litigation's conclusion in Italy. Gucci sued Guess and one of its online sellers, Zappos, in 2009, for trade mark infringement and unfair competition, including parasitic competition, supported by the Italian sales of two pairs of Guess shoes that Gucci deemed to be a "*slavish imitation*" of its own footwear. Guess refuted all of the allegations and issued a counterclaim seeking to invalidate Gucci's trade marks on the grounds that they lacked

⁵⁵¹ GC Jimenez and B Kolsun, *infra* 'International Fashion Law: Brand Protection and IP Law in Key Fashion Markets', 354.

⁵⁵² U.S. Southern District Of New York, Case 18 Civ. 10626 Chanel, Inc. v. The RealReal, Inc. (2022).

⁵⁵³ The image depicts a pair of Gucci shoes on the left side and a pair of Guess equivalent footwear on the right side.

⁵⁵⁴ U.S. Southern District Of New York, Case 843 F. Supp. 2d 412 Gucci Am., Inc. v. Guess?, Inc. (2012).

distinctiveness and had not been used in connection with a single mark. In the first instance, the Court of Milan rejected all of Gucci's requests, including its accusation of unfair competition. The Milan Court then dismissed the remaining counterclaims and declared seven trade marks invalid.⁵⁵⁵ Guess was then found responsible for parasitic copying by the Court of Appeal, because, there looked to be a consistent duplication of Gucci's trade marks, producing goods that were strikingly similar to Gucci's in terms of their shape, colors, materials, graphics, and ornamental aspects.⁵⁵⁶ Due to Guess's persistent behavior, which the Court regarded to be systematically exploiting Gucci's ingenuity and commercial initiative, regardless of the potential for confusion, Guess was therefore found guilty for parasitic copying. On the other hand, when Gucci recently tried, with similar claims but opposite results, to obtain the invalidity for Guess' trade marks in front of the Union's justice, the General Court went in the opposite direction.⁵⁵⁷ Whether the "interlocking Gs" in the Guess logo were confusingly similar to the "interlocking or overlapping Gs" in Gucci's marks was at the center of the dispute. The Court firmly responded in a negative manner because the marks gave off a different overall impression, demonstrating that if certain requirements are met, an undertaking may be granted trade mark protection for a logo that incorporates a letter present in earlier well-known marks owned by well-known fashion houses. In reality, a company needs to add additional components to its logo to make it appear more complicated aesthetically and separate it from older, well-known logos. This prevented a logo from being deemed confusingly similar to other marks.⁵⁵⁸ These two examples fully demonstrate the potency of an unfair competition claim and how adaptable it may be in comparison to a trade mark infringement claim.⁵⁵⁹

2.2 The Case Of Legal Fakes

A "legal fake" is a replica of a brand that has been registered as a trade mark in a nation where the original mark has not yet been used, even though there may have been minor visual differences from the original mark. Certain Italian businesses have legally appropriated trade marks that are well-known in other markets, registering and selling them in well-known boutiques when they have

⁵⁵⁵ Trade marks 105760, 940491, 1057600, 940490, 971291, 4462735, 5172218.

⁵⁵⁶ Court of Appeal of Milan, Case 3308/2014 Guess Inc. v Guess Italia Srl (2014).

⁵⁵⁷ Case T-753/15 Guccio Gucci SpA v EUIPO (2016), ECLI:EU:T:2016:604.

⁵⁵⁸ M Giannino, 'The battle of the Gs: GC rules that use of the Guess logo does not infringe earlier Gucci marks' 12 (4) (2017), *Journal of Intellectual Property Law & Practice* 266, 268-269.

⁵⁵⁹ R Burbidge, 'If Someone Copies You' in R Burbidge (1st eds), *European Fashion Law: A Practical Guide from Start-up to Global Success* (Elgar 2019) 320, 344-349.

not been registered in Italy by their actual owners. Famous streetwear labels like Boy London, Supreme, Kith, and Pyrex, which are registered in Italy as Supreme Italia, Pyrex Original, Boy London Italia, and Kith Official, have been impacted by the legal fake phenomena. These legitimate knockoffs generally have a few characteristics that set them apart from the originals, such as a reduced price or a different logo.

One of the most well-known streetwear companies in the world, Supreme, was established in New York City in 1994, and it has come to represent young Americans. The appeal of the brand is directly related to the fact that there are only nine Supreme locations globally, none of which are located in Italy. A few years ago, the Italian clothing firm Trade Direct SRL decided to capitalize on Supreme's international popularity and started making and selling apparel with the label Supreme Italia. The company's logo was so close to the original that it was simple to mislead Italian customers who were unaware of the brand's origins. Due to the Supreme trade mark's lack of legal protection in Italy, Trade Direct decided to file and register the mark there on its own, so Supreme made the decision to file a lawsuit, seeking protection from Supreme Italia for "*counterfeiting activities and unfair competition*".⁵⁶⁰ The Court of Milan accepted Supreme's interim application on January 26, 2017, and as a result, all manufacture, export, and sales of apparel and other goods branded with the Supreme trade mark have been halted. The Court affirmed that Supreme Italia's actions were illegal in relation to both the trade mark infringement and independent instances of parasitic unfair competition, not only using the same Supreme mark for streetwear products that were identical to the original, but also by persistently stealing certain advertising images and graphics created by the original company. The Supreme Court decision demonstrates how important it is for businesses to keep an eye on all markets, even those as developed and well-equipped as the Italian market, in order to quickly take action and stop instances of unfair competition and counterfeiting that could endanger not only the value of the infringed trade marks but also the credibility and reputation of the entire brand.⁵⁶¹

3. The “Copying” Phenomenon Of The Fashion Industry

Designers were never silent victims of the inadequate protection they received, and they quickly learned how to use the law to defend their innovations. Way before Von Furstenberg warned

⁵⁶⁰ Italian Court of Cassation, Criminal Section, Section 3, Case 47827 Supreme NY v Supreme Italia (2019).

⁵⁶¹ S Grazioli, 'Legal fakes and the shopping experience - Italy's fashion challenges' (2018), Country Correspondents, Bugnion SpA 126, 126-127.

copycats and counterfeiters declaring "*war on counterfeiters and copyists*" in a public declaration,⁵⁶² Paul Poiret, Marie Gerber Callot, and Madeleine Vionnet rose to prominence in the early twentieth century when they sued counterfeiters in Court.⁵⁶³ And nowadays the Court of Justice and General Court of the European Union's roles became as important as ever. And that is due to the fact that although advancements to women's fashion made it simpler and more affordable to mimic trends since the 1920s,⁵⁶⁴ nowadays consumers who want to acquire luxury products have greater access than ever. As a result, rather of standing by and watching their revenues decline, many businesses turn to the legal system to defend their investments.⁵⁶⁵

Because, when developing a fashion line, designers incur significant risk and expense and without proper protection, style pirates may profit off the designers' hard work and success, potentially depriving them of significant financial gain.⁵⁶⁶ Piracy occurs when businesses simply duplicate other designers' models to sell at a lower price point,⁵⁶⁷ which has always been the case for the industry but used to be less of a challenge for firms since high fashion materials were too expensive to imitate. The loss before the Second World War was therefore not significant for those designers and pushed them to silently accept the presence of few imitators.⁵⁶⁸

Today, these ideas are duplicated by "*fast fashion*" so quickly that they sell the items before the original may even be marketed.⁵⁶⁹ The transition from designer exhibits to the mainstream market used to take months, but the digital age has sped up and simplified imitation.⁵⁷⁰ Brands accordingly

⁵⁶² E Myers, 'Justice in Fashion: Cheap Chic and the Intellectual Property Equilibrium in the United Kingdom and the United States' 37 (1) (2009), *AIPLA Quarterly Journal* 47, 70-71.

⁵⁶³ V Pouillard, 'Lobbying for Design Protection: a Perspective on France and the United States During the First Half of the Twentieth Century' 2 (2021), *Dimensioni E Problemi Della Ricerca Storica* 69, 71-72.

⁵⁶⁴ P Shirwaikar, 'Fashion Copying and Design of the Law' 14 (2009), *Journal of Intellectual Property Rights* 113, 114-115.

⁵⁶⁵ L Ertekin, A Sorescu and MB Houston, 'Hands Off My Brand! The Financial Consequences of Protecting Brands Through trade mark Infringement Lawsuits' 82 (2018), *Journal of Marketing* 45, 62-63.

⁵⁶⁶ KV Tu, 'Counterfeit Fashion: The Interplay between Copyright and trade mark Law in Original Fashion Designs and Designer Knockoffs' 18 (3) (2010), *Texas Intellectual Property Law Journal* 419, 446.

⁵⁶⁷ C Barrere and S Delabruyere, 'Intellectual property rights on creativity and heritage: the case of the fashion industry' 32 (3) (2011), *European Journal of Law and Economics* 305, 332.

⁵⁶⁸ *Ibid*, 328.

⁵⁶⁹ X Li, 18-19.

⁵⁷⁰ S Monseaux, 'European Design Rights: A Model for the Protection of All Designers from Piracy' 48 (1) (2011), *American Business Law Journal* 27, 37.

try to implement strong legal defenses to protect themselves against imitations,⁵⁷¹ considering also how the overall value of commerce in items that were pirated headed for the European Union in 2019 have reached EUR 119 billion.⁵⁷² Overall, all those factors combined culminated in an industry where every brand has always a place for resorting to the Courts in its marketing strategy, which, as a result, blossomed and stratified firm jurisprudence's opinions over the years. As they will be explained later with practical examples, the most relevant teachings that the justices have expressed throughout the pragmatic episodes concern the high degree of similarity between products and likelihood of confusion a consumer may sustain when purchasing said products. Sometimes the product in question will be a knock-off whose purpose is to be sufficiently close to the expensive original that the wearer could trick their audience into thinking it is the real thing, other times there was no real attempt to trade upon an earlier, more famous, product reputation but solely a slight similarity. As we will see, not all cases gain a positive outcome for the renowned brands, yet there is consistency within the judges' solutions, which basically tried to evaluate in every instance whether there was a real threat to the brand's reputation and whether it was possible to confuse the goods in the eyes of an average consumer. Lastly, it must be observed how the portrayed examples will only refer to the most recent cases for every point of discussion to paint the most accurate depiction of the current state of the case law, yet it is unsaid how these jurisprudence's theories were created much earlier than the cited cases.

3.1 Counterfeits and Knock Offs

In ancient civilization, when everyone had a "place" in the social structure, status had its origins. Historically, either birth or ordination was required to reach this position. This altered throughout the Age of Enlightenment when people's value started to be determined by their accomplishments, and the rich were not only wealthier; they were also "*better*". They earned their success, and as a result, wealth grew in importance as a sign of social standing. Since then, wealth and social standing have been tightly interwoven. Some go as far as arguing that status is not actually determined by accumulation of money, instead, what establishes status is the demonstration of riches, which necessitates its wasteful display, practice referred to as "*conspicuous consumption*."

⁵⁷¹ A Agarwal, 'IP in Fashion Industry: IP Strategies That Can Be Undertaken to Prevent Counterfeiting in the Industry' 4 (2021), International Journal of Law Management & Humanities 1120, 1127.

⁵⁷² OECD/EUIPO, 'The European Union case study' in OECD/EUIPO (1st eds), Global Trade in Fakes: A Worrying Threat (OECD Publishing 2021), Illicit Trade 55, 55-58.

Higher pricing alone can sometimes give customers a sense of superiority because they are among the few who can afford the product.⁵⁷³

For functionally similar commodities, consumers will pay more if they desire the status that comes with outward shows of wealth.⁵⁷⁴ Consumers can now separate the status and quality characteristics of luxury items with counterfeits by paying less to get the status while avoiding paying for the quality.⁵⁷⁵ “*Any good, including packaging, bearing without authorization a trade mark which is identical to the trade mark validly registered in respect of such goods, or which cannot be distinguished in its essential aspects from such a trademark, and which thereby infringes the rights of the owner of the trade mark in question under the law of the country of importation*” is considered a counterfeit.⁵⁷⁶ Products that are counterfeited are sold as the originals they imitate, featuring reproductions of a brand's label or distinctive insignia that are so similar to the originals that they appear to be the same. By going to tremendous measures to make their fake items resemble the genuine ones they are trying to mimic, counterfeiters want to capitalize on the goodwill of the original companies.⁵⁷⁷ Contrarily, a knock-off is an unauthorized copy, usually for sale at a substantially lower price than the original, which is similar to the genuine product in appearance but is not an exact replica and does not bear the logo of the company that made the original product.⁵⁷⁸ The product does not necessarily need to be of the same material or quality to be deemed a knockoff, and typically it is less well made.⁵⁷⁹

It may appear that knockoff clothing, which duplicates a runway design's look but not its label, is merely a harmless trend imitation, which can even be found in well-known retailers in the neighborhood mall. Contrary to trade mark-violating counterfeits, knockoff clothing does not overtly represent itself as the real deal, such as by adding fake labels to the replicas; there are no fake Prada emblems to be found inside H&M, for example. However, the goal of the maker of the

⁵⁷³ YJ Han, JC Nunes and X Drèze, ‘Signaling Status with Luxury Goods: The Role of Brand Prominence’ 15 (74) (2010), *Journal of Marketing* 15, 18.

⁵⁷⁴ T Veblen, ‘Dress as an Expression of the Pecuniary Culture’ in T Veblen (1st eds), *The Theory of the Leisure Class* (MacMillan 1899) 77, 77-86.

⁵⁷⁵ YJ Han, JC Nunes and X Drèze, 20-22.

⁵⁷⁶ Agreement on Trade-Related Aspects of Intellectual Property Rights, *supra* n 211, 51, footnote 14 (a).

⁵⁷⁷ R Basu, ‘Fashion, IPR & The Emerging Designer IP Protection And Contractual Safeguards For Emerging Designers And Small Fashion Firms’ (2015) 1, 6-7.

⁵⁷⁸ N Giambarrese, ‘The Look for Less: A Survey of Intellectual Property Protections in the Fashion Industry’ 26 (1) (2012), *Touro Law Review* 243, 259.

⁵⁷⁹ R Basu, 7-8.

knock-off is to produce a garment that is sufficiently close to the expensive original that the wearer could trick their audience into thinking it is the real thing.⁵⁸⁰ This is exactly what was claimed by Cartier in front of the General Court of the European Union after the brand ALO jewelry filed an application for registration of an European Union trade mark in respect of the following figurative sign (the one on the left side), while the opposition was based on the earlier international registration No 1029142 (the one on the right side) and Articles 8(1)(b) and 8(5) of Regulation 2017/1001.⁵⁸¹

ALove LOVE

The General Court went on to explain that, just like the Board of Appeal of the EUIPO already affirmed, the signs at issue had a high degree of similarity in that they shared the same concept, conveyed by their common word ‘love’, reinforced by the heart-shaped stylization of the letter ‘O’.⁵⁸² Because of it, and the fact that the goods concerned were at the very least, closely linked since all of them were strongly associated with the jewelry sector, it was highly likely that an association may be made between those marks in the mind of the relevant public. Also, the risk that the image of the mark having a reputation or the characteristics which that mark projects may be transferred to the goods covered by the mark applied for, with the result that their marketing is made easier by that association with the earlier mark having a reputation, does not necessitate a likelihood of confusion between the marks at issue; the relevant public need only be able to establish a link between them without, however, confusing them.⁵⁸³

It is apparent from the case-law that the concept of unfair advantage is explained by the use and ‘free-riding on the coattails’ without due cause of a famous mark or an attempt to trade upon its reputation, with the result that marketing will be made easier by that association with the earlier mark having a reputation. Thus, in the present case, the risk, that the image of the earlier mark, which is LOVE by Cartier, which has been developed for years by the intervener, may be transferred to the applicant’s goods and services at issue, is very much plausible with the result that, as the Board of Appeal correctly noted, the mark applied for would be unduly ‘boosted’ on account

⁵⁸⁰ L Howard, 333-334.

⁵⁸¹ Regulation (EU) 2017/1001, Supra n 114, 8(1)(b) and 8(5).

⁵⁸² Case T-288/21 ALO jewelry CZ s. r. o. v EUIPO and Cartier International AG (2022), ECLI:EU:T:2022:420, 60.

⁵⁸³ Ibid, 74-75.

of its association with the earlier mark. Accordingly, ALO's plea was rejected and, the action dismissed in its entirety.⁵⁸⁴

3.1.1 Free Movement Of Goods

Tackling the different Customs agencies is one of the most effective ways to remove counterfeit products from the market since they intercept the items before they reach the land, but that might be an issue in the European Union and its respect of goods' movement between the Member States. The Basic Treaties enshrined what are usually known to as the "Four Freedoms," as cornerstones for constructing a single market. Article 34 TFEU expresses the principle of free circulation of goods,⁵⁸⁵ however, Article 36 TFEU allows derogating from that rule under certain conditions: *'The principle of free movement of goods] shall not preclude prohibitions or restrictions on imports . . . justified on grounds of [inter alia] the protection of industrial or commercial property. Such prohibitions or restrictions shall not, however, constitute a means of arbitrary discrimination or a disguised restriction of trade between Member States'*.⁵⁸⁶ Intellectual property rules, by definition, limit or impede the free movement of products, but they are also an essential means of protecting some types of property.⁵⁸⁷

The Court of Justice also developed the doctrine that an impediment to free movement of goods resulting from an intellectual property right can only be justified within the meaning of Article 36 if it is necessary to safeguard the specific subject matter of the right, and that the possibility of opposing importation of goods distributed by the proprietor or with his consent on other territories within the common market does not, in fact, constitute a justification.⁵⁸⁸ Yet, the problem remains, especially after it has been proven how frequently used convoluted trade is for establishing distribution facilities for counterfeit and pirated goods and for transshipping them in smaller orders

⁵⁸⁴ Ibid, 82-84.

⁵⁸⁵ Treaty on the Functioning of the European Union, Supra n 40, 34.

⁵⁸⁶ Ibid, 36.

⁵⁸⁷ C Seville, 'Intellectual property, free movement and competition' in C Seville (2nd eds), EU Intellectual Property Law and Policy (Elgar European Law series 2016) 398, 404.

⁵⁸⁸ A Kur, T Dreier, and S Luginbuehl, *infra* 'IP in the European legal framework', 45-46.

to their final destination points. Because of document cleaning procedures and the possibility that the counterfeiting process itself does not take place in the same economy as the manufacture of a particular article, it is typically challenging for customs officials to identify the "*producing economy*". A certain product might be made in one country, but its labeling with fake logos or packaging might be made in another economy that is closer to the market's final destination and has laxer intellectual property enforcement.⁵⁸⁹ Each nation has a designated customs authority, and while the laws that go along with them typically follow a similar pattern, there can be significant variations. The amount of rigor used by Customs officials might vary within the EU, despite the fact that European Union Customs has a single method and process on paper, but once the products have entered the Economic Area, they usually will not be searched and held again because of the free movement of commodities.⁵⁹⁰

Something related happened to Parfums Christian Dior, owner of some of the world's leading fragrance brands when, under the guise of its subsidiary, Kruidvat, Evora began running a retail chain.⁵⁹¹ In the Netherlands, Dior products are distributed through a selective distribution system, and despite the fact that Kruidvat shops were not appointed as distributors, they offered Dior products obtained through parallel imports. They marketed the Dior goods Eau Sauvage, Poison, Fahrenheit, and Dune for sale in promotional pamphlets, illustrating their packaging and bottles. Dior claimed that the advertisement did not conform to the expensive and distinguished image of the Dior marks and filed an intellectual property rights infringement suit in 1993. Once again, the European Union must weigh the basics of free movement against the economic contribution of the world's largest brand owners. The referring Dutch Court thus asked, in particular, if there were special considerations where the advertising function of a trade mark is jeopardized by the manner in which the reseller uses it, harming the goods' allure and prestigious image. The Court of Justice observed: *'Where a reseller makes use of a trade mark in order to bring the public's attention to further commercialization of trade-marked goods, a balance must be struck between the legitimate interest of the trade mark owner in being protected against resellers using his trade mark for advertising in a manner which could damage the reputation of the trade mark and the reseller's legitimate interest in being able to resell the goods in question by using advertising methods which*

⁵⁸⁹ OECD/EUIPO, 'Trends in Trade in Counterfeit and Pirated Goods' (2019), Illicit Trade, OECD Publishing, European Union Intellectual Property Office 1, 39-47.

⁵⁹⁰ R Burbidge, 'Combating Counterfeits' in R Burbidge (1st eds), *European Fashion Law: A Practical Guide from Start-up to Global Success* (Elgar 2019) 371, 372-374.

⁵⁹¹ Case C-337/95 Parfums Christian Dior SA and Parfums Christian Dior BV v. Evora BV (1997), ECLI:EU:C:1997:517.

are customary in his sector of trade'. In principle, the Court of Justice determined that a parallel importer who was free to resell goods should also be entitled to market them. However, if the parallel importer's use substantially harms the mark's reputation, the trade mark holder may be able to prevent such use.⁵⁹²

3.2 Trade Mark Piracy

Manufacturing or distributing goods or services with a mark that is virtually identical to or almost indistinguishable from a registered trade mark is known as trade mark infringement.⁵⁹³ The Union creates a complete scheme in conjunction with domestic laws to safeguard designers from the infringement of trade marks, projecting various Causes of Action to be invoked, recalled as Relative grounds for refusal, specifically included under Article 8 of the Trade Mark Regulation.⁵⁹⁴ Therefore, if designers find a competitor using a similar or identical trade mark to theirs, they must ask the European Union Intellectual Property Right Office to cancel the registration or oppose the application if it is still ongoing, or request the competent national customs department to detain these goods.

These causes of action may be utilized in a variety of situations, including to support an infringement claim to safeguard the proprietor's exclusive use of their mark, or to invalidate a competing mark that has been improperly registered. One of those causes that safeguard a trade mark owner's interest is the *confusion test* when the senior and junior marks are similar. Confusion can indeed be defined as the cornerstone of trade mark law. Trade mark owners are protected from those attempting to capitalize on their investment in their mark and brand. Trust may be a vague word, but in the context of trade marks, it undoubtedly has to do with how closely the characteristics of the mark match what consumers anticipate from them, such as quality assurance.⁵⁹⁵ The test serves the public interest by protecting consumers from making poor purchasing decisions, and as a result, it allows for the operation of a differentiated market for goods

⁵⁹² C Seville, *infra* 'Intellectual property, free movement and competition', 402-404.

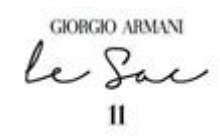
⁵⁹³ GC Jimenez and B Kolsun, 'Counterfeiting' in GC Jimenez and B Kolsun (2nd eds), *Fashion Law: A Guide for Designers, Fashion Executives, and Attorneys* (Bloomsbury Publishing PLC 2014) 139, 139.

⁵⁹⁴ Regulation (EU) 2017/1001, *Supra* n 114, 8.

⁵⁹⁵ M Chon, 'Slow Logo: Brand Citizenship in Global Value Networks' (2015), *The SAGE Handbook of Intellectual Property* 1, 6-17.

and services.⁵⁹⁶ The Court Of Justice Of The European Union has characterized the meaning of confusion as ‘*where the public can be mistaken as to the origin of the goods or services in question*’.⁵⁹⁷

The essential purpose of a trade mark is to guarantee to the end user the identity of the marked product by enabling him to distinguish the product or service from others which have a different origin. The trade mark must provide a guarantee that all goods or services bearing it have been produced under the control of a single undertaking that is accountable for their quality in order for it to play the crucial role in the system of undistorted competition that the Treaty seeks to establish.⁵⁹⁸ The likelihood of confusion is also probably the most used tool before European justices for fashion firms to claim sanctions against copying, and therefore it is not to move forward without mentioning the most recent developments of the case law. Going in chronological order, in 2020 Armani arrived before the General Court of the European Union in respect of the registration sought under Classes 18 and 25 of the Nice Agreement for the following sign:



Here, apart from the genuine use of the earlier mark doubts under Article 47(2) and (3) of Regulation 2017/1001, the likelihood of confusion, which is contained in Article 8(1)(b) of Regulation 2017/1001,⁵⁹⁹ was to be confirmed or denied in comparison to the following Spanish mark:

The Court once again reminded the parties that, ‘*in the global assessment of the likelihood of confusion, account should be taken of the average consumer of the category of goods concerned, who is reasonably well informed and reasonably observant and circumspect. It should also be borne in mind that the average consumer’s level of attention is likely to vary according to the category of*

⁵⁹⁶ F Ilanah, and DS Gangjee, ‘Introduction, The Likelihood of Confusion’ in F Ilanah, and DS Gangjee (1st eds), *The Confusion Test in European Trade Mark Law* (Oxford University Press 2019) 1, 1.

⁵⁹⁷ Case C-39/97 *Canon Kabushiki Kaisha v Metro- Goldwyn- Mayer Inc* (1998), ECLI:EU:C:1998:442, 64.

⁵⁹⁸ F Ilanah, and DS Gangjee, *infra* ‘Introduction, The Likelihood of Confusion’, 5.

⁵⁹⁹ Regulation (EU) 2017/1001, *Supra* n 114, 47(2), 47 (3) and 8(1)(b).

goods or services in question'.⁶⁰⁰ Also, again according to settled case-law, '*in assessing the similarity of the goods or services at issue, all the relevant factors relating to those goods or services should be taken into account*'. A global assessment of the likelihood of confusion also implies some interdependence between the factors taken into account and, in particular, between the similarity of the trade marks and that of the goods or services covered. Accordingly, a low degree of similarity between those goods or services may be offset by a high degree of similarity between the marks, and vice versa.⁶⁰¹ The Court found that, in view of the average degree of visual and phonetic similarity, the average degree of distinctiveness of the earlier trade mark, considering that in Spanish bag is said "bolsa" and not "sac", and the similarity of the goods and services, there was a likelihood of confusion within the meaning of Article 8(1)(b) of Regulation 2017/1001.

Similarly, the following year, the General Court also confirmed a likelihood of confusion in *Fashion Energy Srl v. EUIPO and Retail Royalty Co.*⁶⁰² In particular, on 16 October 2009, the applicant, Fashion Energy Srl, filed an application for registration of a European Union trade mark for the figurative sign below on the left, and on 1 April 2010, the intervener, Retail Royalty Co., filed a notice of opposition pursuant to Article 46 of Regulation 2017/1001 based on the European Union figurative mark reproduced below on the right covering goods and services in Classes 3, 18, 25 and 35.⁶⁰³



The Court went into detail on how to apply the likelihood of confusion to this specific case. It said that it includes the likelihood of association with the earlier trade mark,⁶⁰⁴ and that '*in the clothing sector, visual similarity might have greater weight than phonetic one*'. But probably the most important passage remains, "*the particular importance of the visual aspect for all the goods*

⁶⁰⁰ Case T-653/18 *Giorgio Armani SpA v EUIPO* (2020), ECLI:EU:T:2020:121.

⁶⁰¹ *Ibid*, 95.

⁶⁰² Case T-699/20 *Fashion Energy Srl v. EUIPO and Retail Royalty Co.* (2021), ECLI:EU:T:2021:928.

⁶⁰³ Regulation (EU) 2017/1001, *Supra* n 114, 46.

⁶⁰⁴ Case T-699/20 *Fashion Energy Srl v. EUIPO and Retail Royalty Co.*, *Supra* n 602, 44.

concerned, the average level of attention and the imperfect recollection of the relevant public and the independent distinctive role of the figurative element, namely the bird of prey, in the sign of the mark applied for, which is visually highly similar to the representation of the sign of the earlier mark, there was a likelihood of confusion within the meaning of Article 8(1)(b) of Regulation 2017/1001 for all the goods and services in question⁶⁰⁵ ... that would be the case even if the rectangular element bearing the word element were perceived as the dominant element, given that, as confirmed by the Court, the depiction of the bird had an independent distinctive role in the mark applied for”.⁶⁰⁶ As it was then obvious, the Fourth Board of Appeal did not commit any error in finding that there was a likelihood of confusion.

Lastly, in 2022, another test was confirmed in the fashion sector, between two similar polo logos:



The Court affirmed that the earlier mark has an average degree of distinctive character but given the identity of the goods at issue, even a moderate similarity between the signs may lead to a likelihood of confusion. For that reason, the Board of Appeal was, once again, correct in finding that there was a likelihood of confusion within the meaning of Article 8(1)(b) of Regulation 2017/1001 in the current case.⁶⁰⁸

And while few cases did not provide a clear answer by the Court on the confusion quest, such as *Lin Suicha v. EUIPO and Michael Kors* from 2022,⁶⁰⁹ where the action was dismissed, and *Puma SE v EUIPO and Brooks Sports* from 2023, where the Court declared that there was no longer any need to adjudicate on the action in respect of goods other than footwear, we also find other recent

⁶⁰⁵ Regulation (EU) 2017/1001, *Supra* n 114, 8(1)(b).

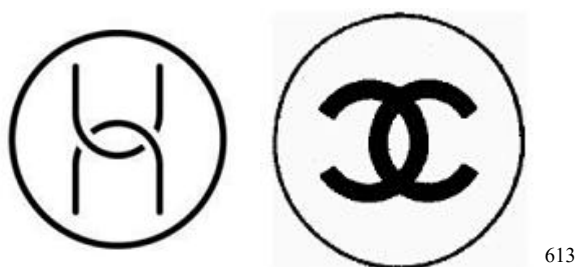
⁶⁰⁶ Case T-699/20 *Fashion Energy Srl v. EUIPO and Retail Royalty Co.*, *Supra* n 602, 105.

⁶⁰⁷ The opposition was based on the earlier Spanish figurative mark, portrayed on the right side, filed on 30 October 2018 and registered on 22 April 2019 under number 3741732.

⁶⁰⁸ Case T-355/21 *Polo Club Düsseldorf GmbH & Co. KG v EUIPO and Company Bridge and Life*, SL (2022), ECLI:EU:T:2022:348, 71-73.

⁶⁰⁹ Case T-264/22 *Lin Suicha v. EUIPO and Michael Kors (Switzerland) International GmbH* (2022), ECLI:EU:T:2022:861.

episodes where the European judges openly deny that any confusion may take place.⁶¹⁰ For example, in *Chanel v EUIPO and Huawei Technologies Co. Ltd*, the Court expressed that ‘*assessed globally, the marks at issue are visually different, despite the presence in each of them of two interlaced curves within a black circle, the latter being, moreover, a common geometric element*⁶¹¹... According to the Board of Appeal, visually, the marks at issue produced a very different overall impression, in so far as they had a different structure and were composed of different elements. The mere fact that each of the marks is composed of two connected elements does not make them similar’, and the General Court did not find the Board to be erring, dismissing the action in its entirety.⁶¹²



The same result was given in *Rolex SA v EUIPO and PWT A/S* earlier this year, where the figurative sign on the left side, was found not to be similar enough to create confusion to the one on the right side, by Rolex, which has been registered since February 2001 under number 1456201 and covering, inter alia, ‘watches’ in Class 14.⁶¹⁴



The Court came to its final decision following this logic steps: ‘*the fact that the goods at issue may be sold in the same commercial establishments, such as department stores, is not particularly significant, since very different kinds of goods may be found in such shops, without consumers automatically believing that they have the same origin; the mere fact that clothing and watches are*

⁶¹⁰ Case T-5/22 *Puma SE v EUIPO and Brooks Sports, Inc.* (2023), ECLI:EU:T:2023:150.

⁶¹¹ Case T-44/20 *Chanel v EUIPO and Huawei Technologies Co. Ltd* (2021), ECLI:EU:T:2021:207, 37.

⁶¹² *Ibid*, 46 and 54.

⁶¹³ The image depicts the Huawei logo on the left side and the Chanel logo on the right side.

⁶¹⁴ Case T-726/21 *Rolex SA v EUIPO and PWT A/S* (2023), ECLI:EU:T:2023:6.

*designated, in a report drawn up by the Organisation for Economic Cooperation and Development and EUIPO on the worldwide trade in counterfeits as being capable of being luxury items, is irrelevant for the purpose of establishing any similarity between the goods at issue; in opposition proceedings, the comparison of the goods must concern the description of the goods covered by the marks at issue and not the goods for which the trade marks are actually used'. Also, it was not apparent from the descriptions of the goods at issue that they are expensive and high-end goods. In the absence of any specific information to the contrary, they may come within any range. It then follows that the Board of Appeal was fully entitled to find that the goods at issue were dissimilar, and the applicant's arguments were fully rejected.*⁶¹⁵

It is so far evident that merely having an association with the senior mark does not surely constitute confusion that is cause for legal action. Therefore, it stands to reason that association alone would not qualify as confusion. In fact, in *SABEL v. Puma*, the Court Of Justice, touched on the subject, concluding that "*the concept of likelihood of association is not an alternative to that of likelihood of confusion, but rather serves to define its scope*".⁶¹⁶ This explanation contends that the association reference was added to serve as a reminder that association will be a factor in consumers' ability to distinguish between a senior and junior mark unless the latter serves as a reminder of the former, but it does not function as a preventative measure against confusion. When the senior and junior marks are similar or identical, there is also a chance that the junior and senior marks will be confused as a result of these two similarities.

So far, I have often referred to senior and earlier marks, but what defines those? Earlier marks can be earlier community trade marks, registered national trade marks and international trade marks having effect in one of the Member States. A trade mark application will then be denied if it is similar to an earlier trade mark and the products or services for which registration is sought are the same as the goods or services for which the earlier trade mark is protected and confusion is always presumed. Since there will be no need to establish confusion if the disputed sign and products are similar to the prior mark, the concept of identity has been strictly defined. The Court of Justice concluded in *LTJ Diffusion* that there is identity between the sign and the trade mark '*when the former reproduces, without any alteration or addition, all the components forming the latter*'.⁶¹⁷

⁶¹⁵ Ibid, 31-34.

⁶¹⁶ Case C-251/95 *Sabel BV v. Puma AG* (1997), ECLI:EU:C:1997:528, 18.

⁶¹⁷ Case C-291/00 *LTJ Diffusion SA v. Sadas Vertbaudet SA* (2003), ECLI:EU:C:2003:169, 50-54.

The sense of identity between the sign and the trade mark, on the other hand, must be evaluated internationally in relation to the average customer. Direct comparison is rarely feasible, and the amount of attention of the consumer is likely to vary depending on the nature of the goods or services. As a result, *'insignificant discrepancies between the sign and the trade mark may go unnoticed by an ordinary customer'* and will be overlooked when determining whether the sign and the mark are similar.⁶¹⁸ Given adequate supporting data, the peaceful coexistence of two marks in a specific market, for example, may imply the absence of possibility of confusion: *When examining the similarity of the goods or services in question, all relevant elements pertaining to the goods or services themselves should be considered, including their nature, end users, and manner of use, as well as whether they are competitive or complimentary.*⁶¹⁹

Goods or services are complementary, and therefore in competition, if they have a close relationship in the sense that one is necessary or important for the use of the other in such a way that customers may believe that responsibility for the production of those goods or the provision of those services lies with the same company. The Court established a high threshold for this in the fashion and apparel industry in Sergio Rossi, holding that not all of the items included in that area may be characterized as complimentary and hence comparable.⁶²⁰ Despite 'a certain aesthetic harmony in clothes' was widely desired, it was not a *'real aesthetic need'* in the sense that customers would find it uncommon or upsetting to carry a bag that did not completely match their shoes.⁶²¹ What matters are the ordinary circumstances under which such things are sold, not the circumstances under which a specific proprietor markets items, because the latter are based on subjective elements and may vary over time.⁶²²

Notably, the Court Of Justice also ruled that situations where the senior mark has a higher level of inherent or acquired distinctiveness make confusion more likely.⁶²³ After SABEL, an attempt was made to claim that confusion may be assumed if the senior mark had a reputation and association was established, but this argument failed.⁶²⁴ In fact, in 2022, the General Court did declare that no

⁶¹⁸ Case C-251/95 Sabel BV v. Puma AG, *Supra* n 616, 22.

⁶¹⁹ Case T-96/14 Vimeo LLC v. OHIM (2015), ECLI:EU:T:2015:799.

⁶²⁰ Case T-169/03 Sergio Rossi SpA v. OHIM (2005), ECLI:EU:T:2005:72.

⁶²¹ C Seville, *infra* 'Trade marks and related rights', 323-324.

⁶²² Case C-171/06 T.I.M.E. v. OHIM (2007), ECLI:EU:C:2007:171.

⁶²³ F Ilanah, and DS Gangjee, *infra* 'Introduction, The Likelihood of Confusion', 1-2.

⁶²⁴ *Ibid*, 6.

distinctive character was acquired through use, under Article 7(3) and Article 59(2) of Regulation (EU) 2017/1001,⁶²⁵ for the white “Malletier” chequerboard pattern from Louis Vuitton.⁶²⁶ The Court said that even based on the evidence provided by the applicant, such as excerpts from catalogues, advertising campaigns, media coverage of the contested mark, evidence concerning the use of the contested mark on the internet and even high sales invoices are also not themselves sufficient to demonstrate distinctive character acquired through use. Therefore, since Louis Vuitton did not, contrary to the requirements of the case-law, demonstrate that the contested mark had acquired distinctive character through its use in all the Member States of the European Union, the plea was rejected and, consequently, the action dismissed in its entirety.⁶²⁷ The Court of Justice of the European Union has also added a requirement that there must be harm to one of the functions of the senior mark in Case 206/01, Arsenal Football Club plc v. Reed.⁶²⁸

3.2.1 Trade Mark Dilution

The market is contaminated with counterfeit goods that have a lower quality and were not created with the same attention despite having a comparable appearance. In the fashion industry, where image is everything, the issue goes beyond just the immediate loss of income.⁶²⁹

The harm to brand reputation, which is notoriously difficult to quantify, is the most important effect of counterfeiting, and that is because the quality of counterfeit is typically so bad that one’s brand's reputation will be irreparably harmed.⁶³⁰ This type of lawsuit, which is frequently referred to as “*dilution*” claims, is founded on the idea that even a non-confusing mental association or relationship between two marks could be illegal.⁶³¹ The definition of the word dilution is the act or an instance of diminishing a thing's strength or lessening its value. Particularly, fake goods can

⁶²⁵ Regulation (EU) 2017/1001, *Supra* n 114, 7(3) and 59(2).

⁶²⁶ Case T-275/21 Louis Vuitton Malletier, v EUIPO and Norbert Wisniewski (2022), ECLI:EU:T:2022:654, 61 and 141.

⁶²⁷ *Ibid.*

⁶²⁸ Case C-206/01 Arsenal Football Club plc v. Reed (2002), ECLI:EU:C:2002:651, 51.

⁶²⁹ L Martinez and A Hugo, ‘Cultural and Creative Industries: The trade mark as a Legal Institute for the Protection of Intellectual Property Applied to World Fashion’ 64 (2013), *Revista Temas Socio-Juridicos* 1, 8-11.

⁶³⁰ R Burbidge, *infra* ‘Combating Counterfeits’, 371-372.

⁶³¹ F Ilanah, and DS Gangjee, *infra* ‘Introduction, The Likelihood of Confusion’, 1-2.

substitute for real goods and have an advertising impact on the brand.⁶³² For example, there would likely not be any consumer confusion if a cocoa manufacturer started using the "Loro Piana" logo to distinguish its hot chocolate. The cocoa producer would, however, be profiting from the investment the apparel firm had made in its trade mark. Therefore, even if utilizing the mark to identify the hot chocolate would not cause consumer confusion, it would still be harmful because it would dilute the mark. *Tiffany & Co. of New Jersey v. eBay, Inc.*, provides an illustration.⁶³³ Tiffany sued eBay, claiming that the latter was responsible for, inter alia, direct and contributory dilution since it enabled and permitted the sale of fake goods on its platform.⁶³⁴ The General Court, in front of a similar question brought by PUMA based on the possibility of dilution and Detriment to reputation, under Article 8(5) of Regulation (EU) 2017/1001,⁶³⁵ answered in this manner.⁶³⁶ The question was whether CAMäleon Produktionsautomatisierung could register the word sign PUMA-System in Classes 7, 9, 16 and 42 of the Nice Agreement, even though Puma SE filed a notice of opposition pursuant to Article 46 of Regulation 2017/1001 based on the following earlier rights:⁶³⁷



The Court touched upon several interesting aspects. It said that “*assessment of the similarity between two marks means more than taking just one component of a composite trade mark and comparing it with another mark*” and that, regarding the mark, the first word element ‘puma’, was dominant in the light of its position in the sign and its distinctiveness, whereas the second word element, ‘system’, had a low degree of distinctiveness. It concluded that the public would focus its attention mainly, if not exclusively, on the term ‘puma’. It concluded that the mark applied for, and the first earlier mark were visually similar at least to an average degree and that, in view of the presence of the jumping feline animal in the second earlier mark, that similarity was merely average in degree as regards that second earlier mark. From a phonetic standpoint, the Board of Appeal pointed out, that the word element ‘system’ in the mark applied for might not be pronounced. It

⁶³² Q Yi, ‘The Economics of Demand for Counterfeiting’ in H Sun, B Beebe and M Sunder (1st eds), *The Luxury Economy and Intellectual Property: Critical Reflections* (Oxford University Press 2015) 57, 73.

⁶³³ U.S. Southern District Of New York, Case 576 F. Supp. 2d 463 *Tiffany (NJ) Inc. v. eBay, Inc.* (2008).

⁶³⁴ N Giambarrese, 274-275.

⁶³⁵ Regulation (EU) 2017/1001, *Supra* n 114, 8(5).

⁶³⁶ Case T-71/20 *Puma SE v EUIPO and CAMäleon Produktionsautomatisierung GmbH* (2021), ECLI:EU:T:2021:121.

⁶³⁷ Regulation (EU) 2017/1001, *Supra* n 114, 46.

concluded that there was at least an average degree of similarity.⁶³⁸ Yet, it also pointed out that the Board of Appeal carried out an incomplete examination of the goods and services covered by the mark applied for, specifically Class 7, Class 9, Class 16 and Class 42. Therefore, in the light of the errors the contested decision was annulled to the extent that it rejected the opposition with regard to those goods.⁶³⁹

3.2.2 The Parody Exception in Trade Mark Infringement

A parody is a form of critical communication with social significance. Legal analysts state that parodies make fun of a thing by copying enough of it to make it recognizable while subverting the message of the original. The distinction between traditional commentary usage and parody as branding, however, is not always obvious.⁶⁴⁰ The parody exception to trade mark law used to not be included in any Community legislation until regulation 2015/2424 explicitly mentioned the right to free speech and emphasized, in general, that the use of a trade mark must follow "*fair and honest trade usages*."⁶⁴¹ Yet, only if two requirements are met: a substantive element consisting of a remote borrowing from the original trade mark and a moral element, the requirement to transmit a lighthearted, mocking, or satirical message. Additionally, it must be demonstrated that the parody designer did not intend for the public to connect the original and parody trade marks, but rather that consumers would recognize the distinctions between the two.⁶⁴² Yet, there are strict conditions. It must be crystal evident that it is a parody of the original trade mark rather than a decline in that mark for it to be legal. The parody sign must be noticeably different from the original trade mark, in color, design, or spelling, or it must include extra components that allow for a clear separation. "*A trade mark is distantly appropriated in parody*", as Californian designer Brian Lichtenberg, the reputation of which stems from his use of well-known trade brands like Hermès, which he turned into Homiès, stated.

⁶³⁸ Case T-71/20 Puma SE v EUIPO and CAMäleon Produktionsautomatisierung GmbH, Supra n 636, 27-29.

⁶³⁹ Ibid, 82-83.

⁶⁴⁰ D Chung, 'Laws, Brands, and Innovation: How trade mark Law Helps to Create Fashion Innovation' 17 (4) (2018), John Marshall Review of Intellectual Property Law 493, 574-578.

⁶⁴¹ Regulation (EU) 2015/2424, Supra n 126.

⁶⁴² M Malaurie-Vignal and S Legrand, 'Intellectual property law and parodies in the fashion industry' 14 (6) (2019), Journal of Intellectual Property Law & Practice 459, 468.

There is undoubtedly a lot of subjectivity involved in how comedy or satire is perceived and valued but at the very least, parody should not be derogatory. If parodying a trade mark damages the original trade mark, it violates fair trade usages.⁶⁴³ This brings to mind both the *'fair use'* doctrine in the United States and the protection of "fair trade and industrial usages" with the freedom of artistic expression under Directive 2015/2436.⁶⁴⁴ The parody exemption for trade marks, though, is not officially recognized in European Laws, in contrast to copyright law, and therefore the laws against infringement must be balanced with freedom of speech in the absence of any explicit language on parody. Thus, as long as it is not abusive and the use of the trade mark is required for the exercise of the right to freedom of speech, the appropriation of a trade mark may be justified. Disagreements over fashion parodies are uncommon, either because designers and fashion companies have accepted them as an homage to their creativity or because the parties have settled the issues peacefully.

Due to the collaboration between the two brands, some high-end fashion houses have chosen to respond to parody by parodying, distorting their own logos themselves, as seen with the *'J'adior'* bright gold plates on Dior bags. Despite the fact that there have not been many Court rulings pertaining to the fashion industry, one might cite the Paris Court of Appeal's judgment, which supported the parody exception in favor of a business that had imitated the principal characteristics of *"Mr. Clean"* on t-shirts.⁶⁴⁵ This Court ruling may come as a surprise because, despite excluding the copyright violation, the Court of appeals found a trade mark violation and it did not adequately account for the inclusion of the offensive phrase, which was likely to nullify the parody exception. Seeking a just balance between the competing interests, the Court Of Justice then said in *Deckmyn* that the application of the parody exception under Article 5(3)(k) of Directive 2001/29/EC must strike a balance between the freedom of expression of the person who creates the parody and the rights of the creator of the copyrighted work.⁶⁴⁶ The Court concluded that the parody exemption is not unqualified and cannot be used to spread discriminatory ideas.⁶⁴⁷ Thus, the Union's perspective is in line with the French notion that parody should not go beyond the *"rules of the genre"* and turn

⁶⁴³ Ibid, 470-471.

⁶⁴⁴ Directive (EU) 2015/2436, Supra n 125.

⁶⁴⁵ Court of Appeal of Paris, Chamber 4, Case 16711/1996 Sté. Seri Brode v. Sté Procter and Gamble France (1998).

⁶⁴⁶ Directive (EC) 2001/29, Supra n 212, 5(3)(k).

⁶⁴⁷ Case C-201/13 Johan Deckmyn and Vrijheidsfonds VZW v Helena Vandersteen et al. (2014), ECLI:EU:C:2014:2132, 28.

into abuse. The Court Of Justice did not specify, nevertheless, which specific factors must be taken into consideration.⁶⁴⁸

3.3 Copyright Piracy

“Pirated copyright goods shall mean any goods which are copies made without the consent of the right holder or person duly authorised by the right holder in the country of production and which are made directly or indirectly from an article where the making of that copy would have constituted an infringement of a copyright or a related right under the law of the country of importation”, says footnote 14 to Article 51 of the Agreement on Trade-Related Aspects of Intellectual Property Rights.⁶⁴⁹ Therefore, if there has been *substantial similarity* between the original, which holds copyright protection, and copy, then there has likely been copyright infringement. Furthermore, whether a copy is created with the intention of misleading customers or not is irrelevant under copyright law.⁶⁵⁰

And, since we lack a real unified European copyright, we find no infringement of copyright clear definition in any secondary European law, but it is accepted by the majority of the doctrine that it is *any act that may interfere with both economic and moral rights that have been recognized to the copyright holder*. It is then left to the Member States to provide the procedures and remedies to ensure that copyright is respected and enforced, and usually, although with some discrepancies, all members choose between corrective measures, such as a definitive removal from commerce and destruction, injunctions to prohibit any further infringement, damages or even the publication of the judicial decision against the copyright infringers.

There are also no Community provisions with respect to criminal liability for copyright infringement, leaving it fully to the national authorities, even considering the limitation of liability privileges in articles 12 to 14 of Directive 2000/31/EC.⁶⁵¹ So, it must come as no surprise that Fashion goods receive a decent protection under copyright only in countries that have a very strong and historical fashion industry. Other than copyrighted prints on fabric, fashion features very rarely are protected through copyright, and in many States the protection is so narrow that it is to be

⁶⁴⁸ M Malaurie-Vignal and S Legrand, 464-465.

⁶⁴⁹ Agreement on Trade-Related Aspects of Intellectual Property Rights, Supra n 211, 51, footnote 14 (b).

⁶⁵⁰ M Mackinney-Valentin and S Teilmann-Lock, 99-100.

⁶⁵¹ Regulation (EU) 2022/2065 of the European Parliament and of the Council, of 19 October 2022, on a Single Market For Digital Services and amending Directive (EC) 2000/31 (2022), L277/22, 12-14.

considered as absent.⁶⁵² That is also because reinterpretations, which are highly popular in fashion, do not pass off the work as being copied, which is why they are so prevalent. Instead of being only a rip-off, it signifies awareness of the distinction between works as it acknowledges the earlier work as a source of inspiration or, even when the effect is indirect or not fully conscious, relies on the significance of the earlier work. For instance, various designers' interpretations of the appearance of a Chanel knit jacket have resulted in a timeless style that draws inspiration from the aesthetic without claiming to be a Chanel creation.⁶⁵³

A case that was historical for the fashion sector and copyright protection in France is the 1994 Yves Saint Laurent Couture SA v. Louis Dreyfus Retail Management S.A, where Yves Saint Laurent Couture sued Ralph Lauren.⁶⁵⁴ The French couturier alleged that its dinner-jacket dress was copied by the competitor, and the Court agreed, holding that Ralph Lauren's subsequent ready-to-wear creation had so little differences with the original, which held copyright protection, that the consumers could have been unable to distinguish them. The case easily became historical being the very first time a designer utilized its fashion design intellectual property rights against a counterfeiter and Yves Saint Laurent was awarded damages totaling \$395,090. Such openness is hard to find elsewhere. Even Italy, the other major fashion capital, albeit it continues to enact legislation to guarantee the *Made In Italy* symbol, holds much stricter standards, where not only registration is required but also individual character and novelty, resolved in a very stringent system. In Spain, a fashion creation would only be granted copyright protection as long as it can be referenced back to a drawing that is itself copyrighted. In Germany, any type of three-dimensional design such as a pair of shoes or a dress are never to be protected by copyright. Here, we can fully notice how there is a death sentence of the real harmonization of these rights across the continent, where one country may deny protection while the other recognizes it.⁶⁵⁵

One aspect that definitely deserves to be observed is the area of exceptions to copyright infringement. For example, in the United States, the concept of fair use provides a legal defence. It refers to the limited and transformative use of a work protected by copyright for purposes like commentary, criticism, or parody. In European countries, "*fair dealing*" and "*free use*" are the two

⁶⁵² R Burbidge, *infra* 'If Someone Copies You', 331.

⁶⁵³ CS Hemphill and J Suk, 'The Law, Culture, and Economics of Fashion' 61 (5) (2009), *Stanford Law Review* 1147, 1160.

⁶⁵⁴ Court of commerce of Paris, Chamber 18, Case E.C.C. 512 Yves Saint Laurent Couture SA v. Louis Dreyfus Retail Management S.A (1994).

⁶⁵⁵ O Sabina, G Popescu, A Mocenco and M Dobre, 'Legal protection of fashion creations' 65 (2014), *Industria textilă* 95, 97-98.

primary defenses, which are actual exceptions to copyright infringement. The rights of the beneficiary are also restricted by a number of clauses in the various European Union Laws. In other words, it is required to demonstrate that the use falls under one of a select group of specific categories, such as criticism or review, in order to be eligible for the *fair dealing* exception. Even if one's use fits within one of these headings, they still need to demonstrate that the amount copied was not excessive. For instance, it is not necessary to copy an entire book in order to review it; just a few quotes would do. On the other hand, it could be necessary to fully replicate an artwork in order to comment on it. Fair dealing rarely constitutes a significant exception in the fashion sector, in actuality. On the other side, *free usage* fundamentally serves as a defense of freedom of expression. The new work must be so distinct from the original that it causes the earlier work to "fade" in order to qualify for the defense.⁶⁵⁶

3.4 Design Piracy

As I have explained, the European Union divides community designs into two categories, but each of them finds peculiarities and challenges in their protection. The Community deals with infringement of designs under Articles 19, 20, 21, 22, 85, and 110 of Regulation 6/2002, for example by specifying what is infringement, defining it as any "*use*" of the design for registered rights, while requiring the addition of a copying component for the unregistered counterparts, or mentioning what defenses exist.⁶⁵⁷

The main issue with community designs that are registered stands on the fact that their validity is not examined even when they are at registration point, and therefore can find themselves to be very weak and easy to be invalidated in response to someone alleging an infringement. Any applicant can challenge the validity in response to an infringement claim in any community design Court before a member state, or if they are only threatened with infringement proceedings they can file a pre-emptive application at the European Union Intellectual Property Office to invalidate the registered design. Similarly to copyright, certain '*defenses*' by the infringer can be used. As an example, there have been cases when even when the design was found to be valid and even infringed, the infringer used the artistic expression as a defense and that became an issue. In particular, this came up during a dispute between an artist, Nadja Plesner, and Louis Vuitton, where *Darfurnica*, an artwork by the artist, featured images of malnourished children holding Louis Vuitton goods. Louis Vuitton

⁶⁵⁶ R Burbidge, *infra* 'If Someone Copies You', 340-341.

⁶⁵⁷ Regulation (EC) 6/2002, *Supra* n 103, 19, 20, 21, 22, 85 and 110.

obviously responded filing a lawsuit based on their Registered Community Design for the LV print. The Maison was sure to win the case because, unlike copyright, it is very uncommon for freedom of expression to be recognized under the Community Design Regulation.⁶⁵⁸ Nonetheless, the Dutch Court determined that Plesner's overall right to freedom of expression under Article 10 of the European Convention on Human Rights trumped Louis Vuitton's design rights and that the average viewer of the painting would not conclude that Louis Vuitton was actually involved in the conflict in question.⁶⁵⁹ The Court also suggested that owners of well-known brands had to accept critical use to a higher degree than others.⁶⁶⁰

Unregistered Community designs face similar challenges. There is more leeway in identifying and selecting the design, but it must be done correctly from the start, taking into account the possibility of previous designs with the same overall impression that might invalidate it. This became evident when the worlds of fast fashion and Unregistered Community designs recently collided in the Milan Court of First Instance, which upheld the validity of an interim injunction in favor of Diesel and Marni's parent company against Zara, confirming the availability of an injunctive that is pan-Union.⁶⁶¹ The case also pointed out that, when evaluating design freedom with respect to clothes, the relevant point is not so much the functional features, which are dictated by the structure of the human body, but rather the '*extremely crowded character of the clothing*'. As a result, tiny variations can amount to a meaningful Unregistered Community design if they are regarded as distinct from previously known shapes by a knowledgeable user.⁶⁶² Needless to say, it is to be highlighted how no matter how effective, the unregistered community design will never amount to the same protection as the registered one.

As an illustration of how designers should consider getting the greater protections that come with registration, we can use the case of John Kaldor Fabricmaker UK Ltd. v Lee Ann Fashions Ltd..⁶⁶³ Fabric designer Kaldor claimed that Lee Ann changed one of its designs to make a fabric design for another firm and despite the fact that the fabric designs were strikingly similar, the Court dismissed

⁶⁵⁸ Ibid.

⁶⁵⁹ European Convention on Human Rights (1950), as amended by Protocols No. 11 and 14, ETS 5, Article 10.

⁶⁶⁰ Court of the Hague, Civil Law Section, Case KG ZA 11-294 Nadia Plesner v. Louis Vuitton Malletier SA (2011).

⁶⁶¹ Court of Milan, Commercial Section, Case 5390/2018 DIESEL s.p.a., DIESEL FRANCE S.A.S., MARNI GROUP s.r.l., MARNI HOLDING s.r.l. and OTB s.p.a v. ZARA ITALIA s.r.l. et al. (2018).

⁶⁶² R Burbidge, *infra* 'If Someone Copies You', 350.

⁶⁶³ Royal Courts of Justice of England and Wales, Case 3779 John Kaldor Fabricmaker UK Ltd v Lee Ann Fashions Ltd (2014).

the allegations, concluding that the similarities between the materials were commonplace.⁶⁶⁴ Though, cases should not be looked at in a sterile way. A designer may technically lose, but still reach a favorable position. Of that is an example Coach when it turned to hiring private detectives to track down and look into fake items as part of its fight against design thieves. Coach dealt with counterfeit vendors found by private investigators at a flea market by suing the flea market directly under state common law and federal statutes for a number of intellectual property issues.⁶⁶⁵ Interestingly, while not formally winning the case, Coach succeeded in eliminating or significantly lowering the number of fake items offered at the flea market, which was the end goal all along.⁶⁶⁶

4. Colors and Patterns

As part of a bigger plan to cultivate a distinctive brand identity via constant and attentive investments, luxury businesses create extremely distinctive trade marks. And single-color as distinctive signs in the luxury fashion sector is a commonly recognized function of a modern trade mark, conveying both status and brand values.⁶⁶⁷ Fashion and color have always developed in parallel. Since the early 1900s, the fashion industry has taken cues from the seasonal presentations held twice a year by the famed Parisian couture houses, the first of which occurred in the late 1920s when American visual merchandiser Tobe Coller Davies created her style reports for American department shops, aptly dubbed The Tobe Report. This was one of several significant turning points in the evolution of color forecasting. National color councils were set up in the West not long after Coller Davies' original style publications were published, and they later developed to offer a color forecast service for their respective domestic garment and textile sectors.

Then, during the 1960s and 1970s, there was a boom period, during which a wide range of significant forecasting firms were founded, including the French Promostyl, Peclers and Nelly Rodi in Britain, and The International Colour Authority. From Coco Chanel's classic little black dress to

⁶⁶⁴ M Jasmine, 'Intellectual Property Rights & Fashion Design: An Expansion of Copyright Protection' 53 (2) (2019), University of San Francisco Law Review 369, 381.

⁶⁶⁵ U.S. District Court of New Hampshire, Case 994 F. Supp. 2d 192 Coach, Inc. v. Sapatis (2014).

⁶⁶⁶ A Stockdale, 'Fresh Looks Turn Sour: Intellectual Property Protections for the Fashion World' 64 (2015), Drake Law Review Discourse 1, 4-6.

⁶⁶⁷ G Foo and Y Yang, 'Seeing a Brand in a Flash of Colour and a Trademark in a Red Outsole: Registering Single-Colour Marks in the Fashion Industry' 31 (1) (2013), Singapore Law Review 169, 190-191.

Meryl Streep's legendary cerulean sweater speech in *The Devil Wears Prada*, color invariably played a major part in fashion. The Pantone Company, well-known for its unique color matching system, even publishes a "*Fashion Color Trend Report*" in conjunction with New York Fashion Week as a forecast of upcoming color trends in clothing.⁶⁶⁸ Rarely, a designer's nonfunctional color mark will become well-known, and if customers associate that particular hue in that particular design with a certain brand, the designer should be able to preserve that source identifier and the associated goodwill.⁶⁶⁹ In fact, the European Union allows single colors and color combinations to be trademarked by businesses, giving them monopoly in their sector. And considering how immediate that type of sign is to the consumer's eye, many fashion houses are keen on this practice. For instance, Barbie Pink from Mattel is protected by trade marks in more than 100 categories. The same can be said about Tiffany & Co., which, since 1998, has owned the trade mark for a specific blue color.⁶⁷⁰



This practice, although accepted by law, has given rise to many disputes, both in favor and against it. The first objection of this "*colour depletion*" phenomenon, is that it may have anticompetitive repercussions. The "*relative scarcity of perceptible colors*" and the "*limited number of desirable colors within any given industry*" are the beginning points for the argument that colors are in short supply, and the registration of color marks would exhaust this finite pool of colors. Over time, current rivals would eventually monopolize every color through their own color markings, preventing other rivals from using colors as trade marks, preventing efficient competition within a certain industry.⁶⁷² A typical response is that since color is never a trade mark's only element,

⁶⁶⁸ JA King, 'Colour trend forecasting and its influence on the fashion and textile industry' (2011), Woodhead Publishing Limited 193, 193-195.

⁶⁶⁹ N Brandt, 'Louboutin's Trademark Suit against Yves Saint Laurent: Creating a Color War in the Fashion Industry' 8 (58) (2012), Oklahoma Journal of Law and Technology 1, 17.

⁶⁷⁰ Pantone 219C | #DA1884 and Pantone 1837 | #81D8D0

⁶⁷¹ The images depict the trademarked Tiffany blue color on the left side and the Andreas Stihl double color trademark on the right side, EUIPO, 'Trade marks examples', Supra n 150

⁶⁷² G Foo and Y Yang, 178-179.

ambiguous terminology like "*single-colour*" markings are deceptive. The hue, saturation, brightness, extent to which the color is applied over the product, i.e., whether the application of the color conforms to the shape of the product, whether the color uniformly covers a particular surface, opacity of the color, and finish of the mark, such as whether it is matte or glossy, are the relevant aspects of all color marks.⁶⁷³

To this, a second objection can be arose. That is that "*shade confusion*" may have anticompetitive implications since it makes it difficult to differentiate the trademarked color from colors of similar shades. As a result, the monopoly of a color mark may greatly expand beyond its registered shade.⁶⁷⁴ But that converge argument does not take into consideration how a trade mark registration is submitted under the Nice Agreement for a specific class of products and is classified based on the nature of the product that carries the mark.⁶⁷⁵

Under Community Law, one of the most prominent examples of color mark protection is within Article 3 (f) of the 2018/626 Implementing Regulation where it is stated that:

“(f) in the case of a colour mark,

(i) where the trade mark consists exclusively of a single colour without contours, the mark shall be represented by submitting a reproduction of the colour and an indication of that colour by reference to a generally recognised colour code;

*(ii) where the trade mark consists exclusively of a combination of colours without contours, the mark shall be represented by submitting a reproduction that shows the systematic arrangement of the colour combination in a uniform and predetermined manner and an indication of those colours by reference to a generally recognised colour code. A description detailing the systematic arrangement of the colours may also be added”.*⁶⁷⁶

The majority of European Union members permit the registration of colored trade marks, yet demand that the applicant provide evidence that the color has taken on secondary significance.⁶⁷⁷ And while even according to the World Intellectual Property Organization, a trade mark can be

⁶⁷³ Ibid, 185-186.

⁶⁷⁴ Ibid, 179-180.

⁶⁷⁵ Ibid, 187-188.

⁶⁷⁶ Implementing Regulation (EU) 2018/626, Supra n 128, 3(f).

⁶⁷⁷ G Labadie-Jackson, ‘Through the Looking Hole of the Multi-Sensory Trademark Rainbow: Trademark Protection of Color Per Se Across Jurisdictions: The United States, Spain, and the European Union’ 7 (2) (2008), Richmond Journal of Global Law & Business 91, 102-103.

made up of just one color, in order for it to qualify for registration, it is a requirement that it has gained uniqueness.⁶⁷⁸

Also, if the color serves a purpose for the product, it will not be subject to protection. It is considered that a color trade mark is functional if it achieves a practical goal, if it is applied to the product to produce a specific technical outcome, if it is essential to the use or purpose for which the product is intended, or if it has an impact on the product's price or quality.⁶⁷⁹ For example, Tiffany & Co. holds trade marks for the specific blue color it uses on its jewels, gift boxes, gift bags, and catalogs and, based on its craftsmanship, tradition, and reputation in the jewelry industry, it charges a premium for its goods. Because Tiffany charges more for its goods, this does imply that its trade marks are not purely utilitarian. Due to the prominence and awareness of the brand's characteristic hue, Tiffany is able to charge more for a key necklace pendant with Tiffany Blue enamel than a rival's key pendant of the same design.⁶⁸⁰ A single-color fashion trade mark would be eligible for registration in the European Union if it qualifies as a trade mark under Article 2, is unique under Article 3(3), and does not unreasonably limit the color options available to other fashion designers.⁶⁸¹ But even if a sign falls under the definition of a trade mark under Article 2, it "*shall not be registered or if registered shall be liable to be declared invalid*" if it is "*devoid of any distinctive character*," meaning that the mark does not automatically "*identify the goods concerned as coming from a particular undertaking*."

Despite the fact the European approach to a single-colour mark's ability to be inherently distinctive is less rigid than the American approach, it still sets a very high bar: "*...distinctiveness without any prior use is inconceivable save in exceptional circumstances...particularly where the number of goods for which the mark is claimed is very limited and the relevant market very specific*." This is due to the fact that a color is not typically employed to identify objects in modern commerce. As a result, customers seldom infer the country of origin of products simply on the packaging or product's color.

The challenge that color trade marks have in establishing acquired distinctiveness is exacerbated when such trade marks are used in the fashion business, which is by its very nature a seasonal

⁶⁷⁸ S Sreepada, 'The New Black: Trademark Protection for Color Marks in the Fashion Industry' 19 (4) (2009), Fordham Intellectual Property, Media and Entertainment Law Journal 1131, 1155.

⁶⁷⁹ G Labadie-Jackson, 103-104.

⁶⁸⁰ LE Luhrs, 'When in Doubt, Wear Red: Understanding Trademark Law's Functionality Doctrine and Its Application to Single-Color Trademarks in the Fashion Industry' 61 (1) (2012), University of Kansas Law Review 229, 252.

⁶⁸¹ Regulation (EU) 2017/1001, Supra n 114, 2 and 3(3).

one.⁶⁸² Most applications of color in the fashion industry would fail to develop secondary significance in the minds of customers since designers often utilize a certain hue or design for only a specific season.⁶⁸³ Designers must then employ a trade mark hue consistently across all seasons if they want it to be associated with a company. Tones like earth tones for fall, jewel tones for holidays, pastels for spring, and whites for summer are all regarded to be seasonal hues utilized in fashion designs. As a result, there are not many colors that people associate with every season.⁶⁸⁴ However, even if a single color lacks any distinctive characteristics at first, it may develop distinctiveness via usage in connection to the commodities that are the subject of the claim.⁶⁸⁵ Courts have long understood that this doctrine's context-specific character makes it difficult to apply and makes it impossible to establish a clear-cut rule. Herein lies the problem: some customers lust after a product because the color mark is aesthetically pleasing, while others want the same item because the color mark designates a specific source, and still others buy such a product because the color mark is both aesthetically pleasing and indicates a particular source.⁶⁸⁶

4.1 Colors and Courts

Since Article 4 of Regulation 2017/1001 requested for the sign to be ‘*capable of being represented graphically*’, the European Courts had to intervene and explain how to apply this reasoning to colors.⁶⁸⁷ The Court of Justice of the European Union ruled in *Sieckmann v. Deutsches Patent- und Markenamt* that the depiction of the sign “*must be clear, precise, self-contained, easily accessible, intelligible, durable and objective*” in order to meet these criteria.⁶⁸⁸ The Court then came back on the topic in *Libertel Groep BV v Benelux-Merkenbureau* where it found that the *Sieckmann* criteria “*cannot be satisfied merely by reproducing on paper the colour in question, but may be satisfied by*

⁶⁸² G Foo and Y Yang, 188.

⁶⁸³ E Winckel, ‘Hardly a Black-and-White Matter: Analyzing the Validity and Protection of Single-Color Trademarks Within the Fashion Industry’ 66 (3) (2013), *Vanderbilt Law Review* 1015, 1049-1050.

⁶⁸⁴ S Sreepada, 1155-1157.

⁶⁸⁵ G Foo and Y Yang, 177-178.

⁶⁸⁶ E Winckel, 1044-1045.

⁶⁸⁷ Regulation (EU) 2017/1001, *Supra* n 114, 4.

⁶⁸⁸ Case C-273/00 *Ralf Sieckmann v. Deutsches Patent- und Markenamt*, *Supra* n 188.

designating that colour using an internationally recognised identification code".⁶⁸⁹ The Court of Justice of the European Union determined that "*a mere sample of a color does not... satisfy the requirements*", as in the Sieckmann criteria, with respect to colors in general, particularly because "*a sample of a color may degrade over time.*"

The precise color shade cannot be safeguarded from the effects of aging when used with other media, such as paper. It was also discovered that, depending on the specifics of each situation, a verbal description of the color may not be adequate.⁶⁹⁰ Then in Heidelberger Bauchemie GmbH the Court considered the Sieckmann criterion when submitting a request to register a pair of colors.⁶⁹¹ The case was an effort to register two colors as a trade mark, with the upper portion of the rectangle being blue and the lower half yellow. According to the Court, such applications could only be deemed valid if it could be proven through use that the colors or combination does, in fact, serve as a sign and the "*application for registration includes a systematic arrangement associating the concerned colors in a predetermined and uniform way*".⁶⁹²

A trade mark application that claims a color combination would likely already be in violation of the specificity criterion, as it has been explained by the General Court in the later Dyson decision.⁶⁹³ Therefore, even regarding color combinations, the same clear and precise manner, preferably with reference to an internationally recognized color code, must be used to indicate the colors of which the mark shall be composed as was outlined in Libertel regarding colors as a whole. The mere juxtaposition of two or more colors without shape or contours, or a reference to two or more colors *in every conceivable form* does not exhibit the qualities of precision and uniformity required.⁶⁹⁴

The United States Supreme Court has also had a primal role in the development of a color trade mark case law. Probably the most famous case is Qualitex Co. v. Jacobson Prods. Co., where the justices specified that color alone might occasionally satisfy trade mark requirements.⁶⁹⁵ On the press pads that Qualitex marketed to dry cleaners, a green-gold hue was employed. A competitor of

⁶⁸⁹ Case C-104/01 Libertel Groep BV v Benelux-Merkenbureau (2003), ECLI:EU:C:2003:244, 68.

⁶⁹⁰ A Kur and M Senftleben, *infra* 'Acquisition Of Rights', 101.

⁶⁹¹ Case C-49/02 Heidelberger Bauchemie GmbH (2004), ECLI:EU:C:2004:384, 42.

⁶⁹² L Smith, 'Court of Appeal of England and Wales declares colour trade mark invalid per se' 12 (8) (2017), *Journal of Intellectual Property Law & Practice* 630.

⁶⁹³ Case T-544/13 Dyson Ltd v European Commission (2018), ECLI:EU:T:2018:761.

⁶⁹⁴ A Kur and M Senftleben, *infra* 'Acquisition Of Rights', 101.

⁶⁹⁵ U.S. Supreme Court, Case 514 U.S. 159 Qualitex Co. v. Jacobson Products Co. (1995).

Qualitex, Jacobson Products, began creating and marketing dry cleaning press pads in a similar green-gold shade in 1991 and was sued under trade mark infringement. The Court concluded that although a customer is not always made aware of the source of an item by its hue, over time, a color may come to serve as a source identifier. The Court continued, stating that "*there is no obvious theoretical objection*" to trade marks using a single hue. There are restrictions even though the Court determined that colors can be trademarked. Yet color cannot be protected if it is regarded functional, which "*means that the color is essential to the use or purpose of the product or affects the cost or quality of the product.*" But we cannot discuss Qualitex without mentioning the Owens-Corning Fiberglas case, which the Supreme Court utilized to support its conclusion in the previous matter.⁶⁹⁶ Pink fiberglass insulation was a trade mark that Owens-Corning wanted to register in 1980 but the application was rejected by the United States Patent And Trade Mark Office on the basis that the color pink did not distinguish its fiberglass insulation. The Federal Circuit observed that many elements, including the nature of the product, color usage, number of colors or color combinations accessible, number of rivals, and typical marketing methods within the industry, have to be taken into account for identifying color trade marks. According to the Federal Circuit, neither the color nor competition within the insulation market produced a functional advantage. Furthermore, there was no overriding public policy factor that prevented Owens-Corning from pursuing its claim to pink because it was the sole business that used the hue and there were few insulation producers. The Federal Circuit therefore rejected the long-standing shade confusion defense, concurring with the United States Patent and Trade Mark Office Board that understanding color shades "*is no more difficult or subtle than... where word marks are involved*".⁶⁹⁷

In *Abercrombie & Fitch Stores, Inc. v. American Eagle Outfitters, Inc.*, the Sixth Circuit examined the competitive need for a fashion design feature: "*If these design features are something that other producers of [casual clothing] have to have as part of the product in order to be able to compete effectively in the market... [it is not] the kind of merely incidental feature which gives the brand some individual distinction but which producers of competing brands can also incorporate into their products*".⁶⁹⁸ In *re Hudson News Service* the examining attorney argued that the marks were largely blue in color and that there was a competitive requirement for the hue since it produced a

⁶⁹⁶ U.S. Court Of Appeals for the Federal Circuit, Case 774 F.2d 1116 *In re Owens-Corning Fiberglas Corp.* (1985).

⁶⁹⁷ B Reed, 'Color Monopoly: How Trademarking Colors in the Fashion Industry and Beyond Expands the Lanham Act's Purpose and Policy' 15 (3) (2021), *Liberty University Law Review* 371, 374-378.

⁶⁹⁸ U.S. District Court for the Southern District of Ohio, Case 130 F. Supp. 2d 928 *Abercrombie & Fitch Stores, Inc. v. American Eagle Outfitters* (1999), 346.

relaxing, soothing ambience that rivals should be able to produce as well.⁶⁹⁹ This argument led to the trade mark application being refused because even if they were to believe that blue is a calming hue, they failed to understand why having a blue interior would necessarily be advantageous for a retail newsstand or boost sales.⁷⁰⁰

It is then clear how the theory of usefulness is the biggest challenge for owners of single-color fashion brands and color can only be protected if a secondary meaning can be demonstrated,⁷⁰¹ as the Supreme Court clearly said in its decision in *Wal-Mart Stores v. Samara Bros., Inc.*⁷⁰² The functionality concept precludes trade mark law, which tries to foster competition by safeguarding a firm's reputation, from impeding genuine competition by granting a producer control over a beneficial product feature.⁷⁰³ In general, while including a color feature into a fashion business's collections might assist increase brand recognition, the current state of the law suggests that the cost of marketing this feature could not result in acquired exclusive rights. Therefore, fashion businesses will probably be better off establishing exclusive rights through other facets of fashion piece design.⁷⁰⁴

4.1.1 The Louboutin Saga



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Designer Christian Louboutin came up with a brilliant concept somewhere around 1992. He started painting high-end women's shoes' outsoles a shiny, vibrant crimson. The idea that spurred from

⁶⁹⁹ U. S. Northern District of New York, Bankruptcy Court, Case 420 B.R. 73 In re Hudson (2009).

⁷⁰⁰ S Sreepada, 1159-1164.

⁷⁰¹ L Darcy, 49.

⁷⁰² U.S. Supreme Court, Case 529 U.S. 205 *Wal-Mart Stores v. Samara Bros.* (2000).

⁷⁰³ E Winckel, 1037-1038.

⁷⁰⁴ JE Cardon, 14-15.

⁷⁰⁵ The image depicts the infamous Louboutin red sole trademark.

King Louis XIV's red-heeled dancing shoes, made Christian Louboutin deviate from industry norms and create a brand symbol that over time eventually achieved undisputed global recognition. He selected the color red for this reason because he thought it was engaging, flirtatious, memorable, and the color of passion. The United States Patent and trade mark Office confirmed in January 2008 that Louboutin's bright lacquered red on the outsoles of high fashion women's designer footwear was an enforceable trade mark, by issuing a Certificate of Registration. In January 2011, Christian Louboutin discovered that Yves Saint Laurent, one of his rivals, was marketing and selling shoes with vivid red lacquered outsoles at his same upscale retail locations. Following the failure of negotiations, Louboutin immediately filed for trade mark infringement and dilution, and requested a preliminary injunction. The Court decided that the Red Outsole Mark cannot survive an objection to its legitimacy raised in accordance with the philosophy of aesthetic utility because a shoe's outsole is so commonplace that it nearly defies description. Additionally, since making shoes with a plain raw leather sole and a red lacquered finish costs more than making shoes with an identical design but without the additional ornamental finish, "*the higher cost of production is desirable*" for fashion designers like Louboutin and YSL because it "*makes the final creation that much more exclusive and costly*"; as a result, it serves as a useful function to raise the price of the product. The District Court carved out an exemption to the protection given to color trade marks by Qualitex, holding that a "*single color for fashion items*" is never susceptible to protection. The Court used the analogy of forbidding Monet from using a particular shade of blue in his Water Lilies series because Picasso had used it first in paintings from his Blue Period to support its argument that Louboutin's registration of the "*Red Sole Mark*" allowed the designer to claim ownership over the red sole to the detriment of rivals. However, the district Court neglected to take into account the unique conditions of the fashion business when it extended this concept from high art to the high fashion sector and issued a per se ruling that a single hue may never form a protectable trade mark when applied on any fashion item.⁷⁰⁶

On October 17, 2011, Louboutin's attorneys filed an appeal on the grounds that the Court erred in concluding that the Red Sole Mark was not entitled to legal protection based on the doctrine of "*aesthetic functionality*." The Circuit Judges found that the lower Court's per se rule of functionality for color marks in the fashion industry is in conflict with the Supreme Court's ruling in Qualitex, and that the District Court erred when it accepted Yves Saint Laurent's claim that the aesthetic use of color in the fashion business constitutes the actual purpose of the goods. It does not follow that a sign cannot also function as a trade mark just because it is visually appealing and is a decorative

⁷⁰⁶ N Brandt, 14.

element. That is, if the principle of aesthetic utility were to govern, then the less 'useful' a sign was, the uglier and revolting it was. It cannot be good law or policy that, independent of public perception and recognition, a symbol's visual appeal and aesthetic appeal increase the likelihood that the symbol is "functional" and so ineligible for trade mark protection. The outsole, which is the component of the shoe on which it appears, is also the least prominently visible element of the shoe product and has historically been disregarded as a design feature because of its pedestrian function as the wearer's primary point of contact with the pavement or other surface. In determining whether Louboutin's red-sole mark fulfilled the necessary criteria for "distinctiveness" to justify protection, the Second Circuit considered the mark's secondary meaning. Because the mark had developed "*limited secondary meaning as a distinctive symbol*" identifying the Louboutin brand, it was decided that the mark did deserve protection, while maintaining their stance that they should not be barred from promoting a pair of monochromatic red shoes.⁷⁰⁷ Louboutin did not completely defeat its opponent. The Appeal Court ruled that the Louboutin trade mark applied only in cases where the shoe's outsole was red lacquered, but the rest of the shoe was another contrasting color.⁷⁰⁸ The district Court's ruling that YSL's monochromatic pattern did not violate Louboutin's trade mark was therefore maintained by the Second Circuit.⁷⁰⁹ This is because Louboutin has not proven that a red sole applied to a red shoe has secondary meaning; rather, it has only done so when the red sole contrasts with the shoe's upper part.⁷¹⁰

Similar problems arose to Louboutin throughout the whole world. For example, because single colors cannot be given trade mark protection, the High Court of Delhi in India rejected Louboutin's claim of uniqueness for its red sole mark.⁷¹¹ In the European Community, despite the fact that the United States and European Union have adopted very similar definitions of a trade mark, Louboutin has encountered more difficulties in trying to secure trade mark protection for its red sole. He filed a lawsuit against the Dutch footwear company van Haren Schoenen BV after the legal dispute with Yves Saint Laurent.⁷¹² Louboutin claimed that van Haren had filed his well-known red sole as a

⁷⁰⁷ F Grillo, 'Aesthetic Functionality: Can a Single Colour on a Fashion Item Act as a Trademark?' 3 (2) (2013), Queen Mary Journal of Intellectual Property 155, 163-166.

⁷⁰⁸ D Flint, 'Intellectual Property Red Soles in the Sunset' 33 (10) (2012), Business Law Review 249, 250.

⁷⁰⁹ LE Luhrs, 245.

⁷¹⁰ F Grillo, 161-162.

⁷¹¹ LE Mulraine, 'From Adidas to Zenga: A Historical and Comparative Analysis of International Intellectual Property Law in Fashion' 48 (2) (2020), AIPLA Quarterly Journal 281, 308.

⁷¹² Case C-163/16 Christian Louboutin SAS v Van Haren Schoenen BV (2018), ECLI:EU:C:2018:423.

trade mark in Benelux for "*the grey outline of a high heeled shoe with a sole in the color red,*" with the goal of making money off of it. The Hague District Court ordered van Haren to stop creating, manufacturing, and marketing its line of red-bottomed shoes and to compensate the French fashion designer for the infringement with damages. Van Haren appealed the District Court's decision, arguing that the Benelux Convention's Article 2(1) rendered the in-question mark illegal.⁷¹³ A "*two-dimensional figurative mark that consists of a red colored surface,*" according to Van Haren, is what the company's mark was. The District Court made the decision to halt the case and submit it to the European Court of Justice. As per Article 4(1)(e)(iii) of Directive 2015/2436, a sign that consists solely of a shape that adds substantial value to the product on which it appears is not eligible for protection.⁷¹⁴ The Court was tasked with determining whether the color that appears on the Louboutin shoe sole is a non-three-dimensional color or whether color applied to a high-heeled shoe sole is essentially a shape mark within the meaning of European Union trade mark law.

In accordance with Articles 7 of the European Union trade mark Regulation as well, signs that are solely composed of a product's shape or another characteristic that is essential to achieving a technical outcome, results from the nature of the product itself, or confers substantial value on the product are ineligible for protection under European Union trade mark law.⁷¹⁵ According to the European Court of Justice, "*the trade mark at issue does not relate to a specific shape of sole for high-heeled shoes.*" The Court panel ruled that the shape of the shoe does not constitute part of the mark and is designed solely to illustrate the placement of the red color covered by the registration.

A sign cannot be solely made up of a form where the predominant component is a certain hue, in this case Pantone 18-1663TP. The Court of Justice determined that Louboutin's red sole mark cannot be seen as consisting of "*exclusively*" of a form since the primary component of the mark is a particular color applied to a particular area of a high-heeled shoe and indicates a source. Therefore, the red bottom of the Louboutin is protected. The District Court of the Hague was given the case after the Court of Justice referred it there. In February 2019, the Louboutin's Benelux trade mark for its red bottoms was finally confirmed as valid, and it was established that Van Haren infringed upon it, providing us important insights when comparing Louboutin's journey to establishing its red sole mark and successfully enforcing it in the European Union and North America. While the latter

⁷¹³ Benelux Trade Mark Convention, Supra n 431, 2(1).

⁷¹⁴ Directive (EU) 2015/2436, Supra n 125, 4(1)(e)(iii).

⁷¹⁵ Regulation (EU) 2017/1001, Supra n 114, 7.

requires evidence of acquired distinctiveness or secondary meaning in order to secure trade mark registration for color marks, the European Union does not.⁷¹⁶

4.2 Patterns

If we were to answer on what a pattern is, in essence, it may be described as a set of elements that are repeated frequently and regularly.⁷¹⁷ Since customers remember products by their aesthetic components, interesting pattern will make an item stand out from rivals. It is then no surprise that graphical representations made from repeated lines, shapes, or colors have been applied to garment surfaces more frequently over the past few years. A brand pattern can also be adapted in a variety of ways. It can be included into products, advertisements in public places, business cards, and more.⁷¹⁸ In the fashion industry, trademarked patterns are called monograms, and many of them are a symbol of the Maison just as much the name or logo are. A few examples can be made:



Many fashion businesses have used their protected trade marks to create repeating patterns, which then are subsequently applied to fashion items as both a design feature and a way to express a powerful brand statement. There are several instances of these marks in the high-end fashion sector, such the FF monogram from Fendi, the Balmain Heritage monogram that may go even beyond just serving as status symbols, but instead serve as important representations of a brand's ideals and story.⁷²⁰ And when a pattern utilizes the company logo, it may evolve into a competitive weapon to distinguish a brand even further, giving fashion businesses opportunities to take advantage of the intellectual property rights to prevent competitors from copying and misappropriating their

⁷¹⁶ D Strukelj, 53-56.

⁷¹⁷ EUIPO, 'Trade marks examples', supra n 150

⁷¹⁸ J Ciani and M Bresciani, 'Pattern protection in the fashion industry: an overview of Italian and European case law' 13 (11) (2018), *Journal of Intellectual Property Law & Practice* 884, 884.

⁷¹⁹ The images depict, from the left side to the right side, three frequently used patterns in the fashion industry: Fendi, Casablanca and Balmain.

⁷²⁰ G Foo and Y Yang, 173-174.

designs.⁷²¹ Through this strategy, they increase their power to enforce exclusive design rights against possible infringers and to seize fake goods by registering these recurring pattern, since fabric designs qualify as "*writings*" and should be protected. While repeating patterns are used on all different kinds of fashion items, handbag branding is where it most frequently appears.⁷²²



Under European Union's law, patterns may be registered as a three-dimensional (3D) form trade mark or a two-dimensional (2D) figurative mark, due to the Implementing Regulation 2018/626, which incorporated the concept of "pattern trade mark" into our system through Article 3 (e), which states:

*“(e) in the case of a trade mark consisting exclusively of a set of elements which are repeated regularly (pattern mark), the mark shall be represented by submitting a reproduction showing the pattern of repetition. The representation may be accompanied by a description detailing how its elements are repeated regularly”.*⁷²⁴

As it is easily noticeable, the rule merely specifies how the mark should be exhibited throughout the registration process while making no mention of how the mark's distinctiveness is to be determined. Problems in this respect stem from the fact that patterns often serve an aesthetic purpose, which is, in theory, in conflict with the conventional belief that a trade mark's "*essential function*" is to serve as a source indication. This fact casts doubt on the judicial evaluation of the unique character of patterns, which explains why there has been an ongoing trend to demand a higher degree of distinguishing character for their registration, which is parallel to another trend, this one regressive, of denying protection for patterns on the grounds that they lack an inherent distinctive capacity has

⁷²¹ J Ciani and M Bresciani, 884.

⁷²² U Furi-Perry, 'Fabric Designs and Copyrights and trade marks' in U Furi-Perry (1st eds), *The Little Book Of Fashion Law* (American Bar Association 2014) 51, 51.

⁷²³ The image depicts a handbag from the brand Goyard displaying the house monogram.

⁷²⁴ Implementing Regulation (EU) 2018/626, Supra n 128, 3(e).

been established as a result of the strict interpretation of the 2008/95/EC Directive⁷²⁵ and the 2017/1001 Regulation⁷²⁶ by the European Union Court of Justice and the General Court in this matter.⁷²⁷ Courts also do recognize aesthetic merit, uncommon uniqueness, and the capacity to communicate extra communicative signals in connection to textile patterns so as to affect the user's perception in addition to the regular pleasant character of whatever textile designs.⁷²⁸ In fact, regardless of their practical nature, patterns may be prohibited from registering as signs if they just contain the form or another feature that significantly increases the value of the items. A fabric where "*the aesthetic value is preponderant over the distinctive value, and that due to such ornamental function may be appealing to a significant part of the relevant public, to the extent that it may actually affect the consumer's purchasing decision*" is an example of such a sign, according to the Court of Appeal of Milan.⁷²⁹ The Court rejected Gucci's infringement and unfair competition accusations against Guess on this basis that its recognizable floral pattern, known as *Flora*, was capable of adding significant value to the product. The Court specifically stated that the sign's decorative and aesthetic component, which was "*particularly sophisticated and aesthetically pleasing*," completely dictated its market appeal and defeated the sign's distinctive character.⁷³⁰

What has been accomplished under copyright law for patterns is even slimmer. In the same way the level of protections for fashion items are decided by each member state, little to normalization has been achieved under copyright law for patterns, because even though the InfoSoc Directive,⁷³¹ the Database Directive,⁷³² and the Term Directive⁷³³ have been approved to challenge the last few remaining main differences between the countries when it comes to copyright protection, none of them specifically gather to fabric patterns.⁷³⁴ In fact, as Folio Impressions demonstrates, many

⁷²⁵ Directive (EC) of the European Parliament and of the Council 2008/95 of 22 October 2008 to approximate the laws of the Member States relating to trade marks, L299/08.

⁷²⁶ Regulation (EU) 2017/1001, Supra n 114.

⁷²⁷ J Ciani and M Bresciani, 884-885.

⁷²⁸ Ibid, 889.

⁷²⁹ Court of Appeal of Milan, Case 3308/2014 Guess Inc. v Guess Italia Srl, Supra 556

⁷³⁰ J Ciani and M Bresciani, 887.

⁷³¹ Directive (EC) 2001/29, supra n 212.

⁷³² Directive (EC) 1996/9, Supra n 213.

⁷³³ Directive (EC) 2006/116, Supra n 214.

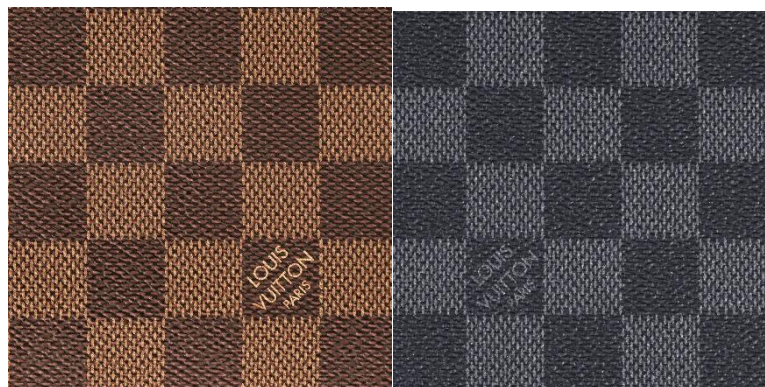
⁷³⁴ B Lindau, 'Iconic Designs, Icon Status, and Intellectual Property: Discussing Copyright and Fashion and the Ideal Mode of Protection for Fashion Designs and Patterns' 102 (3) (2022), Journal of the Patent and Trademark Office Society 482, 491.

Courts will only issue *thin* copyright, that is, protection against only near reproductions, if a pattern is straightforward, based on an already-existing design in the public domain, and/or has minimal originality.⁷³⁵ And this criterion is not the usual basic amount of originality that must be present to qualify for copyright protection, it is a narrower version and a stricter criterion for copyright infringement known as "*substantial similarity*".

Despite this tendency, copyright disputes involving textile designs do not seem to be slowing down, yet it appears so expensive to defend against such lawsuits that many apparel designers and retailers who could face liability find it preferable to settle such disputes, even when many of those lawsuits over allegedly infringed textiles may ultimately fail due to the lack of the pattern's originality, insufficient similarity with the accused design, or other reasons.⁷³⁶

4.2.1 The Louis Vuitton's Cases

Since the latter part of the 19th century, the French luxury fashion label Louis Vuitton has used many patterns, and just as many have been at the center of legal disputes. One of them is the "Damier" checkerboard pattern, one of the most recognizable ones. In regard to leather products, purses, and travel cases falling under class 18, Louis Vuitton submitted an application to register it as a European Community trade mark in 1998 for the brown and beige checkerboard design (on the left side) and again in 2008 for the dark and grey variation (on the right side).



The "Damier" print trade marks were contested in 2009 by a German retailer by the name of Nana-Nana, who argued that they were invalid, primarily because they were indistinctive and failed to

⁷³⁵ U.S. Court Of Appeals for the Second Circuit, Case 937 F.2d 759 Folio Impressions, Inc. v. Byer California (1991).

⁷³⁶ GC Jimenez and B Kolsun, *infra* 'Copyright', 46-47.

establish a unique character throughout all Member States.⁷³⁷ Both the Office for Harmonization of the Internal Market's Cancellation Division and Board of Appeal agreed with Nanu-Nana and determined that Louis Vuitton's trade marks lacked distinctive character because they only consisted of a "*basic and banal feature*" made up of straightforward, well-known elements that have been used as a decoration. After the request of the Office to terminate the protection, the General Court of the European Union invalidated Louis Vuitton's European Community trade mark registrations for both iterations of the "Damier" pattern on April 21, 2015, upholding prior rulings.

What the General Court did was choose to evaluate the uniqueness, as it would have with a three-dimensional trade mark, taking into account whether the design deviated from Class 18 standards and practices compared to any other checkboard. The Court stated that the figurative design was simple and uninteresting and had been used as a decorative feature for many years prior to Louis Vuitton's adoption. Additionally, in accordance with Articles 58(1)(a) and 7(1)(b) of Regulation 2017/1001, the pattern was indistinctive and should not be validly registered.⁷³⁸ The General Court of the European Union declared the registrations to be invalid because Louis Vuitton was unable to demonstrate that its checkerboard pattern had acquired a secondary meaning through use in a significant number of European Union countries at the time of the filing or registration of the trade marks.⁷³⁹

The same justification has been repeated in the European Union Intellectual Property Office Board of Appeal decision to uphold the rejection of Christian Dior's "*cannage*" pattern's registration. The Board said that the common method for creating a quilted appearance on fabric for clothing is to repeatedly reproduce quadrilaterals, adding that this method is mostly utilized for shielding against the cold. The examiners held the opinion that the sign would not be recognized as a trade mark, but rather as a simple variation of a pattern that is frequently used for the items in question. Therefore, the possibility that the design may have other uses and/or effects adds to the case that it would not be particularly unique. Paradoxically, it is equally simple to say that patterns made out of extremely intricate motifs lack distinguishing character. In these situations, the intricacy of the overall design prevents the target audience from remembering the design's specific aspects, and patterns are probably just seen as ornamental components by them. Here, rather than being conventional,

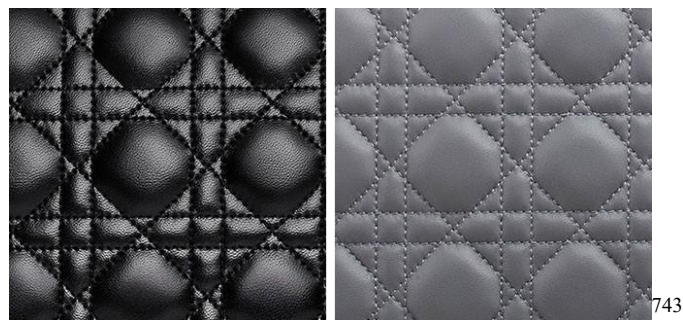
⁷³⁷ Case T-360/12 Louis Vuitton Malletier v OHIM and Nanu-Nana Handelsgesellschaft mbH für Geschenkartikel & Co. KG, ECLI:EU:T:2015:214.

⁷³⁸ Regulation (EU) 2017/1001, *Supra* n 114, 58 (1)(a) and 7(1)(b).

⁷³⁹ D Strukelj, 56-57.

customary, or typical, the reason for the rejection is that such patterns do not transmit any sort of "message" that may make the sign easily memorable for customers.

On the basis of the exemption allowed by Article 7(3) of Regulation 2017/1001, a pattern may nevertheless be authorized for registration as a trade mark after showing *acquired distinctiveness*, although it could take some time to develop such individuality.⁷⁴⁰ The sign's market share, the volume and duration of its usage in those Member States, the recognition of the sign by chambers of commerce, industry or other professional groups, may all provide convincing evidence in this respect. Beyond the challenges of proof, the application of Article 7(3) may also be disproven in various ways. For example, the Court of Appeal of Florence ruled in its decision regarding Bottega Veneta's "*Intrecciato*" that secondary meaning may strengthen a weak brand's capacity for distinctiveness but cannot make up for an initial lack of distinctiveness because the sign cannot be distinguished from the product but rather coincides exactly with it in consumers' minds.⁷⁴¹ The company's standing in the market may give it a certain commercial aura, but a common raw material used in manufacturing cannot become a distinguishing mark.⁷⁴²



Another, very popular monogram by Louis Vuitton is the Toile, which is made up of three distinct components that are separately recognized as separate trade mark insignia. Although the original, in brown and gold (on the left side), has been around for ages, first presented in France in 1896, a new style, in white and full colors defined as "Multicolore"(on the right side), debuted in 2003, created by designer Marc Jacobs, which was creative director at the time in collaboration with artist Takashi Murakami.

⁷⁴⁰ Regulation (EU) 2017/1001, *Supra* n 114, 7(3).

⁷⁴¹ Court of Appeal of Florence, Case 1114/2016 *Bottega Veneta v Franco Martini S.r.l.* (2016).

⁷⁴² J Ciani and M Bresciani, 885.

⁷⁴³ The image depicts the Dior *cannage* pattern.



As soon as 2004, the new monogram was already at the center of multiple trials. Since the Multicolore marks, which resemble the original toile marks in an updated and colorful pattern, have enjoyed tremendous success, different renditions should have been expected. Like Burlington's line of beaded handbags, which even the Court noted to have colorful designs reminiscent of the Multicolore bags, and the question obviously shifted on whether Burlington's bags constituted trade mark infringement and counterfeiting, as claimed by the French brand. The lower Court's decision in *Burlington Coat Factory* went in Burlington's favor, coming to the conclusion that it was improbable that a buyer would be confused while purchasing the items, rejecting Louis Vuitton's request for an injunction on the grounds that the business had not demonstrated a substantial likelihood of victory on the merits.

But in the appeal, the Court highlighted that it is wrong to compare two items side by side in order to assess whether they are sufficiently similar to cause confusion, deciding that the type of misunderstanding asserted should not be the main point of discussion but rather the real market conditions.⁷⁴⁴ Now, obviously, this may appear as a loss. And while that might be true for Louis Vuitton itself, fashion case law had a slow but inevitable progression since then even outside of Europe, where fashion may not hold particular historical or economic significance. It should not be overlooked how in *Louis Vuitton Malletier v. Burlington Coat Factory Warehouse Corporation*, the American justice at least tacitly recognized Louis Vuitton's Multicolor trade mark to be valid.⁷⁴⁵ The same American justice then went on to explicitly state so in the later judgment of *Louis Vuitton Malletier v. Dooney & Bourke Inc.*,⁷⁴⁶ showing a tangible progression of the case law even without considering the actual outcome of the judgement.⁷⁴⁷ Back then, Dooney & Bourke unveiled its "It

⁷⁴⁴ U Furi-Perry, 'Fashion Marks and the Lanham Act: Considering the "Likelihood of Confusion" in Fashion Handbags' in U Furi-Perry (1st eds), *The Little Book Of Fashion Law* (American Bar Association 2014) 33, 33-35.

⁷⁴⁵ U.S. Court Of Appeals for the Second Circuit, Case 426 F.3d 532 *Louis Vuitton Malletier v. Burlington Coat Factory Warehouse Corporation* (2005).

⁷⁴⁶ U.S. Court Of Appeals for the Second Circuit, Case 454 F.3d 108 *Louis Vuitton Malletier v. Dooney & Bourke Inc.* (2006), 115.

⁷⁴⁷ *Harvard Law Review*, 1003-1004.

Bag" collection with an eye-catching monogram pattern which was, again, remarkably similar to that of Louis Vuitton's, which responded alleging trade mark infringement and dilution, unfair competition, and false designation. Despite the fact that Louis Vuitton's multicolor pattern constituted an intrinsically recognizable mark, the District Court rejected the motion on the grounds that it had acquired a secondary meaning. The District Court concluded that there was no chance that the distinctive marks could be confused.

The Second Circuit Court of Appeals heard Louis Vuitton's appeal of this ruling and stated that in order to assess the risk of misunderstanding, it is important to consider all elements that can lead to consumer confusion as well as how the mark appears to consumers overall. The state trial Court's assessment of the resemblance of Dooney & Bourke's and Louis Vuitton's trade marks was wrongly based, according to the Appeals Court, on a comparison of the two items. The District Court was sent the case back by the Appeals Court for further review, noting that despite certain similarities between the goods displaying the in-question markings, they are still noticeably different. To sum up, neither Court in this case used the chance to provide better protection for designers, allowing a designer to use a comparable concept and design created by another designer without worry of violating their trade mark.⁷⁴⁸ The Court stressed how crucial it is to take handbag protection seriously for both practical and aesthetic reasons. *"For the person carrying it, a handbag may serve as a practical container of needed items, a fashion statement, or a reflection of its owner's personality; it may fairly be said that in many cases a handbag is so essential that its owner would be lost without it."*⁷⁴⁹ The appellate Court again remanded the case and partially overturned it, concluding that the Court made the same mistake they criticized in Burlington Coat Factory: inappropriately focusing on the similarity of the marks in a side-by-side comparison instead of in the context of the marketplace.⁷⁵⁰ What is to be noticed is how despite the Court's declining to address directly Vuitton's design piracy concerns, its statement, while not binding on future cases, ameliorated those concerns by perpetuating a conception of trade mark doctrine that would allow or even encourage broad protection of this type of design pattern.⁷⁵¹

⁷⁴⁸ D Strukelj, 58-60.

⁷⁴⁹ U.S. Court Of Appeals for the Second Circuit, Case 454 F.3d 108 Louis Vuitton Malletier v. Dooney & Bourke Inc., Supra n 746, 111.

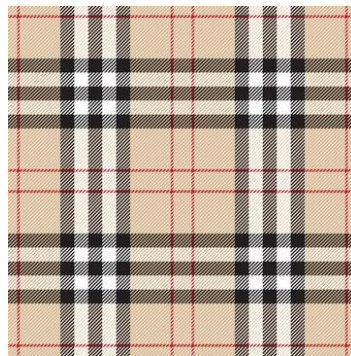
⁷⁵⁰ U Furi-Perry, infra 'Fashion Marks and the Lanham Act: Considering the "Likelihood of Confusion" in Fashion Handbags', 36.

⁷⁵¹ Harvard Law Review, 1005.



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4.2.2 The Burberry Case



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Other textile patterns have also been successfully registered as trade marks. For instance, the well-known high-end manufacturer Burberry has a renowned check pattern protected both in the European Union and the United States. The combination of five colors in a recognizable checkered pattern of stripes gives it its distinctiveness. Obviously, Burberry does not have a monopoly on any check pattern, and this has created many issues.⁷⁵⁴ Burberry filed a lawsuit against many defendants in a federal district Court for violating the company's trade marks, including the well-known checkered pattern that the business is known for. The defendants admitted that they had bought and sold almost 75,000 fake Burberry products, including coats, scarves, polo shirts, and caps, when the parties first settled their legal dispute.⁷⁵⁵ According to the settlement agreement, the defendants promised not to cause, facilitate, or help with any more violations.

⁷⁵² The figure depicts the comparison between the Louis Vuitton's multicolor pattern (on the left side) applied to an handbag versus a Dooney & Bourke (on the right side) one.

⁷⁵³ The image depicts Burberry's pattern.

⁷⁵⁴ D Strukelj, 57.

⁷⁵⁵ U.S. Southern District Of New York, Case 07 Civ. 3997 Burberry Limited v. Designers Imports, Inc. (2010).

But only a few months later, Burberry found other forgeries that the defendants had been selling to merchants. Burberry filed a second lawsuit and asked for liability-related summary judgment. Burberry's request was not met with any pushback from the defendants. The District Court approved Burberry's request, saying that since counterfeit markings are inherently confusing, it was not essential for the plaintiff to establish the elements of the likelihood of confusion test in situations involving counterfeit marks. Yet, the distinction between junior and senior marks does not exist. Furthermore, there is little doubt that Euro Moda and Moda Oggi used fake Burberry Marks with intent to deceive, as the whole goal of producing counterfeit goods is to deceive consumers, or, in certain circumstances, other vendors as well.⁷⁵⁶

5. The Piracy Paradox: The Pros and Cons of Intellectual Property Rights in the Fashion System

A world free of imitations sounds good in principle. Designers would have the power to produce and control all goods sold in the market. They could enjoy the fruits of their effort before their right expired and they had to come up with a fresh design that they could monopolize for an additional time period. Instead of having to come up with ideas so rapidly, they would be able to consider what their next big creation would be and maybe improve it. Only those who could buy these high-end designs would finally be able to experience the status they run after, and numerous retailers who make their money by imitating high-end designers will finally go out of business, receiving what they have long been due. Does this sound dystopic? Probably yes, because this perception of society would never translate to reality, and that is why we must find a compromise.⁷⁵⁷

Despite the fact that intellectual property is the most established aspect of fashion law, it has a number of loopholes, and even regardless of the market dominance of giant fashion corporations, painting a simplified picture of the sector to exaggerates fashion firms' economic power, will fail to fully address one of the biggest, partly unanswered, questions of fashion law.⁷⁵⁸ That question is whether innovation is really incentivized or not with a stricter intellectual property regime. Personally, I believe this directly correlates to one of the main questions of the concept of law itself. As we all know, every time a system recognizes a right, it is trying to balance two opposite sides,

⁷⁵⁶ U Furi-Perry, 'Tackling the Counterfeiters' in U Furi-Perry (1st eds), *The Little Book Of Fashion Law* (American Bar Association 2014) 73, 73-75.

⁷⁵⁷ K Heyison, 'If It's Not Ripped, Why Sew It - An Analysis of Why Enhanced Intellectual Property Protection for Fashion Design is in Poor Taste' 28 (1) (2012), *Touro Law Review* 255, 273.

⁷⁵⁸ MK Brewer, 757.

with opposite interests. The idea that rights might conflict with one another is at the center of the social function concept of property law. A reasonable balance between competing rights and interests is thus necessary.⁷⁵⁹

Ideas based on '*natural rights*' need to be considered in contrast to the positive origin of property and individual rights, where it might be said that society provides some type of '*privilege*'.⁷⁶⁰ In the question of the legal protection of fashion goods, the opposite goals that need to be balanced are, on one hand, providing an incentive to create new works, and on the other hand, making existing works more easily and readily available to consumers.⁷⁶¹

Not only the world of fashion is comparatively porous in this regard, both because their goods are relatively easy to copy, given that they are singular designs with low technological complexity, and do not involve arrays of patented inventions that fill out technology-driven corporations, but also because of the culture surrounding this particular sector of design, the question on whether piracy is good or bad is still, surprisingly, unanswered.⁷⁶² Even in 2023, it is still debated whether a haute couture house suffers harm if one of its things is duplicated since customers that purchase fake goods are not the same as those who shop at high fashion stores. The luxury market coexists with the market for fake goods. Additionally, some fashion companies believe that their expertise and quality cannot be replicated, hence they opt not to fight counterfeiting. Their business is unaffected by plagiarism. Paradoxically, some fashion brands take pride in being imitated.⁷⁶³ That is because while the development of intellectual property in the 20th century gave fashion designers hope that they might safeguard their artistic creations in their clothing designs,⁷⁶⁴ it also accelerated an expressed ambivalence about accepting imitation of the aesthetics.

This ambiguity is a sign that there may be an unwritten law of copying in the fashion industry that differs from any legal rule, which would logically forbid copying. "*All the laws about protection from copyists are ineffective and pointless,*" claimed Elsa Schiaparelli. When Prada CEO said, "*We*

⁷⁵⁹ T Fia, 'Resisting IP Overexpansion: The Case of Trade Secret Protection of Non-Personal Data' 53 (2022), IIC - International Review of Intellectual Property and Competition Law 917, 936.

⁷⁶⁰ B Andersen, 420.

⁷⁶¹ W Potter, 'Intellectual Property's Fashion Faux Pas: A Critical Look at the Lack of Protection Afforded Apparel Design under the Current Legal Regime' 16 (1) (2011), Intellectual Property Law Bulletin 69, 82.

⁷⁶² J Guy, 'Intellectual Property' in J Guy (1st eds), *Economies of Design* (SAGE Publications Ltd 2017) 1, 22.

⁷⁶³ M Malaurie-Vignal, 'Could fashion copies become lawful?' 13 (8) (2018), *Journal of Intellectual Property Law & Practice* 657, 658-659.

⁷⁶⁴ P Shirwaikar, 116.

do not want to be a brand that nobody wants to copy," it was also clear that copying is an inherent element of modern fashion. The dynamic appears to be widely acknowledged inside the sector itself, as seen by how Louis Vuitton's artistic director Virgil Abloh summed up the function of imitation in the luxury sector in an interview from 2017: *Something that is not sought cannot be faked.*⁷⁶⁵

On the other side of the spectrum, this is not universally true; some people have zero tolerance. For small designers without well-known trade marks, copies can be damaging. In these circumstances, piracy is seen as a form of looting rather than a flattering replica.⁷⁶⁶ As an example of this love-hate relationship, inspired by knockoffs that she had spotted in markets in London, the M.I.A. x Versus capsule collection for for Fall/Winter 2013–14, lends support to this interpretation of copy chic.⁷⁶⁷ Going as far as citing the piracy paradox theory, which I will dwell more into later, copying encourages originality and as a result, the fashion business actually gains from it. A desirable fashion item becomes widely available in six to twelve months, which is beneficial for advancing trends.⁷⁶⁸ According to this idea, the act of copying allows designers to prosper and the "*low intellectual property equilibrium*" remains well-suited for the fashion industry because it quickens the cycle of fashion and gives designers the freedom to reinterpret trends or borrow from one another without worrying about legal repercussions.⁷⁶⁹

And if we were to find a moment in time when this dilemma question of whether appropriability promotes or stifles open innovation took form, The Piracy Paradox theory from Professors Raustiala and Sprigman is a passage that cannot be skipped.⁷⁷⁰ *"By permitting extensive and free copying, enables emerging trends to develop and diffuse rapidly, and, as a result of the positionality of fashion, to die rapidly. Induced obsolescence and anchoring are thus intertwined in a process of quick design turnover. This turnover contributes to, though it does not by itself create, a market in which consumers purchase apparel at a level well beyond that necessary simply to clothe themselves. Together, induced obsolescence and anchoring help explain why the fashion industry's low-IP regime has been politically stable. These twin phenomena at a minimum reduce the*

⁷⁶⁵ M Mackinney-Valentin and S Teilmann-Lock, 95-97.

⁷⁶⁶ M Malaurie-Vignal, 659-660.

⁷⁶⁷ M Mackinney-Valentin and S Teilmann-Lock, 108-109.

⁷⁶⁸ N Giambarrese, 254-255.

⁷⁶⁹ S Monseaun, 66.

⁷⁷⁰ A Brem, PA Nylund and EL Hitchen, 'Open innovation and intellectual property rights: How do SMEs benefit from patents, industrial designs, trade marks and copyrights?' 55 (6) (2017), Management Decision 1285, 1286.

economic harm from design copying, harm that is predicted by the standard account of intellectual property rights. At a maximum, these processes actually benefit designers and the industry as a whole. More fashion goods are consumed in a low-IP world than would be consumed in a world of high intellectual property protection precisely because copying rapidly reduces the status premium conveyed by new apparel and accessory designs, leading status-seekers to renew the hunt for the next new thing".⁷⁷¹

According to this theory, designers gain from "*induced obsolescence*," which occurs when copying accelerates fashion cycles by prompting the trendiest clients to seek new trends as soon as copyists manufacture knock-off copies for the rest of consumers. Fashion items are intellectual property, and as such, their indicators are extremely vulnerable to appropriation. This facilitates the speedy duplication and dissemination of designs, thus enhancing the appeal of emerging trends. Doppelgänger brand representations encourage non-elite customers to join the bandwagon as luxury becomes more widely dispersed. Being clothing a status-enhancing good whose worth is determined by how valuable others perceive it to be, when a design gets widely used, its status-conferring value is depleted, and consumers start looking for new designs. As a design spreads, its status-conferring value increases.⁷⁷² Therefore, whether they are real or false, luxury goods in today's marketplaces represent what is universally wanted, in fact, what is coveted and lusted for.⁷⁷³

Just a quick glance at the September edition of Vogue will in fact demonstrate, that fashion innovation is far from over. Despite the ease with which others may replicate in these businesses, innovation is remarkably alive and well. In actuality, imitation not only helps fashion survive but also makes it grow. Innovators may be compelled by imitation to organize their innovation in ways that make it less susceptible to imitation. The core message states that surprisingly, originality and copying frequently coexist. Additionally, copying occasionally even fosters originality.⁷⁷⁴ This idea is defined as a "*paradox*", because copying encourages "*anchoring*," the process through which new trends originate, consolidate, and catch the imagination of consumers.⁷⁷⁵ After this theory

⁷⁷¹ K Raustiala and C Sprigman, 'The Piracy Paradox: Innovation and Intellectual Property in Fashion Design Virginia Law Review' 92 (8) (2006), Virginia Law Review 1687, 1733.

⁷⁷² A Eguchi, 'Curtailling Copycat Couture: The merits Of The Innovative Design Protection And Piracy Prevention Act And A Licensing Scheme For The Fashion Industry' 97 (1) (2011), Cornell Law Review 131, 140.

⁷⁷³ J Hietanen, P Mattila, A Sihvonen and H Tikkanen, 'Paradox and market renewal: Knockoffs and counterfeits as doppelgänger brand images of luxury' 36 (7) (2018), Marketing Intelligence & Planning 750, 756.

⁷⁷⁴ K Raustiala and CJ Sprigman, 'Introduction' in K Raustiala and CJ Sprigman (1st eds), The Knockoff Economy: How Imitation Sparks Innovation (Oxford University Press 2012) 1, 3-12.

⁷⁷⁵ MK Brewer, 758.

opened the gates of discussion, the arguments against or in favor of stricter intellectual property rule have flooded.

5.1 The Pros: Why We Should Strengthen Intellectual Property

The first, major argument that comes in favor of strengthening intellectual property is from basic economic rules. That suggests foreseeing exclusive rights as required to promote the production of information commodities. Consider how production may go if such rights were not available. Once an information good, such as a completely innovative pair of shoes, is introduced into the market, it will face widespread competition because the innovation it represents is a "*public good*" that can be easily copied and distributed without depleting its supply or depriving others of its use. As a result, the price of the information item falls to the marginal cost of production.

A market that drives prices down to marginal cost is a positive thing for all, but creativity. Innovative items are seldom pure mental inventions. Often, it takes years of research and a lot of money to cover the work, time, and hazards that go into that production. And if everyone in the market was free to sell the item, the creator would never recoup their investment since they would have to sell it at the higher price of the competitors, who did nothing except take the expression of an idea that someone else had put money into.⁷⁷⁶ As a result, potential innovators require a system that allows them to charge more than the marginal cost in order to recuperate their investment costs, which is where intellectual property's exclusive rights come into play.⁷⁷⁷ Another basic economic incentive theory, also defined as the *innovation curve*, explains that without intellectual property exclusive rights we would perceive overall less innovation, and society as a whole will be worse off.⁷⁷⁸ The Schumpeterian theory of innovation, probably the most infamous and dividing opinion on the matter, also supposes that short-run profits must appear for firms to enter the market and be incentivized to innovate, and what often provides those is the attainment of a monopoly position. Schumpeter adds that enterprises, being very costly and risky, would in most cases be impossible if it were not known from the outset that exceptionally favorable situations are likely to arise. It is

⁷⁷⁶ A Sawicki, 672.

⁷⁷⁷ CA Cotropia and J Gibson, 925-926.

⁷⁷⁸ Ibid, 930-931.

only through the prospect of earning large, temporary profits that efforts to innovate are generated.⁷⁷⁹

Outside of economic concerns, other arguments have been put forward. First of all, back when intellectual property rights as a concept first appeared in legislatures, they were an intentional choice made by legislators to reach for liberty and equality, not for privileges and monopolies of any kind.⁷⁸⁰ Secondly, the European Commission, even with no actual proof of such a correlation existing, started to explicitly promote in the 1980s the idea that through more innovation, competitiveness will be found, and the way to achieve it was by having higher intellectual property rights.⁷⁸¹ They also realized how small and medium enterprises, which make up 99% of all businesses in the EU,⁷⁸² rarely engage in external knowledge sourcing, which remains a vital but underexplored feature of open innovation for them.⁷⁸³ This is due to the obstacles that organizations may encounter while engaging in open innovation, such as a lack of funds or resources, which impacts production, distribution, marketing, and researcher recruiting. These issues are a direct effect of the organization's small size in comparison to larger enterprises. Without a proper intellectual property scheme, small and medium enterprises would never seek the opportunity to innovate, for the good of society and their own activity, they would always be running after.⁷⁸⁴ Furthermore, in reaction to the shortcomings of intellectual property rules, designers, fashion firms, and judges have established other methods of protecting designs and goods. Designers, for example, have increasingly relied on large logos at the expense of more original product designs. This condition affects both young designers whose signs are not yet well-known, experienced designers who want to experiment with new "looks," and society as a whole, which would benefit from increased innovation and customer choice.⁷⁸⁵ Also, several scientific studies found evidence that strengthening intellectual property regimes improves the flow of foreign investment in industries

⁷⁷⁹ JA Schumpeter, 'The Process of Creative Destruction' in JA Schumpeter (5th eds), *Capitalism, Socialism And Democracy* (Taylor & Francis e-Library 2003) 81, 90.

⁷⁸⁰ F Machlup and E Penrose, 'The Patent Controversy in the Nineteenth Century' 10 (1) (1950), *Journal of Economic History* 1, 16.

⁷⁸¹ V Muzaka, 838-839.

⁷⁸² European Commission, 'Internal Market, Industry, Entrepreneurship and SMEs' (2023), https://single-market-economy.ec.europa.eu/smes/sme-definition_en

⁷⁸³ S Brunswicker and W Vanhaverbeke, 'Open Innovation in Small and Medium-Sized Enterprises (SMEs): External Knowledge Sourcing Strategies and Internal Organizational Facilitators' 53 (4) (2014), *Journal of Small Business Management* 1241, 1242.

⁷⁸⁴ A Brem, PA Nylund and EL Hitchen, 1286-1288.

⁷⁸⁵ MK Brewer, 758-759.

where patents are often utilized. Profit-maximizing Entrepreneurs always want to operate in legal frameworks where their rights are the most protected. This raises the stock of capital in the receiving nation while decreasing it elsewhere, particularly in countries with weak intellectual property protection. As a result, in the absence of international collaboration, most governments have a strong incentive to continue strengthening patent protection, even in the absence of lobbying and bribery by intellectual monopolists.⁷⁸⁶

Lastly, the "*induced obsolescence*" approach brought up by The Piracy Paradox, was most successful during the older period of the fashion business, when copying was a more labor-intensive process and an original designer might benefit from a first-to-market edge, even if it was only temporary. Not only designers in the field of high-end fashion have always been on the front edge of innovation, and not because of anchoring, but because of the nature of the industry. Fashion Weeks, cruise, resort and pre collections, haute couture events, and special collaborations require designers to continually adapt and reinvent themselves in order to remain relevant in the eyes of the critical high-fashion world.⁷⁸⁷ But nowadays, and it will only get worse with time, a designer's incentive to create will gradually wane as new technologies are developed, and the copying process will become far quicker and more effective. This will make it increasingly difficult to justify the Piracy Paradox argument. Given all these developments, the fashion industry will require stronger intellectual property protection to safeguard itself against a culture of copying that may ultimately prove to be a substantial barrier to its expansion.⁷⁸⁸

5.2 The Cons: Antitrust Concerns And The Risk Of Monopolies

Assume we eliminate the philosophical impediment that lies between fashion and strong intellectual property protection. As a result, the phoenix-like cycle of trends would likely slow. Because designers would no longer be able to put on one other's clothes without a license, anchoring would take longer. And, once established, trends would remain since others could no longer openly duplicate the item as soon as it became popular, delaying the inevitable moment of oversaturation and un-hipness share of industry earnings by licensing a single design for a longer length of time.⁷⁸⁹

⁷⁸⁶ M Boldrin and DK Levine, 'Does Intellectual Monopoly Increase Innovation?' in M Boldrin and DK Levine (1st eds), *Against Intellectual Monopoly* (Cambridge University Press 2008) 184, 192.

⁷⁸⁷ MC Miller, 1643.

⁷⁸⁸ A Eguchi, 140-142.

⁷⁸⁹ CA Cotropia and J Gibson, 957-958.

Yet, this may result in a monopoly and that is viewed realistically as a sickness rather than a remedy, as a rent-seeking behavior to fatten few firms' pockets at the expense of public prosperity.⁷⁹⁰

A monopoly can be defined as one single firm that has sole control over a market, that permits it to dominate and control prices. A monopolist with market power can raise the equilibrium price by producing less by using their actions to affect the market price. It is then simple to see then why they are perceived by some as anti-competitive government acts that provide a single firm or grouping of enterprises an unfair edge over a certain commercial region, as opposed to free market competition..⁷⁹¹

The prospect of fashion designs being vulnerable to these antitrust issues stems from the accumulation of elements. The first is the nature of the industry, in which trends are fleeting. Larger fashion businesses may spend in detecting important trends, thereby being at the forefront of trend creation. The combination of these elements gives rise to the likelihood of monopolistic or oligopolistic behavior.⁷⁹² Individuals and organizations have a significant incentive to pick, remain, and even expand with a single alternative in sectors whose fixed set-up costs are considerable in relation to the cost of reproduction. Once the development expenses have been recovered, every new duplication of intangible ideas is pure profit. As a result, intellectual property rights may incentivize investment in arbitrary or suboptimal technical paths, resulting in wasteful resource utilization.⁷⁹³ Thus, fashion restricts the actual diversity that is offered to customers while also promoting phony difference that hinders logical decision-making. Fashion also promotes wasteful purchasing by distracting buyers from factors like price, material quality, and workmanship.⁷⁹⁴

One of the most widely used expansion tactics in the fashion business is brand extension, which is the use of an established brand name to offer a new product or class.⁷⁹⁵ Given the high cost of new product creation and the low success rate, brand extension is a cost-effective way for fashion firms to enhance their market share by leveraging the value of their current brands. The brand that gives birth to a brand extension is referred to as the "*parent brand*." Brands can expand horizontally to

⁷⁹⁰ M Boldrin and DK Levine, 'The Bad, the Good, and the Ugly' in M Boldrin and DK Levine (1st eds), *Against Intellectual Monopoly* (Cambridge University Press 2008) 243, 244.

⁷⁹¹ P Liu, 160.

⁷⁹² *Ibid*, 170.

⁷⁹³ B Andersen, 429.

⁷⁹⁴ PM Gregory, 70.

⁷⁹⁵ KL Keller and DA Aaker, 'The Effects of Sequential Introduction of Brand Extensions' 29 (1) (1992), *Journal of Marketing Research* 35, 35.

include a new product class or category that the brand does not presently provide but at the same price and quality level as the existing brand. Bvlgari's release of perfumes and sunglasses in the same price range and quality level as their parent brand is an example of horizontal brand extension.⁷⁹⁶ Branding can also be extended vertically within the same product category, either upward to target a wealthier market or downward to target more price-conscious consumers. Vertical downward extensions are more widespread in the fashion business than vertical upward extensions, with many high-end fashion labels providing items at lesser costs to profit on the value of their respected brand name. Examples include Calvin Klein's CK, and Donna Karen's DKNY and DK.⁷⁹⁷

Aside from brand expansion, another approach for a firm to develop is to create entirely new brands, like Prada with Miu Miu, to address the demands that existing brands cannot meet. As a result, a corporation might carry many brands, or a "*brand portfolio*", which is described as a set of brands owned by one company.⁷⁹⁸

Some may argue that while trade marks, copyrights, and patent rights have a monopolistic aspect, they do not meet the anti-competitive monopoly definition since they are designed to encourage competition rather than limit commerce. However, such an argument is faulty for a number of reasons. Patents particularly endanger our economic success due to the high chance of monopolization, including the major drawback of intellectual property inefficiency.

Copyright appears to be less dangerous. Enriching a few performers, singers, or book writers for no reason is not as horrible as allowing millions of people to die because a monopolist is not providing enough medicines. Some even dare to recall the copyright industry as commercially negligible in and of itself because although its term is excessive, the area of coverage has historically been narrower in general, since only the expression of ideas, not the ideas themselves, is protected. Again, in theory, this is less detrimental to downstream generation of new ideas and presentation of ideas than the considerably greater protection provided by patents. On the other side, though, copyright has widened exponentially in scope over time and despite its seeming lack of economic relevance. Copyright is as inefficient, disrespectful, and unfair as patents and arguably more offensive because their continuous and repeated retroactive extensions make a mockery of the "*limited times*"

⁷⁹⁶ PM Gregory, 72.

⁷⁹⁷ B Jin and E Cedrola, 'Brands as Core Assets: Trends and Challenges of Branding in Fashion Business' in B Jin and E Cedrola (1st eds), *Fashion Branding and Communication: Core Strategies of European Luxury Brands* (Palgrave Pivot New York 2017) 1, 9.

⁷⁹⁸ *Ibid*, 11.

principles.⁷⁹⁹ The Sonny Bono Copyright Term Extension Act of 1998, the most recent copyright extension, is the largest land grab in history.⁸⁰⁰ This exceptional piece of legislation extended the duration of copyright not just for new works but also for existing works by twenty years. In a single legislative stroke, copyright rose by 40%, which is very convenient for huge media businesses that hold the rights of very profitable characters, songs, or movies created long, long ago by a brilliant artist who is now deceased. For decades, this work has generated enormous royalties, and as a result, investing a percentage of that massive flow of funds in lobbying legislators has, so far, been a fantastic investment.⁸⁰¹

A similar sentiment can be shared to trade marks since their doctrinal extension essentially grants inventors a perpetual monopoly. Unlike patent and copyright law, trade mark law does not provide extra incentives in its protection requirements, and the holders of such monopolies contribute nothing to society. Trade Mark legislation helps customers to identify the source of market items and guarantees that consumers have a choice in the things they purchase. However, a choice does not always imply competition.⁸⁰² Since rational purchasing is impossible when consumers lack basic market knowledge, a perfect market is inconceivable.⁸⁰³ Patents are valid for twenty years, while copyrights are valid for seventy years after the creator's death. Following that, the protected creations are released into the public domain. However, because trade mark rights are perpetual, proprietors of trademarked quasi designs will never be required to contribute to society.⁸⁰⁴ Indeed, trade marks that may stay forever are contrary to the fashion credo of temporality. And not only that, the growing protection of quasi-designs under trade mark law hampers aesthetic creativity in design, instead favoring "*logofication*." Designers seeking protection for their products will produce more logos and ways to show them rather than generating new, and original features. Even Giorgio Armani, who had previously been cautious of utilizing monograms as an outside ornamental feature, agreed to use an eagle emblem for Emporio Armani in order to dissuade copyists. As a result of

⁷⁹⁹ M Boldrin and DK Levine, 'The Devil in Disney' in M Boldrin and DK Levine (1st eds), *Against Intellectual Monopoly* (Cambridge University Press 2008) 97, 97-98.

⁸⁰⁰ Copyright Term Extension Act, H.R.2589, 105th Congress (1997-1998), United States.

⁸⁰¹ M Boldrin and DK Levine, *infra* 'The Devil in Disney', 100-101.

⁸⁰² NY Melonakos, 'Famous trade marks in Fashion: Why Federal trade mark Dilution Law Favors a Monopoly over Small Business Success' 51 (3) (2015), *Willamette Law Review* 365, 401-402.

⁸⁰³ PM Gregory, 73.

⁸⁰⁴ *Harvard Law Review*, 1012.

logofication, there may be more handbags with obvious identities and fewer forms of specifically fitted apparel.⁸⁰⁵

Also, if copyright and patents were to be severely reduced, there will be a strong incentive to replace trade mark for other types of intellectual property protection. For example, if Disney lost the rights to Mickey Mouse, they would be tempted to trade mark Mickey Mouse and so prohibit the usage of Mickey Mouse pictures. As a result, every effort to amend copyright and patent law must include how to limit the use of trade marks to prohibit their usage as a substitute for copyright and patents.⁸⁰⁶

6. Final Thoughts and why following trends is not copying

As explained, giving intellectual property protection comes at a cost. Short-term trade-offs for granting such rights include limited supply of the protected commodity, higher pricing since the protected item is only accessible from a single source, or both. This requires equilibrium. Some claim that to minimize the social burden of intellectual property protection, innovators should have the least amount of intellectual property protection required to stimulate investment in innovation, but it is likely possible that future innovation will not occur if the threshold is set too low.⁸⁰⁷

Setting a high originality criterion for works of applied art has also occasionally been justified on the grounds that protection may impede market competitiveness. But the presumption that copyright protection for applied art would limit competition and produce monopolies is not as accurate as one may believe. There is minimal evidence of such growth occurring: it is nowhere to be found in the evolution of European Union copyright legislation. In *Brompton*, for example, the Court of Justice noted that copyright protection for ideas amounts to allowing for monopolization of ideas, which would impede technological advancement and economic growth.⁸⁰⁸ Only the original manifestations of ideas are protected, not the ideas themselves. Furthermore, it is doubtful that a pattern could be observed. Furthermore, identifying a trend with adequate clarity and objectivity would be

⁸⁰⁵ Harvard Law Review, 1011.

⁸⁰⁶ M Boldrin and DK Levine, *infra* 'The Bad, the Good, and the Ugly', 259-260.

⁸⁰⁷ AL Landers, 'The Anti-Economy of Fashion; An Openwork Approach to Intellectual Property Protection' 24 (2) (2014), *Fordham Intellectual Property, Media & Entertainment Law Journal* 427, 467-468.

⁸⁰⁸ Case C-833/18 *SI and Brompton Bicycle Ltd v Chedech/Get2Get* (2020), ECLI:EU:C:2020:461.

unlikely.⁸⁰⁹ As a result, a trend would not meet the Court's criterion in *Cofemel*⁸¹⁰ and *Levola Hengelo*.⁸¹¹ Another frequently claimed rationale for denying protection to fashion designs is that doing so could lead to an increase in complaints and litigation. This argument, however, is founded on the flawed assumption that providing more grounds of action will inevitably result in an increase in the number of complaints. In truth, many fashion designers have already filed copyright claims against competitors, and this discarded litigation is burdensome for both the parties and the Courts. More intellectual property protection will only provide designers a chance to win ongoing litigation; it will not result in more jobs.⁸¹²

To summarize, it would definitely be irresponsible to suggest adopting an intellectual property system if we did not already have one, based on our current understanding of its economic repercussions. However, given that we have had it for a long period, it would be irresponsible to suggest its abolition based on our current understanding.⁸¹³ A pocket is a pocket, and a sleeve is a sleeve, and since these are ancient and well-known notions, it is ludicrous to believe that anybody should be permitted to "own" them. This is how it is sometimes stated that fashion is simply repetitious and lacks inventiveness deserving of legal protection. This argument has some validity, but it is overdone and leads to an erroneous conclusion. Making a fully unique and original fashion design is challenging, in fact, and therefore requires safeguarding and legal barriers.⁸¹⁴

So, what is the solution? A proposal that has been advanced by many jurists (e.g., Alexander Wulf) and that I agree with, is to find a balance between those two staggering and contrasting views and doing so by realizing where to pull the strings and where to let them loose. In other words, in certain cases, intellectual property should be even more strict than it appears to be now, while in others, considering the peculiarity of the fashion industry, it should be more flexible and adaptable to specific cases in order to let the industry thrive. To share a practical example, while fashion firms have continuously sought substantial protection against trade mark imitation and, in certain countries, some protection against design imitation, they have not consistently sought robust

⁸⁰⁹ H Härkönen, *infra* 'Fashion and Copyright: Protection as a Tool to Foster Sustainable Development', 65-66.

⁸¹⁰ Case C-683/17 *Cofemel - Sociedade de Vestuário SA v. G-Star Raw CV*, *Supra* n 247.

⁸¹¹ Case C-310/17 *Levola Hengelo BV v Smilde Foods BV* (2018), ECLI:EU:C:2018:899

⁸¹² MC Miller, 1642-1643.

⁸¹³ M Boldrin and DK Levine, *infra* 'The Bad, the Good, and the Ugly', 243.

⁸¹⁴ GC Jimenez and B Kolsun, 'Design Piracy Legislation: Should the United States Protect Fashion' in GC Jimenez and B Kolsun (2nd eds), *Fashion Law: A Guide for Designers, Fashion Executives, and Attorneys* (Bloomsbury Publishing PLC 2014) 66, 71-72.

protection against the full range of design imitations. We might ask ourselves why and the easiest answer will always be that they are aware of how some types of loose string do help the industry. And the reason for that is that not all similarities correspond to copying.⁸¹⁵

The fashion industry, as it might be more than clear by now, is one of a peculiar nature, where the whole part of being on trend constantly comes crashing with the principle of intellectual property protection. Therefore, it is not foreseeable to move forward, without pointing out the difference between a copy and a trend reference. On one side we have a direct coping which should be disincentivized, but on the other, the phenomenon of trend joining is one of a positive economic effect on the market. While protection against coping will still allow that within a common trend multiple designers could differentiate and exploit their different take, stopping the cycle of trend referencing would deprive the fashion industry of one of its biggest contributors. When one trend starts, for example a tartan skirt being the biggest item of the season, every designer, from fast fashion chains to high-end brands, will try to turn the trending item into a personal advantage. Some of them will probably straight up copy the skirt, while the others may change its component through their own original interpretation, creating a new skirt that both references the trend were also remaining original enough. The second example cannot be prohibited by law because that practice is what the whole fashion industry is rooted in, where the fashion cycle keeps moving all at the same pace and both richer and more diverse selections of create creative outputs are available for consumers.⁸¹⁶ When an innovation's fashion content deteriorates to the point that it no longer serves as a status symbol or fulfills the need for the new, it is abandoned, most of the time within a relatively short period of time. It is part of the nature of this consumer pattern to keep an eye out for new innovations, including experimentation, to see how an innovation piques interest and ensures above-average fashion content, so that interest in this innovation can be used as a status symbol by wealthier sections of the population.⁸¹⁷

The lifecycle of an innovator's product ends when the "*trendsetters*" lose interest owing to the falling novelty factor and desire new inventions to experiment with. This is then a much more reasoned and developed idea of that of the *piracy paradox*.⁸¹⁸ The uncommon use of protection laws

⁸¹⁵ JM Barnett, G Grolleau and S El Harbi, 'The Fashion Lottery: Cooperative Innovation in Stochastic Markets' 39 (1) (2010), The Journal of Legal Studies by The University of Chicago Press for The University of Chicago Law School 159, 182.

⁸¹⁶ CS Hemphill and J Suk, 1159-1160.

⁸¹⁷ A Wulf, 'A Comparative Approach to the Protection of Fashion Innovations' 39 (2007), Berkeley Center for Law and Technology 1, 18.

⁸¹⁸ W Potter, 83-85.

would appear to imply that imitators' introduction into the market and subsequent swift discarding of innovation does not necessarily indicate a possible monetary loss for them. On the contrary, they might take advantage of the fact that "*trendsetters*" are more likely to acquire new advances in this instance. While the introduction of imitators may appear to be a negative aspect at first, it looks to have a beneficial effect, with "*trendsetters*" considerably more eager to invest in new inventions and so retain the social standing of that trendy piece.⁸¹⁹

Given the relatively high cost of litigation for violations of protection laws, as a result of the highly fragmented and decentralized fashion industry, the facts described above are sufficient to explain the low level of intellectual property protection and the liberties taken with them by imitators. Creative competition in some sectors may be organized in such a manner that it does not necessitate the tightest possible protection rules.⁸²⁰

Because the lifespan of earlier innovations is short, inventors' industry structure and competitive tactics are centered on high innovation content and high frequency of consumption. Thus, the shortening of a product's lifespan suggested by imitators' market entry is significantly more profitable than the extension implied by recourse to protection laws. In other words, by enforcing even stricter protection laws for trend joiners and so delaying the entry of imitators into the market, and extending the life of a product, innovators would be hampered from fully exploiting their competitive strategy, which is an inherent component of their economic orientation. Protection regulations would jeopardize a competitive advantage gained via the flexible fulfillment of fashion requirements and the rapid turnover of items. At the same time, the same cannot be said for the very detrimental phenomenon of counterfeiting, which fully relies on efficient intellectual property protection. It then comes natural to believe that the perfect solution for the fashion industry will be one of compromise that, observing and respecting its intellectual property peculiarities, tackles the real issues without impeding the creation of trends, therefore moving from a stricter to looser infringement protection based on the different phenomenon and context.

⁸¹⁹ A Wulf, 19.

⁸²⁰ Ibid, 19-20.

CHAPTER IV

THE EVOLVING DYNAMICS OF THE LATEST TECHNOLOGIES ON THE FASHION INDUSTRY AND INTELLECTUAL PROPERTY

This Chapter will focus on introducing the latest technology developments and how they have been approached by different Couture Houses, a phenomenon that can also be recalled as *Fashion Industry 4.0*. It is expected for the Fashion industry to change drastically in the next decade due to these innovations in the area of the Internet, and the upcoming revolution may become a persistent challenge to the recognition of intellectual property rights, which belong to an older period that brought close to no consideration to the future of the law. The phenomena are interlinked but diverse, and they will each be highlighted in respect to how they may change consumers' perception with fashion goods circulating inside the Internal Market of the European Community and in return, how this may either promote or hinder intellectual property rights.

Once again, the analysis of these different instruments will mostly focus on the possible legal consequences they are projected to blossom towards the protection of fashion digital goods property rights.

1. The Digital Era: across digital transformation in fashion industries and the main legal implications

It is deductive to expect technology development to have a significant impact on the fashion industry in the future. In fact, the latest technologies are already permeating the creative industries.⁸²¹ These days, the sector is being greatly influenced by digital transformation, which has also produced novel chances for engagement between businesses, stakeholders, and clients. Not only digital technologies have improved interactive communication and boosted access to and use of information, but the manufacturing, packaging, communication, and distribution of goods and services are all being impacted as well. Smart textiles and wearable technology have emerged as a result of the conversion of fashion items into tech products, signaling a significant cultural shift.⁸²²

⁸²¹ W-H Cheng, S Song, C-Y Chen, SC Hidayati, and J Liu, 'Fashion Meets Computer Vision: A Survey' 54 (4) (2021), ACM Computer Survey 72:1, 72:31.

⁸²² V Morabito, 'Fashion' in V Morabito (1st eds), Fashion, in Digital Entrepreneurship: Management, Systems and Practice (Cambridge University Press 2022) 216, 218-220.

The term "*Fashion Industry 4.0*" refers to this particular phenomenon that integrates a number of important innovations, including cyber-physical systems (CPS), the Internet of things (IoT), big data, Blockchains, NFTs, 3D printing, Artificial Intelligence (AI), and the Metaverse.⁸²³ In contrast to the mass brands, who immediately grasped the possibilities that the Web represented, Luxury companies were initially hesitant, since only a mono-brand store can provide a specific kind of multisensory experience. Then, several specialist websites, like eLuxury, introduced luxury brands online. Launched by LVMH in 2000, this commercial website was a forerunner in the online luxury goods industry and included a large range of clothing and accessories from illustrious labels including Dior, Emilio Pucci, Céline, Marc Jacobs, Versace, Dolce & Gabbana, Fendi, Tod's, and Louis Vuitton. From there, the integration went smoothly. For instance, the Richemont company purchased Net-à-Porter in Europe in 2010, and then Yoox Net-à-Porter Group was formed in 2015 following the merger of the commercial website, which was launched in 2000, and Yoox, an Italian online fashion store. Currently, the majority of the most influential companies sell online, as do the smaller players that require all the distribution power they can get their hands on. Their websites both include an online buying component and several email addresses, which not only increases the presence and opportunities for engagement with consumers but also allows for various linkages among all the vectors of the total communication plan.

Fashion occupies a special place in the digital world as a significant component of the modern common cultural legacy of Europe.⁸²⁴ It is increasingly acknowledged as a relevant study object not only in the arts, sociology, and humanities studies, but also in the information technology area for performing arts and entertainment.⁸²⁵ Everything that has been said thus far, though, brings as many troubles as solutions for the legal sphere, because each evolution in the fashion industry collides with intellectual property concerns in a different manner. The present standard is to wait for technological advancement before adapting the legislation, but this method has proven to be no longer appropriate because technology is not evolving in the same linear way that it formerly did.⁸²⁶

⁸²³ R Oliveira, I Nääs and S Garcia, 'Fashion Industry 4.0: A Bibliometric Review in the Fashion Industry' 11(12) (2022), *Research, Society and Development* 1, 6.

⁸²⁴ M Chevalier and G Mazzalovo, 'Communication in Digital Times' in M Chevalier and G Mazzalovo (4th eds), *Luxury Brand Management in Digital and Sustainable Times* (Wiley 2020) 324, 336-337.

⁸²⁵ D Luchev, D Paneva-Marinova, L Pavlova-Draganova and R Pavlov, 'New Digital Fashion World' (2013), *International Conference on Computer Systems and Technologies* 270, 275.

⁸²⁶ AM Luczkow, 'Haute off the Press: Refashioning Copyright Law To Protect American Fashion Designs from the Economic Threat of 3D Printing' 200 (2016), *Minnesota Law Review* 1131, 1164.

Therefore, the target of this chapter is to pinpoint all the most relevant aspects of the online world that in some way connected to the fashion industry and the enforcement of intellectual property.

1.1 The Online Infringement under EU rules

Probably, the most straightforward connection we have between intellectual property, the fashion sector, and the internet is online infringement, especially the one surrounding e-commerce. It feels then appropriate to deal with it before moving on to the less traditional or direct aspects of the digital era.

An e-commerce is a series of commercial transactions conducted electronically on the internet. For example, the action of buying trousers on the Zalando website is part of e-commerce. E-commerce significantly changed how consumers shop, not only shifting the physical dynamic onto a digital one permitting a distance between the consumers and the seller and the ability to make the act of shopping easier and faster, but it also increased the deceitfulness and accessibility of fake and counterfeit items. From low-quality knockoffs peddled on street corners to high-quality items with stamps containing precise manufacture dates and locations, counterfeit fashion has progressed. The growth of internet markets for used items has given sellers the opportunity to sell fakes for more money pretending they are used, genuine goods. A purse that is sold on second-hand sites, that perhaps carries no evident logo like one from the Row, may be so authentic-looking to deceive even affluent, fashion-savvy buyers. Additionally, vendors go as far as creating websites and paying for keyword ads on search engines (which we will see later have an enormous power for the online firms market). On these websites, both the product descriptions, marketing graphics, and logos of websites that offer genuine items are replicated.⁸²⁷

Due to these and more factors, after the Commission expressed worry over the European industry's sluggish reaction to the rapidly expanding global e-commerce market, the Lisbon Summit prioritized the E-Commerce Directive in order to prepare the continent for the switch into a knowledge-based economy and to increase competitiveness.⁸²⁸ The Directive sought to guarantee that, on the condition that they abide by local legal requirements and benefit from the Internal Market principles of free movement, information society services may be offered across the Union. The establishment of service providers, the requirements for commercial communications to be

⁸²⁷ Ibid, 1145.

⁸²⁸ Directive (EC) 2000/31 of the European Parliament and of the Council, of 8 June 2000, on certain legal aspects of information society services, in particular electronic commerce, in the Internal Market (2000), L178/00.

transparent, the formation and legality of electronic contracts, the liability of internet intermediaries, codes of conduct, the resolution of disputes outside of court, legal actions, and member state cooperation are just a few of the specific harmonized rules that have been introduced.⁸²⁹ Though, the responsibility of internet service providers, or ISPs, is likely where the Directive's impact on intellectual property is the greatest. Customers can access the internet and related services through an ISP, which are far more diversified, both in terms of their nature and the services they provide than previous phone companies, and they also arise different legal questions.⁸³⁰

In ordinary trade mark infringement proceedings, the targets of the claims are the producers or dealers of the products or services that an infringing mark is used on or in connection with. These conventional rules, however, frequently fail to apply to ISPs, such as platforms, access providers, or website operators, who merely provide the technical infrastructure that an anonymous crowd uses for both legal and illegal purposes without being aware of the specific infringing acts being committed. An intervention of the Court of Justice was needed, and it did so in *Hilfiger v. Delta*, where it determined that the laws regulating a scenario in the analog world, for instance when selling space is leased in a market hall, are essentially the same as those that apply to online marketplaces.⁸³¹ The problem has also been addressed in a number of harmonization directives, but no conclusive answer has yet been found.⁸³² Yet the E-Commerce Directive, now amended by Regulation (EU) 2022/2065,⁸³³ tried to compensate by establishing a legal framework, under Articles 12, 13, and 14, that allows a liability exemption under three immunities. The provider will

⁸²⁹ To name few examples: Article 1 of the E-Commerce Directive states as in its Scope: “*This Directive approximates...certain national provisions on information society services relating to the Internal Market, the establishment of service providers, commercial communications, electronic contracts, the liability of intermediaries, codes of conduct, out-of-court dispute settlements, court actions and cooperation between Member States*”; Articles 4 and 5 concern the establishment and information requirements of service providers like “*Member States shall ensure that the taking up and pursuit of the activity of an information society service provider may not be made subject to prior authorisation or any other requirement having equivalent effect...*”; Articles from 6 to 8 deal with the requirements for commercial communications to be transparent “*Member States shall ensure that commercial communications which are part of, or constitute, an information society service comply at least with the following conditions...*”; Articles from 9 to 11 hold the formation and legality of electronic contracts when they say “*Member States shall ensure that their legal system allows contracts to be concluded by electronic means. Member States shall in particular ensure that the legal requirements applicable to the contractual process neither create obstacles for the use of electronic contracts nor result in such contracts being deprived of legal effectiveness and validity on account of their having been made by electronic means*”.

⁸³⁰ C Seville, ‘Copyright and Related Rights’ in C Seville (2nd eds), *EU Intellectual Property Law and Policy* (Elgar European Law Series 2016) 7, 57-58.

⁸³¹ Case C-494/15 *Tommy Hilfiger Licensing LLC, Urban Trends Trading BV, Rado Uhren AG, Facion Kft., Lacoste SA and Burberry Ltd v Delta Center a.s.*, *Supra* n 475

⁸³² Directive (EC) 2000/31, *Supra* n 828.

⁸³³ Regulation (EU) 2022/2065, *Supra* n 651.

not be liable for the information transmitted in the case of a "*Mere Conduit*," where the service is a "*transmission in a communication network of information provided by a recipient of the service, or the provision of access to a communication network*", given that the provider does not initiate the transmission, does not choose the recipient of the transmission, or does not select or modify the information contained in the transmission. The provider will also not be liable for "*the automatic, intermediate, and temporary storage of that information, performed for the sole purpose of making the information's onward transmission to other recipients of the service more efficient*" when the service consists of "*the transmission in a communication network of information provided by a recipient of the service.*"

Hosting is another immunity, where the service entails the storage of information provided by a service recipient, and the provider will not be liable for the information stored at that recipient's request, if the provider does not actually know of any illegal activity or information and, with respect to claims for damages, is not aware of any facts or circumstances from which the illegal activity or information is apparent; or the provider, upon obtaining such knowledge, waives its right to claim immunity.⁸³⁴ In each of these situations, they are shielded from civil and criminal accountability, unless a Member State legal system provides for an injunctive remedy. Within the Member States' discretion, there is also the possibility to establish procedures by which internet service providers must promptly notify the appropriate public authorities of any alleged illegal activities carried out or information provided by users of their service, or by which they must provide the appropriate authorities with information identifying the users of their storage services. Member nations are also permitted to create policies controlling the blocking or removal of information access.⁸³⁵ Article 15 then clearly states that ISPs working within the permitted parameters are not required to actively monitor material.⁸³⁶ The repercussions for internet service providers that violate those regulations are also not explicitly stated in the Directive, since it will be domestic jurisdictions to decide the legal basis for their ultimate culpability as well as whether this constitutes a liability for main or secondary infringement.

The Infosoc Directive similarly states in programmatic fashion in Article 8(3) that "*Member States shall ensure that rightsholders are in a position to apply for an injunction against intermediaries*

⁸³⁴ Directive (EC) 2000/31, Supra n 828, 12-14.

⁸³⁵ C Seville, infra 'Copyright and Related Rights', 58-59.

⁸³⁶ Directive (EC) 2000/31, Supra n 828, 15.

whose services are used by a third party to infringe a copyright or related right."⁸³⁷ The Directive on the Enforcement of intellectual property rights also does not offer any further clarification. The obligation of Member States to provide for permanent injunctions and claims for third-party information against providers of commercial services that are utilized for an infringement is mentioned in the third sentence of Article 11, and Article 8(1)(c),⁸³⁸ but, once more, no more information on the legal foundation for such liability is offered.⁸³⁹ Over time, high replacement rates, very short survival periods, and generally stable brand rankings are features of counterfeit websites' behavior that have developed, and that have also given rise to legal concerns.⁸⁴⁰ Jurisdiction is the first of them. Courts at the location of the detrimental occurrence, defined as the *lex loci delicti*, have jurisdiction in cases of torts, but because it is way more complicated to determine who has jurisdiction over intellectual property infringement occurring on the web, the Court of Justice addressed the issue in *Wintersteiger*. In question was how the defendant was using the plaintiff's trade mark as a keyword to launch his own marketing.⁸⁴¹ The defendant was a German enterprise, whereas the plaintiff was an Austrian business. The plaintiff's trade mark was only registered by the defendant as a term for the German version of the search engine, accessible via *google.de*, not the Austrian version (*google.at*). According to the Court of Justice's ruling, both the court where the damage occurs and the court where the causative activity took place have jurisdiction in tort matters generally. Adding that "*those courts have the power to determine all the damage allegedly caused to the proprietor of the protected right because of an infringement of it and to hear an application seeking cessation of all infringements of that right*" was a bit ambiguous, since it sounds like the courts in the nation where a national mark was registered would be able to decide on damages caused in other nations as well.⁸⁴² The territoriality principle, however, dictates that restriction: damage resulting from the infringement of "*that right*," or the Austrian trade mark, may only occur inside Austria's borders. The Court further notes that the claim may be brought before the courts at the location of the incident giving rise to the injury, in this example, the location where the keyword advertising process is triggered. It is also stated that the procedure is activated

⁸³⁷ Directive (EC) 2001/29 of the European Parliament and of the Council, of 22 May 2001, on the harmonisation of certain aspects of copyright and related rights in the information society (2001), L167/01, 8(3).

⁸³⁸ Corrigendum to Directive (EC) 2004/48, *Supra* n 446, 11 and 8(1)(c).

⁸³⁹ A Kur and M Senftleben, *infra* 'Civil Sanctions and Proceedings', 691-692.

⁸⁴⁰ C Carpineto and G Romano, 'An Experimental Study of Automatic Detection and Measurement of Counterfeit in Brand Search Results' 14 (2) (2020), *ACM Transactions on the Web* 601, 633.

⁸⁴¹ Case C-523/10 *Wintersteiger AG v Products 4U Sondermaschinenbau GmbH* (2012), ECLI:EU:C:2012:220

⁸⁴² *Ibid*, 28.

where the defendant has his establishment, effectively leading back to the location where the defendant resides, in order to rule out any ambiguities regarding that location.⁸⁴³

Apart from jurisdiction concerns, another discussion in intellectual property lawsuits, which is made more difficult online since infringers can conceal their identity, is identifying the perpetrators of intellectual property violations. This is why all Member States are now required by Article 8 of the Enforcement Directive to give potential litigants a way to learn more about their possible opponent before filing a claim.⁸⁴⁴

Each Member State must have a procedure by which a court can order the infringer or any other connected person, such as someone found in possession of infringing goods on a commercial scale or involved in the production, manufacture, or distribution of the goods, to provide information on the factory of origin and distribution networks of infringing items or services. The names and addresses of the intended wholesalers and retailers, the names and addresses of the producers, manufacturers, distributors, suppliers, and other previous owners of the goods or services, the quantities produced, manufactured, delivered, received, or ordered, and the price paid for the goods or services in question are all examples of this type of information. Following a request from the Czech Supreme Court, the Court of Justice clarified this right.⁸⁴⁵ The Court affirmed that this right to information did not only apply to cases involving intellectual property infringement, and as a result, it was possible to request this information to be provided following a liability trial so that a more precise determination of damages could be made.⁸⁴⁶

Finding responsible e-commerce platforms remains a significant problem, though. For instance, Louboutin claimed that by pushing more than hundreds of product listings for counterfeit shoes on its websites in France and Germany, Amazon EU continually infringed the law. Furthermore, Louboutin claims that some of them were labeled as "*Sponsored Products*." As a result, the brand sought a lawsuit against Amazon's European division from marketing and selling "*high-heeled shoes with red soles*," which are a recognized trade mark, as we have already touched upon. The court ruled against Louboutin in its initial decision in March 2020, stating that the differences between shades of red are "*insignificant in the eyes of consumers*", and the trade mark could only be

⁸⁴³ A Kur and M Senftleben, *infra* 'Civil Sanctions and Proceedings', 650-652.

⁸⁴⁴ Corrigendum to Directive (EC) 2004/48, *Supra* n 446, 8.

⁸⁴⁵ Case C-427/15 NEW WAVE CZ, a.s. v ALLTOYS, spol. s r. o. (2017), ECLI:EU:C:2017:18.

⁸⁴⁶ R Burbidge, *infra* 'Resolving Disputes', 280-281.

applied to the precise red used by Louboutin and not all reds.⁸⁴⁷ After, in a following ruling from last December, the Court of Justice determined that Amazon might be held accountable for trade mark infringement if, after viewing the advertisement, an informed and reasonably perceptive customer could draw a connection between the infringing trade mark and the products offered by the online marketplace. The Court recalled that, in accordance with article 9(2) of the Regulation (EU) 2017/1001, using a European Trade Mark entails active conduct and that, as a result, "*the use of a sign by a third party is liable to be sanctioned under trade mark law, provided, however, that it is made in the context of that third party's commercial communication.*"⁸⁴⁸ Therefore, it is necessary to interpret Article 9(2) of Regulation (EU) 2017/1001 as meaning that the owner of an online sales website may be considered to be using a sign that is identical to the Union's trade mark of another person for goods that are identical to those for which that trade mark is registered, where a knowledgeable and reasonably observant user of that website establishes a link between the services of that operator and the sign in question, which is particularly the case when, given all the circumstances of the situation in question, such a user may have the impression that that operator itself is marketing, in instances where third-party sellers offer for sale on that marketplace, without the consent of the proprietor of that trade mark, such goods bearing that sign. In that regard, multiple factors are relevant: the operator's consistent presentation of offers on its website, which includes both advertisements for products it sells under its own name and on its own behalf and those for products offered by third parties on that marketplace; the placement of its own logo as a reputable distributor on all of those advertisements; and the availability of third-party sellers for the marketing of goods by the operator. *Gucci America v. Weixing Li* is another notable litigation concerning the internet, in which Gucci and other brand owners accused various Chinese-based online marketplaces of being involved in counterfeiting.⁸⁴⁹ The plaintiffs discovered during the course of the lawsuit that the defendants' proceeds from their counterfeiting activities were being wired to the bank. As a result, the plaintiffs asked for an injunction on the Bank of China to freeze these assets and issued subpoenas asking the bank to produce documents requesting information about the defendants' accounts. Before the Second Circuit, the Bank of China successfully

⁸⁴⁷ Joined Cases C-148/21 and C-184/21 *Christian Louboutin v. Amazon Europe Core Sàrl, Amazon EU Sàrl, Amazon Services Europe Sàrl, Amazon.com Inc., and Amazon Services LLC* (2022), ECLI:EU:C:2022:1016.

⁸⁴⁸ Regulation (EU) 2017/1001 of the European Parliament and of the Council, of 14 June 2017, on the European Union trade mark, *Supra* n 114, 9(2).

⁸⁴⁹ U.S. Southern District Of New York, Case 135 F. Supp. 3d 87, *Gucci America, Inc., et al. v. Weixing Li et al.* (2015).

challenged the judgment. The District Court later decided in favor of the plaintiffs when the case was remanded, consisting in the Bank of China to be required to follow with those subpoenas.⁸⁵⁰

Cybersquatting and the domain names trade in general are the two of the most important phenomena when it comes to online infringement. A domain name is the name of a website that Internet users may visit by putting the name of the website into search engines like Google, Yandex, Yahoo, and others. Domain names are significant for business because they serve as markers that set a company's products and services apart from those of its rivals online. Because each domain number is distinct, it is impossible for two businesses to have the same domain name at the same time, although it is possible that a corporation may have a separate trade mark and a different domain name since they are not the same thing. However, if a domain name has already been registered by another party, a business will not be able to do so. It is because domain names are often given out on a "*first come, first served*" basis. Directly connected to this issue is Cybersquatting, which is defined as trade mark infringement of a domain name, which consists of a third party using that domain name in bad faith to take advantage of a trade mark's goodwill without any permission or genuine interest and has become a major problem for businesses. Given that nowadays a lot of businesses rely on the Internet, stopping cybersquatting is crucial.

Simultaneously, companies are realizing the significance of their intellectual property portfolio as one of their most important assets. In order to make their bogus website appear as legitimate as possible, these counterfeiters are utilizing a brand's name in their domain name and replicating as much graphic material as they can. Cybersquatting is used to hurt the legitimate trade mark owner directly, to deceive users into believing the website is legitimate, or to benefit the infringer's Search Engine Optimization positioning.⁸⁵¹ The necessity to tighten regulations on cybersquatting and to take action to prevent third parties from violating a company's intellectual property rights grows along with the Internet's importance and popularity.

An analysis by the EUIPO called "*Focus on Cybersquatting: Monitoring and Analysis*", which is based on 40 "*suspicious*" domains linked to 20 brands, reveals two primary business strategies for cybersquatters: the first strategy is to collect payment for goods or services from consumers, which was used by 60% of the websites; the second most popular strategy is advertising, which was used by 33% of the websites that make money in a variety of ways, in particular using pay-per-click

⁸⁵⁰ M Ballard, *infra* 'IP Protection for the Fashion Industry', 8-10.

⁸⁵¹ European IP Helpdesk, *infra* 'IP in the fashion industry', 18-20.

("PPC") advertising and collecting subscription fees from advertisers.⁸⁵² It must also be noted how not all domain name registrars are direct rivals, and not all of them have the intention to sell or advertise domain names; instead, they may simply have a legitimate interest in the name, plan to sell it to the trade mark holder later for a profit, or occasionally even have no such intention.⁸⁵³ According to the research, reclaiming a squatted domain name is considerably more expensive and ineffective than adopting quick, basic steps to avoid intellectual property infringement. Therefore, it is essential to take proactive measures to safeguard intellectual property rights in the virtual environment. There are a few key strategies trade mark owners may use to stop cybersquatting on their domain names. One of the most straightforward options, for instance, is to register domain names with as many different versions as one can, or set up social media pages before others do, identifying instances of intellectual property infringement, and investigating pertinent names that have been registered but are not connected to the rightful trade mark owner but may be confusingly similar to the trade mark. Despite the tactics used to stop cybersquatting, it is still a difficult undertaking in the modern world since similar-sounding domain names may always be found elsewhere. Additionally, because the Internet is a global network, complete control over it is practically impossible. In any event, cybersquatting is a major issue for companies all around the world, thus a coordinated effort is needed to tackle it. For instance, there should be a clear definition of what constitutes acceptable and unjust use of trade marks in domain names, as well as the widely used notion of cybersquatting. In addition, there is a critical need to increase international cooperation in order to prevent trade marks from being used as domain names against trade marks by concluding bilateral or multilateral agreements between countries, especially given the fact that even in some countries there is no specific legislation or provision regarding addressing cybersquatting disputes. Governments and businesses, especially large ones, must thus think carefully about how to resist cybersquatting. Yet, regardless matter how effective a company's preventative plan, intellectual property infringement can still happen online, whether on purpose or by accident. However, there are a number of steps that may be taken if cybersquatting is discovered.⁸⁵⁴ Fashion designer Tory Burch, for example, enjoyed victory over cybersquatters who sold fake items using multiple domain names.⁸⁵⁵ Burch's attorneys utilized analogous legal

⁸⁵² EUIPO, 'Focus on Cybersquatting: Monitoring and Analysis' (2021) 1, 12.

⁸⁵³ C Gasimova, 'Domain name and trade mark infringement (Cybersquatting) in the digital age' (2023), SSRN Electronic Journal 1, 4-8.

⁸⁵⁴ *Ibid*, 12-13.

⁸⁵⁵ U.S. Northern District Of Illinois Eastern Division, Case 12 C 7163 Tory Burch LLC v. Doe (2012).

reasoning and drew influence from the Polo-North Face case.⁸⁵⁶ In keeping with previous decisions, Burch was granted the same ability to collect from third parties and disable infringing sites, with the main difference being that she was awarded more money in damages. Burch was given \$164 million, which made the action against fraudulent websites even more astounding, demonstrating the power of a single choice to sever a network of illegal websites.⁸⁵⁷

A fascinating cybersquatting case also involves TikTok. Fotios Tsiouklas and Alan Gokoglu, two Australian friends, bought "tiktoks.com" for \$2,000 immediately after TikTok launched because they thought it would become a well-known brand. The domain names "growttiktok.com", "tiktokcharts.com", "tiktokexposure.com", and "tiktokplanet.com" were allegedly transferred by TikTok due to their misleading similarities to the TikTok brand. As a consequence, the friends gave TikTok the contested domain names.⁸⁵⁸

Words used on websites that are concealed from users are referred to as metatags or metadata. They are meant to boost a website's "*Search Engine Optimization*" so that it will be discovered by a search engine when a user types the metatag as the search query. By directing people to a rival's website, the use of a trade mark as a metatag might be considered infringement. The Comparative Advertising Directive considers metatags used in this way to be "*advertisements*".⁸⁵⁹ The puzzling question was whether the search engine, the advertiser, or both were liable for any "use" of a mark that was bought, sold, or used as a "*keyword*" or "*Adword*" for online searches. For search engines like Google, the selling of keywords, which may be constructed from registered trade marks or general search terms, is a substantial source of income. A sizeable portion of the massive sums being spent on digital advertising is made up of keywords. When a user enters a phrase as part of a search, the search engine will return "*sponsored links*" in addition to a list of "*hits*" made up of websites where that keyword occurs, or so-called "*natural results*", depending on variables including how prominently the keyword appears on the page. Every time the keyword is used or, depending on the type of matching Google employs, anytime comparable words or phrases are used, advertisers pay Google to generate a sponsored ad with a link to their website. The advertiser might

⁸⁵⁶ U.S. Southern District Of New York, Case CV 01630 The North Face Apparel Corp. et al. v. Fujian Sharing Import & Export Ltd. et al. (2011).

⁸⁵⁷ KB Felice, 'Fashioning a Solution for Design Piracy: Considering Intellectual Property Law in the Global Context of Fast Fashion' 39 (1) (2011), *Syracuse Journal of International Law and Commerce* 219, 222-228.

⁸⁵⁸ C Gasimova, 8-9.

⁸⁵⁹ Directive (EC) 2006/114 of the European Parliament and of the Council, of 12 December 2006, concerning misleading and comparative advertising (2006), L376/06.

need to place a bid for the most searched-for keywords and pay a fee on a "*cost per click*" basis each time a user clicks on the sponsored link leading to the advertiser's website.

Online, AdWords are crucial for brands, as is effectively bidding on the proper AdWords term. Online search engines are the primary method for customers to discover and interact with companies and making sure that customers can quickly access the brand and are not sent to a different or rival website is fundamental. A series of significant rulings over the past ten years have outlined the legal terrain in this area and how they affect the legal standing of premium brands in comparison to e-commerce websites. L'Oréal filed a lawsuit against eBay and a few of its users, alleging that they had violated L'Oréal's intellectual property rights by allowing the sale of counterfeit goods, samples, unboxed goods, and non-European Economic Area products via their platform and using keyword advertising to steer customers toward unlawful goods.⁸⁶⁰ The Court of Justice determined that L'Oréal was allowed to enforce its rights against the seller in relation to the sale of counterfeit goods, the sale of samples, and the sale of unpackaged products on eBay by sellers based outside of the European Economic Area that had not previously been marketed by the brand owner within it or the Union but were intended for the Member States' consumers.

In terms of keyword advertising, the Court applied the criteria outlined in *Google France*, which I dwell into right after, so sponsored links used by eBay are considered infringing if they make it difficult for a user to determine whether the goods come from the brand owner or not or if they do so only with difficulty. Due to the fact that Article 14 of the E-commerce Directive only allows for the technical and automated processing of data and that a responsible e-commerce site should have taken action to delete any infringing content upon becoming aware of it, eBay was not able to assert a defense under that provision.⁸⁶¹ The Directive does not disallow the operator of an online marketplace the immunity from responsibility offered by the simple act of storing offers for sale on its server and receiving payment for that service. However, where an operator has offered support, such as by enhancing the way those offers are presented or by promoting them, it must be assumed that they have not taken a neutral stance between the seller and the buyer, but rather that they have played an active role that has given them access to or control over the information pertaining to those offers for sale. The national court has the authority to decide what part eBay had in the specific matter at hand. For eBay's actions, L'Oréal was entitled to injunctive relief.

⁸⁶⁰ Case C-324/09 *L'Oréal SA et al. v eBay International AG et al.* (2011), ECLI:EU:C:2011:474.

⁸⁶¹ Directive (EC) 2000/31, *Supra* n 828, 14.

The case since then expanded the responsibility of online marketplaces in connection to infringements occurring via their platforms, even if the infringement originated from a third-party user or seller. Marketplaces were forced to implement procedures as a result of this lawsuit that would allow brand owners to delete items and content that violated their rights. Markets have hitherto relied on the defense that they were only providing a venue. This decision has the consequence that once a market has "*actual knowledge*," they are required to take action and remove the infringing material. Because they may take legal action against the platform rather than the platform's users individually, brand owners find it easier to enforce against this kind of infringement.⁸⁶² In the case *Google France v. LVMH*, Google permitted certain keywords, which contained the plaintiffs' marks, to produce links to certain websites that offered counterfeit products in addition to genuine competition websites.⁸⁶³ The Court of Justice was consulted by the Court of Cassation on the potential liability of the defendants, either Google or the advertisers, for the infringement. The Court determined that Google had not utilized the marks in the course of its business by using them to provide keywords to its clients since a service provider does not utilize the sign that is marketed as a keyword; rather, they only give the medium for use in the advertising. It was determined that even though the competing brand was not present in the sponsored link, the advertisers, who are clients of Google, had used the mark by selecting it as a keyword to market to internet users their rival goods and services. The indicator was also being used by the advertiser in cases when the word was being used to defraud and promote phony goods.⁸⁶⁴

The Anti-Cybersquatting Consumer Protection Act also gives trade mark owners a way to handle abusive domain name registrations, such as when a domain name registrant registers a domain name in bad faith with the intention of making money off of the use of another person's brand as a domain name.⁸⁶⁵ A trade mark owner must prove three things in order to prevail on an Anti-Cybersquatting Consumer Protection Act claim: that the defendant registered, utilized, or traded in the domain

⁸⁶² HS Berridge, 'A practical look at the challenges luxury fashion brands face in the wake of digitalization: is it time that luxury fashion brands learn to love e-commerce platforms?' 13 (11) (2018), *Journal of Intellectual Property Law & Practice* 901, 903-904.

⁸⁶³ *Joined Cases C-236/08 and C-238/08 Google France v Louis Vuitton Malletier/Viaticum/CNRRH* (2010), ECLI:EU:C:2010:159.

⁸⁶⁴ A Michaels and A Norris, 'Infringement Of Trade Marks' in A Michaels and A Norris (5th eds), *A Practical Guide To Trade Mark Law* (Oxford University Press 2014) 167, 173-175.

⁸⁶⁵ United States Code, The Anticybersquatting Consumer Protection Act 15 U.S.C. § 1125(d) (1999).

name; that the domain name is the same as or confusingly similar to a distinctive mark; and that the defendant acted in bad faith with the intention of profiting from the mark.⁸⁶⁶

Lastly, a peculiar kind of online infringement is the one that might occur through social media. Researchers agree that the abundance of phony goods on social media platforms is a big problem, despite the fact that it is unlawful to market false items on these networks. On Instagram alone, counterfeit activity surged by 171 percent between 2016 and 2019. In addition to some promotional components that enable customers to make purchases directly through the apps themselves, the websites' global reach allows for individuals to act independently. These more compact processes are frequently harder to spot and stop, which is why social media has frequently been compared to the Wild West.⁸⁶⁷ Amazon pays close attention to the honesty of its third-party vendors and committed \$500 million in the creation of its Counterfeit Crimes Unit in order to pursue individuals who sell counterfeit goods. Amazon reached an undisclosed monetary settlement with two influencers who marketed pricey knockoffs via third-party Amazon merchants and across several social media platforms. Amazon claimed that fake influencers and third-party sellers were devaluing its brand and purposefully misled customers about the validity and origin of phony items as well as their links to premium brands in their lawsuit for damages and fair relief. In November 2020, Amazon filed a lawsuit against thirteen people, including Sabrina Kelly-Krejci and Kelly Fitzpatrick, two social media influencers, as well as eleven independent merchants.⁸⁶⁸ It is ironic that Kelly Fitzpatrick participated in the Amazon Influencer Program before the lawsuit. Fitzpatrick and Kelly-Krejci both advertised fake items to clients using their personal websites, Facebook, TikTok, Instagram, and TikTok. The strategy was simple: promote the phony high-end products on various social media sites, then have independent Amazon merchants sell them using pictures of real products. In its court complaint, Amazon identified multiple examples of Instagram and other social media posts that promote these illicit transactions. According to the court document, the ease with which the influencers were able to create new Instagram profiles, personal websites, and other social media accounts to avoid takedowns by the e-commerce platforms led to an ongoing game of cat and mouse. The incident made consumers aware of the "*order this, get this*" sales tactic, in which they place an order for an item that seems to be real with the assumption that they will get a counterfeit. Customers once received bogus Gucci wallets after purchasing generic black wallets.

⁸⁶⁶ GC Jimenez and B Kolsun, *infra* 'Trademarks and Trade Dress', 41.

⁸⁶⁷ V Bharadwaj, M Brock, B Heing, R Miro, and N Mukarram, 'U.S. Intellectual Property and Counterfeit Goods—Landscape Review of Existing/Emerging Research' (2020), Federal Research Division, Library of Congress, U.S. Department of Commerce 1, 37-42.

⁸⁶⁸ U.S. Western District Of Washington At Seattle, Case 20-1662 RSM Amazon.com, Inc. v. Fitzpatrick (2021).

Such tactics aim to get through anticounterfeiting controls like the artificial intelligence-based designer trade mark screening of Amazon's online marketplace. The two false influencers and Amazon reached a confidential cash arrangement in November 2021. Fitzpatrick and Kelly-Krecjci are no longer allowed to link to Amazon as part of the agreement and are forbidden from selling any goods on the company's platform. Amazon pledged to provide a share of the settlement funds to nonprofits and the International Trademark Association to fund a consumer awareness campaign.⁸⁶⁹

1.2 Digital Fashion

1.2.1 Notion and Challenges

The term "*digital fashion design*" describes the entire industry for designing and producing clothing online. Therefore, it addresses both virtual clothes for the general public as well as skins and accessories for characters in video games and movies. In games and virtual reality platforms, where fashion choices are as social, expressive, and economically viable as in the real world, digital clothing has been around for a while, although the notion might be more recent. But lately, the design of virtual or "*digital-only*" clothing, as well as the usage of designer-friendly digital 3D tools, have gained popularity in the fashion business. This allows for unrestricted creative experimentation, resource efficiency, widespread community involvement in the fashion industry, an inclusive attitude to bodies and identities, learning about the creation of clothing, and worldwide accessibility of digital archive fashion.

The wearing of purely digitally produced clothing is still a limited practice, but the usage of the digital fashion paradigm in the design and manufacturing processes is spreading. It is even predicted that digital clothing would overtake perfumes and bags as the luxury industry's primary sources of income and serve as a new platform for designers to express their ideas without regard to social or financial limits.⁸⁷⁰ Given that it combines traditional skills with modern fashion, the activity of digital fashion design is sometimes referred to as "*digital craftsmanship*," which denotes a shift in the artist status of fashion designers toward the pre-industrial idea of artisans. Digital fashion designers really sew the clothes together in virtual form by translating the tacit knowledge, physical garment assembly abilities, and situated embodied experience of a designer into the virtual

⁸⁶⁹ PE Chaudhry, 'Dupe influencers exploiting social media to peddle luxury fakes' 65 (6) (2022), *Business Horizons* 719, 721-724.

⁸⁷⁰ H Härkönen and N Särämäkari, 'Copyright and Digital Fashion Designers: The Democratisation of Authorship?' (2022), *SSRN Electronic Journal* 1, 4-5.

realm.⁸⁷¹ When creating designs for the virtual world, designers commonly use 3D files that include the same material and shape information as the actual designs to produce quantifiable simulations and representations of clothing.

Digital fashion designs are often shown visually in 2D through a display device, such as a computer or smartphone screen, they may then be worn in augmented reality (AR) and virtual reality (VR) settings, games, online shops, museums, virtual changing rooms, and smart mirrors to provide '*phygital*' experiences that combine the real world with the virtual world.⁸⁷² Although it is still somewhat new and confusing, this phenomenon may be immensely useful for companies. The growth and development of the opportunities provided by the Web since about 2010 have given the postmodern movement an additional boost. Without really altering its nature as a project of meaning, the proliferation of commercial and communication activities online has increased concurrently both the relative weight of the brand as a social influencer itself and the weight of the customers in managing the brand, including through the iterative process of building brand identity. This has resulted in a number of important new brand features, the first of which is unquestionably the ability to engage with customers in a way that is asymmetrical to how people have interacted with companies in the past.⁸⁷³

When luxury brands are active participants in gaming and, more recently, digital fashion, they come closer to the goal to engage customers at various points along the so-called brand desire spiral. Because clients get inspired while submitting their images, digital fashion will play a significant part in achieving that. They have their digital attire on, and they are prepared to spread the aesthetic they want to project. When students experiment with the many appearances based on digital clothing, their creativity is stimulated. Basically, all major firms are currently attempting to leverage on consumers' interest in digital fashion to communicate their brand desire on various sorts of social media, which is akin to the skins worn in video games. Engaging customers in networks of premium brand desire has significant marketing ramifications.⁸⁷⁴ Another significant aspect of the fashion industry 4.0 is that it may support companies who are attempting to measure and lessen the environmental effect of textiles and garment production. Since the manufacture of textiles generates significant CO₂ emissions, using fresh raw materials is in conflict with circularity. However, a

⁸⁷¹ Ibid, 19.

⁸⁷² Ibid, 5-6.

⁸⁷³ M Chevalier and G Mazzalovo, *infra* 'Communication in Digital Times', 335.

⁸⁷⁴ A Joy, Y Zhu, C Peña, and M Brouard, 'Digital future of luxury brands: Metaverse, digital fashion, and non-fungible tokens' 31 (3) (2022), *Strategic Change* 337, 341-342.

digital shirt does not require fiber.⁸⁷⁵ The options are essentially limitless. Businesses may facilitate the discovery of items by developing specialized visual search engines that make it simpler for consumers to identify, evaluate, and buy things by snapping or uploading a photo. One such is Google Lens, which lets smartphone users search for comparable fashions on Google Shopping using the images they take. By gathering and analyzing purchase behavior, user profiles, and customer feedback, just like Stitch Fix does, they might even customize suggestions, better-anticipating client preferences. With specialized services like "*Dior Insider*," "*Levi's Virtual Stylist*," "*VF Corporation*," "*Macy's On Call*," and others, they could decrease product returns, boost productivity and creativity, and enable fashion brands to sift through consumer data to gain insights on which product features their customers are likely to prefer.⁸⁷⁶

1.2.2 The InfoSoc Directive and intellectual property's "*originality test*" applied to Digital Fashion

However, the portion of digital fashion that is most relevant to our findings is intellectual property. The InfoSoc Directive⁸⁷⁷ can be used to safeguard digital clothing rather than the Directive (EC) 2009/24 on the legal protection of computer programs if the digital item meets the originality test⁸⁷⁸ Some claim that the '*art versus crafts*' split in copyright study makes it unsettling when digital fashion designers return to handicraft, since associating digital fashion design with crafts rather than art may signal to some that they are less likely to meet the bar for uniqueness. That advice, however, would be incorrect. Digital fashion designers have more freedom and creative control over the design process. Digital clothing is no longer a tangible, usable item, which copyright law has always viewed with caution. It is exhibited in 2D, much like paintings, drawings, and many other pieces of "*pure art*," which have never been viewed with the same skepticism as works of applied art. Therefore, digital fashion designs do not require the same level of prudence as real fashion designs. It has even been determined that digital-only fashion designs cannot be classified as "*applied art*" since they lack the component of practicality in the "*real*" world and may have their

⁸⁷⁵ R Oliveira, I Nääs and S Garcia, 6.

⁸⁷⁶ W-H Cheng, S Song, C-Y Chen, SC Hidayati, and J Liu, , 72:31-72:32.

⁸⁷⁷ Directive (EC) 2001/29 of the European Parliament and of the Council, of 22 May 2001, on the harmonisation of certain aspects of copyright and related rights in the information society, Supra n 837.

⁸⁷⁸ Directive (EC) 2009/24 of the European Parliament and of the Council, of 23 April 2009, on the legal protection of computer programs (2009), L111/09.

design process entirely dictated by the creative vision of their creators. Instead, there does not appear to be any justification for not including digital fashion in the category of "*pure art*".

The originality bar is not always deemed to have been crossed, though. A conversation topic may be what Superficial did. It created a virtual fashion archive with digital 3D models of old clothes using a novel method of digitizing and recreating clothes as well as modeling fabric dynamics. However, if these digital copies only replicate a real garment in a digital format without the addition of unique characteristics during the digitization process, it could be difficult to consider them protected works. The process of transferring a design from the physical to the digital realm is similar to that of creating a sketch of an already-existing painting. Digitalizing historical clothing also raises the question of the public domain. A fashion design that is copyright protected will enter the public domain 70 years after the creator's death, and digitizing the design will not restore its copyright status. However, if certain fresh, originality-establishing free, and creative decisions are made throughout the digitalization process, a digital design that grows '*on top*' of a historical garment can be safeguarded.⁸⁷⁹ Because of the new digital era, the fashion arena regarding the number of authors involved has also expanded since other players on the supply side see a rich market opportunity and wish to act when fresh ideas gain a critical mass of supporters and become well-liked.⁸⁸⁰

Fashion industry experts, computer-generated-image specialists, 3D artists, digital creatives, animators, costume designers, or untrained amateurs in the arts may all be digital fashion designers. Fashion designers may also move across other areas and sectors, depending on the clientele and the assignment. Yet, although the industry may assign digital fashion designers a variety of names or positions, there is no gray area when it comes to their legal status; they are either considered authors or they are not.⁸⁸¹ And since sharing authorship with communities and laypeople is rather widespread among digital fashion designers, this may become a concern. The clothing item could, for instance, be a purposefully open and customizable product that invites its wearer to take part in the creative process. Basically, the consumer can intervene in digital fashion by changing its characteristics and features. Open-source fashion techniques may result in uncontrolled open-ended objects as well as action and interaction spaces since the author-function retreats on the meta-level of dispersed production. The best approach would be to take into account the modifying user as a co-author if they also make free and creative decisions and represent their personalities in the final

⁸⁷⁹ H Härkönen and N Särämäkari, 19-22.

⁸⁸⁰ R Oliveira, I Nääs and S Garcia, 6.

⁸⁸¹ H Härkönen and N Särämäkari, 24.

product, exactly as The Fabricant Studio did in 2022 when it was introduced. The platform allowed anybody to mint their design on the blockchain using the tools supplied by The Fabricant, utilize the digital outfit in other platforms and games, and sell their designs. It was created to allow laypeople to engage in the design process since the co-designer's authorship was clearly acknowledged and recorded throughout such a procedure.⁸⁸²

On the other hand, the quick development of technology has made it much more difficult to protect intellectual property from plagiarism, which has, unsurprisingly, once again primarily hurt new designers. An emerging designer's brand is not yet well-known, so if a copy enters the market before the original, consumers will not be aware that they are not purchasing an original design. In contrast, major fashion houses have such strong brand recognition that consumers can identify the original garment and still choose to buy the original over the copy. But that is where the Fashion Industry 4.0 and what it entails, turns into the remedy for the specific illness they caused.

More up-and-coming designers and independent artists are turning to social media to file lawsuits for intellectual property infringement remedies, which has probably accomplished even more for them than they could have dreamed. The process brings creativity to the unanticipated notice of the public and is quicker, cheaper, and more attention-grabbing than court cases. The author is granted the right to credit for their works thanks to the resonance produced by social media platforms. For instance, GucciGhost was created when Trevor Andrew, a Brooklyn-based artist, and former professional athlete, transformed a Gucci linen into a ghost outfit in order to attract the attention of the Italian clothing company. From that point forward, he began to paint the Gucci emblem on myriad items, publishing each creation to his Instagram account. Gucci finally responded, albeit in a somewhat unexpected manner. Gucci's then-creative director Alessandro Michele made the choice to employ GucciGhost and commission him to create its 2016 Fall collection. Consumers and industry experts in the fashion industry both praised the ambitious and unexpected strategy. Gucci undoubtedly benefited financially from this unexpected turn far more than a lawsuit against a young, up-and-coming artist would have. At the same time, the company claimed ownership of its logo and avoided misattributing Andrew's work. Regarding well-known fashion brands, they not only avoid bad press and reputational damage but also improve their brand's image by embracing the Fashion Industry 4.0 concept, whereas using the legal system and pursuing litigation would have had the opposite effect and given them a bad reputation as bullies.

⁸⁸² Ibid, 25-27.

Small designers and up-and-coming artists now have a potent weapon to use against major shops and brands because to the growth of the Internet and social media. The creation of an alternate route to discover answers and receive satisfaction equalizes the disparity in parties' access to justice. Equal access, efficiency, and speed all have drawbacks. The absence of procedural safeguards guaranteed in a fair trial has been the main complaint leveled towards the resolution of disputes through social media. Additionally, the uproar on social media is inaccurate and may encourage the dissemination of misleading or inaccurate material, underestimating the cost of errors for the unjustly, or partially unjustly, accused person. Social boycotts, campaigns, petitions, and public humiliation may result in unjustified punishment.⁸⁸³ As a morale, embracing the new era instead of pushing it away will give its fruits.

1.3 3D Printing

The capacity to produce almost any shape of anything from raw materials using either a printer to build up layers of the material or lasers to bind microscopic particles together is known as 3D printing, also named additive manufacturing.⁸⁸⁴ It is described as a procedure for building three-dimensional solid objects out of digital files by adding more material in stages until the full item is built. Each of these layers might be thought of as a horizontal cross-section of the final item that has been finely cut. In order to engage with it, users must first develop a virtual model of the thing they wish to print or manufacture using a 3D printer before creating a digital file in a program that is compatible with printing, which is more often than not a CAD file.

When the correct file is uploaded to the 3D printer, the item is built up layer by layer, allowing users to generate their own CAD files from the start. Making a virtual model of the object one wants to print or create is the first step in using a 3D printer. Next, one must prepare a digital file in a program compatible with printing; once the right file is uploaded to the 3D printer, the printer builds the object layer by layer.⁸⁸⁵ The 3D printer processes each slice and builds the thing by fusing each layer together so that there is no trace of the layering itself. This produces a single, three-dimensional object.

⁸⁸³ L Palandri, 'Fashion as Art: Rights and Remedies in the Age of Social Media' 9 (9) (2020), *Laws* 1, 13-18.

⁸⁸⁴ R Burbidge, *infra* 'Combating Counterfeits', 377.

⁸⁸⁵ G Todisco, '3d Printing and Fashion. A Focus on IP' (2020), <https://clovers.law/en/blog/2020/12/14/3d-printing-and-ip-fashion-issues>

Of course, not all 3D printers utilize the same technology to manufacture their items since there are several ways to achieve it, such as melting or softening the material to generate the layers, utilizing laser sintering, or printing the product using fused deposition modeling. Users of 3D printers have two main alternatives for producing desired objects: manually developing the object's blueprint or purchasing a pre-made CAD file containing the blueprint. Sites like Sculpteo, Thingiverse, and Shapeways provide CAD files for sale, download, or request. Users with an artistic bent can design digital blueprints using CAD or animation modeling software, while others can utilize a 3D scanner to turn an existing image into a computer-generated item. Users may accomplish the same outcome by sharing images of an object taken from various perspectives. A CAD file may be modified, honed, and customized once it has captured the outlines of an item.⁸⁸⁶

In the world of fashion, 3D printing combines elements of software development, architecture, and fashion design. We have already observed items like jewelry, apparel, footwear, cosmetics, and accessories leaving a 3D printer and entering the hands of buyers. Additionally, a number of young and aspiring designers are increasingly using technology to present their creations. Although the technique is still in its infancy, it is anticipated that as technology advances, it will replace a number of traditional methods of producing clothing.⁸⁸⁷ The fashion industry has started experimenting with 3D printing, to name one, in order to create a pair of sneakers with an improved 3D printed forefoot. New Balance, a global footwear manufacturer, has announced a partnership with Formlabs. When it comes to 3D-printed clothes, selective laser sintering is mostly used for their production, since this kind of 3D printing has the advantage, innate for the fashion and textile industries, to create elaborate patterns and achieve a prominent level of intricacy. Additionally, 3D printed clothing is made from flexible or moveable materials, out of which I cannot include the incredible work of Iris Van Herpen. She is a Dutch couturier that creates gowns worthy of museums inspired by the elements famous for using 3d printing techniques. In her creations, it becomes very apparent how 3D-printed clothing stands apart from mass-produced or manually created apparel. The hundreds of tiny, interlocking geometric panels that make up 3D-printed clothing thus far. As a consequence, a web-like textile is created that moves like cloth but does not resemble a traditional garment.

In addition, assembling the hundreds of panels that make up a garment after it has been printed is a laborious procedure that takes hours. The fact that this is now a manual procedure prevents 3D-printed clothing from becoming widely used. The financial barrier and inherent constraints of

⁸⁸⁶ AM Luczkow, 1145-1146.

⁸⁸⁷ RV Sedhom, '3D Printing and Its Effect on the Fashion Industry: It's More than Just about Intellectual Property' 55 (4) (2015), Santa Clara Law Review 865, 866-867.

consumer models may prevent the widespread use of 3D printing. The top consumer 3D printers on the market still cost several thousand dollars, despite the fact that at-home 3D printers are getting increasingly inexpensive. Additionally, the "ink" used in 3D printing is awfully expensive. The expectation that 3D-printed products would replace mass-produced ones may be naïve.⁸⁸⁸



Even if the aforementioned arguments might not be completely refutable, technology can improve extremely quickly, as humanity has seen with the capabilities of computers and mobile devices. It is not implausible to believe that natural fibers traditionally used to produce clothes, such as silk and cotton, would one day be able to be printed using 3D printers since they are now capable of manufacturing human tissue and cells.⁸⁸⁹

The more this technology advances, the younger designers will be able to launch their creations onto the global market thanks to it. These designers have a number of difficulties, such as having to cope with lengthy lead times and low order minimums. Emerging designers will then easily print orders as they come in thanks to 3D technology, saving them from having to scramble to get the money they need for minimum orders and being stranded with unsold inventory. At the very least, 3D printing will allow them to produce a sample rapidly and affordably. Companies and brands will also be able to 3D print products that customers can modify and customize in real-time.⁸⁹⁰

The biggest drawback of 3D printing for the fashion business is that it makes flawless reproductions a reality, which is what previous semi-disruptive technologies up to this time fail to achieve. Which is why many people believe that 3D printing will revolutionize manufacturing, making counterfeiting more prevalent and difficult to eradicate. When 3D printing first appeared on the scene, there was a lot of concern about its potential effects. The concern was that counterfeiters might be able to create specific items, like branded plates to be added to plain bags, or they might

⁸⁸⁸ AM Luczkow, 1162-1163.

⁸⁸⁹ Ibid, 1163.

⁸⁹⁰ G Todisco

be able to create and sell exact replicas of jewelry in a highly portable manner.⁸⁹¹ By eliminating the fast-fashion middleman, 3D printing destroys the idea of the cyclical trend, significantly reducing the time between catwalk debuts and trend acceptance. Fast-fashion retailers are crucial in determining what trends are "*in*" for the season and promoting consumer spending. And because 3D printing gives consumers the ability to create their own products, it inevitably puts the trend-starting in their hands. Fast-fashion companies and individuals may soon be able to create copies using the same high-end fabrics and materials that may have earlier been too expensive or difficult to work with by hand or in production thanks to 3D printing.

In addition to enabling flawless reproductions, 3D printing satisfies customer need for customization. An equivalent example is provided by Sodastream, a device that enables customers to create custom sodas as an alternative to mass-produced soda brands. The fashion sector is unable to satisfy customer expectations for size, color, and price to the same level as 3D printing, much as Coca-Cola is unable to satisfy the taste, fizz, and environmental needs of soda drinkers to the same extent as Sodastream. In essence, 3D printing will transform the definition of haute couture from something that was previously beyond of reach for the average person to something that is not only attainable but also customized.⁸⁹²

Indeed, the economic impact of 3D printing technology on intellectual property rights holders and their business models that depend on intellectual property are likely to be unfavorable. Although it is not especially apparent right now, 3D printing might become a widespread phenomenon as technology advances and costs for supplies and equipment decline. The prevalence of 3D printing will increase the amount of cases of infringement and overlap with other intellectual property rights, but general infringement defenses such as exceptions, invalidity, and exhaustion are also probable.⁸⁹³ As long as they use enough ingenuity when producing the 3D models contained in those files, fashion designers have a number of options for protecting the CAD files displaying their ideas. They ought to think about collaborating to develop a system that makes these password-protected CAD files of certain fashion designs available for usage for home 3D printing. One strategy is to utilize a subscription service, like Spotify, which may be paid per month for unrestricted access to the accessible CAD files, or it may be free with ads and restricted use. It

⁸⁹¹ R Burbidge, *infra* 'Combating Counterfeits', 377.

⁸⁹² AM Luczkow, 1153-1156.

⁸⁹³ G Todisco

would be possible to better manage how CAD files are used and distributed if they were only accessible through the platform and not for private download.

Another strategy, more in line with iTunes, is for designers to independently submit their files to a platform and charge users per design or per collection of designs. Users would be able to save, copy, and distribute these CAD files outside of the site as they would be available for personal download. This kind of approach has dual advantages. First, it makes sure that no one else may profit illegally from CAD files that represent designers' creations while preserving the originality and innovation at the core of the maker market. Although such a service will not generate much money for designers, it will provide them with greater control over how their creations are distributed as CAD files.

The second, and most significant, benefit is that this kind of solution gives designers more protection for their designs than the present intellectual property system does. Although there will still be those who prefer to make their own CAD files rather than buy them, for those who lack the necessary skills, this platform promises to reduce rogue usage while still maintaining the integrity of the fashion sector.⁸⁹⁴

Three-dimensional trade marks, which are signs made up of the shape of the products, are where 3D printing looks to have the most influence. The fashion industry frequently applies for the protection of pattern trade marks and position trade marks. Yet, the shape, or another characteristic, of goods that results from the nature of the goods themselves; the shape, or another characteristic of goods that are required to obtain a technical result; and the shape, or another characteristic of goods that gives the goods substantial value, should not be registered, according to Article 4(1)(e) of Directive (EU) 2015/2436.⁸⁹⁵ It implies that under Community legislation, the practical form cannot be registered as a trade mark. Given that 3D printers are mostly used for practical purposes, it would seem that the protection sought by fashion designers under an European three-dimensional trade mark would encounter significant challenges in gaining the registration of a product's form. If this is the case, the chances of protecting a product made using a 3D printer under trade mark law drastically decrease, and the designer should instead look to protect their work through an industrial innovation patent, a utility model, or model registration. The majority of 3D prints will be

⁸⁹⁴ AM Luczkow, 1167-1168.

⁸⁹⁵ Directive (EU) 2015/2436 of the European Parliament and of the Council, of 16 December 2015, to approximate the laws of the Member States relating to trade marks, *Supra* n 125, 4(1)(e).

functional forms; hence they are not eligible for trade mark registration. However, in the small number of instances where a 3D print is distinctive but does not function, it may be eligible.⁸⁹⁶

In general, concerning instead copyright, everyone is aware that it will defend a work's uniqueness and the author's right to duplicate it. This means that the inventor of an original thing may be granted remedy under copyright law if duplicates of the original object are 3D printed without their consent. Anyone with access to a 3D printer may turn digital design information, often CAD files, into an actual, usable object. CAD files are normally covered by copyright laws and are an unbelievably valuable kind of intellectual property for many businesses. On the other hand, despite its present and likely future economic importance, fashion can be granted the same degree of copyright protection in some countries as other creative sectors. The software file and the aesthetic and creative components of the fashion product are both subject to copyright infringement when produced by a fashion producer using a 3D printer.⁸⁹⁷ In contrast, producers of unprotected works are unlikely to be able to protect 3D-printed copies of their designs, but if they use independent innovation to create the model, they could be able to protect a digitally rendered version of their design. A designer may create a 3D model from scratch or add unique modifications to an existing template in order for the virtual model to be eligible for copyright protection. The law may identify the digital model produced by the scanned photograph as a duplicate of the author's photograph or a derivative work of the original image if the designer decides to take a photograph of their design and uses enough ingenuity in taking the shot.⁸⁹⁸ The code encoding the model will subsequently be determined by the copyrightability of the virtually produced model.⁸⁹⁹ Users of 3D printing for artistic, political, satirical, or other private purposes, as well as for spare parts, will find some freedom of expression beyond the constrained registration structure under the Community Designs framework, which is available under Regulation (EC) 6/2002.⁹⁰⁰

⁸⁹⁶ G Todisco

⁸⁹⁷ Ibid

⁸⁹⁸ AM Luczkow, 1152.

⁸⁹⁹ G Todisco

⁹⁰⁰ Regulation (EC) 6/2002 of the Council, of 12 December 2001, on Community designs, *Supra* n 103

1.4 Artificial Intelligence

The study of the logic behind human intellect is done on the side of computer science known as artificial intelligence, or AI. The groundbreaking essay "*Computing Machinery and Intelligence*" by Alan Turing, which was released in 1950, is considered to be the beginning of the artificial intelligence debate. Turing poses the following query in this essay: "*Can machines think?*" Then he proposes a test that has become commonly known as the "*Turing Test*," in which a human interrogator attempts to differentiate between a computer-generated and a human-written text response.⁹⁰¹

Overall, artificial intelligence is a discipline that looks for ways to comprehend human thought processes and replicate this intelligence in robots. Its nature allows it to stretch across all human endeavors, making it important in several ways to every sector of the economy. It may be accomplished by using machine learning, which has been described since 1959 as "*the ability to learn without being explicitly programmed.*" This is often accomplished by "*training*" the machine to follow a specific logical pattern. Since the ability to reason and take actions that have the highest likelihood of reaching a certain objective is the ideal quality of artificial intelligence, machine learning allows computer systems to automatically learn from and adapt to new data without human assistance. Deep learning algorithms, often using substantial neural networks, then allow for this autonomous learning by ingesting vast quantities of unstructured data, including text, photos, and video.

Many artificial intelligence experts have worked in the fashion industry over the past few decades.⁹⁰² And since fashion has always been a duplication of concepts, but how one puts them together is what makes it unique, as Carolina Herrera put it, it should thus come as no surprise that the area at the interface of fashion and artificial intelligence is rich and wide.⁹⁰³ In fact, over 75% of retailers intended to invest in artificial intelligence during 2018 and 2019, according to "*The State of Fashion 2018*", a research by McKinsey & Company and The Business of Fashion. Across the whole fashion value chain, AI is transforming how the industry does business. Customized experiences and improved predictions are only the beginning.⁹⁰⁴

⁹⁰¹ AM Turing, 'Computing Machinery and Intelligence' 49 (1950), Mind 433.

⁹⁰² X Zou, WK Wong and D Mo, 'Fashion Meets AI Technology' in WK Wong (1st eds), Artificial Intelligence on Fashion and Textiles (Springer Nature 2018) 255, 255-256.

⁹⁰³ L Luce, 'Basics of Artificial Intelligence' in L Luce (1st eds), Artificial Intelligence for Fashion: How AI is Revolutionizing the Fashion Industry (Apress 2019) 1, 3-4.

⁹⁰⁴ The Business of Fashion and McKinsey & Company, 'The State of Fashion 2018' (2017) 1, 27.

Chen and Xu, back in 2006, went as far as suggesting an AI framework for modeling and drawing fabric, where the collar, shoulder, and sleeves were employed as design elements to display an outfit as a whole. They were able to acquire the sketch of the clothing by using the edge map, boundary detection, and skin color detection.⁹⁰⁵ Nowadays, artificial intelligence is mostly used in the fashion business in two major processes: the retail process and the creative process.⁹⁰⁶

Starting with the creative process, using a generative model is one of the best methods to connect AI with fashion. This approach involves the machine taking an album of photographs and producing aesthetically comparable but model-generated images. Amazon asserted in 2017 that it could teach a GAN, a form of a generative model, to create clothing. The process of taking a dataset of images and outputting images that are visually similar but generated by the model is what it is meant when someone uses GAN as a fashion designer. The advantage of knowing the demand for clothes before creating them is made possible by the photographs that make up the input dataset, which might be of trends in fashion on social media or other platforms. Generative models can produce pictures of clothing, which is important for giving trend research a well-informed starting point.

In the present fashion business, trend forecasting may be the most significant use of artificial intelligence. The goal of trend forecasting is to make predictions about future fashion trends, such as those involving colors, shapes, materials, and styles. Data mining, which is the process of finding patterns in vast volumes of data, is used in AI-based trend forecasting. Artificial intelligence is therefore advantageous for trend prediction because it can process far more data than the human brain can. Data mining is defined in terms of copyright under the newly passed Digital Single Market Directive. Text and data mining is described in Article 2(2) as “*any automated analytical technique aimed at analyzing text and data in digital form to generate information, including but not limited to patterns, trends and correlations*”.⁹⁰⁷ Although trend spotting is not fashion designing per se, it may undoubtedly have an impact on a human designer's work by directing it in the trendiest path.⁹⁰⁸

⁹⁰⁵ H Chen, ZJ Xu, ZQ Liu, and SC Zhu, ‘Composite Templates for Cloth Modeling and Sketching’ 1 (2006), Proceedings of the 2006 IEEE Computer Society Conference on Computer Vision and Pattern Recognition 943.

⁹⁰⁶ H Härkönen, ‘Fashion piracy and artificial intelligence—does the new creative environment come with new copyright issues?’ 0 (0) (2020), Journal of Intellectual Property Law & Practice 1, 2.

⁹⁰⁷ Directive (EU) 2019/790 of the European Parliament and of the Council, of 17 April 2019, on copyright and related rights in the Digital Single Market and amending Directives (EC) 96/9 and (EC) 2001/29 (2019), L130/2019, 2(2).

⁹⁰⁸ H Härkönen, *infra* ‘Fashion piracy and artificial intelligence—does the new creative environment come with new copyright issues?’, 2-3.

An even better illustration of artificial intelligence being used in fashion design comes from the American clothing company Marchesa. A dress that "*thinks*" was developed in 2016 by Marchesa, and the annual Met Gala Ball featured the gown, which had "*Fashion in an Age of Technology*" as the chosen theme. IBM Watson, a cognitive system that understands, thinks, and learns, was the artificial intelligence software that was being employed. With the use of Watson's Tone Analyzer API, which uses fan tweets to evaluate and present data in real time, the garment was able to change color in reaction to social emotion. In other words, the clothing recognized its admirers and altered its color in response, being able to continually "*redesign*" itself by examining data.⁹⁰⁹

Any fashion designer, though, is aware that there is much more to their profession than just designing clothes. A picture of a garment is neither a design, a tech pack, or a finished article of clothing. These models can only recognize patterns in the data they are given; they do not naturally comprehend how the real-world works. Another study has looked into the prospect of producing fashion-based graphics in addition to Amazon's efforts in the field. In their study "*DesIGN: Design Inspiration from Generative Networks*," the researchers present a technique for creating clothing that involves creating a mask out of a combination of garment shapes and using a GAN to add pattern and texture. The objective of this research was to create an inspiring machine assistant rather than to suggest the automation of fashion design. The notion that a computer can produce creative works of art and so represent a trait that is inherently human is seen by many researchers as the pinnacle of artificial intelligence. For some experts, it is unlikely that a computer would ever be able to reach creativity, but robots may provide people who are producing wonderful tools.⁹¹⁰ Machines can currently only replicate the creative works that they are fed when rendering examples. These include the creation of hit tunes, doodle drawings, and picture copying artwork produced by machine learning. Despite how amazing it is, the truth about this piece is that it falls short of what we would anticipate from anything classified as "*art*."⁹¹¹ Since a machine cannot be creative in and of itself, artificial intelligence is most often employed in the design process as a tool to support creativity rather than as a source of creativity. Nevertheless, these programs are continually improving their capacity to carry out more autonomous work, making them more and more useful

⁹⁰⁹ Ibid, 3-4.

⁹¹⁰ O Sbai, M Elhoseiny, A Bordes, Y LeCun, and C Couprie, 'DeSIGN: Design Inspiration from Generative Networks' (2018) 1, 16-17.

⁹¹¹ L Luce, 'Generative Models as Fashion Designers' in L Luce (1st eds), *Artificial Intelligence for Fashion: How AI is Revolutionizing the Fashion Industry* (Apress 2019) 125, 125-127.

helpers for human creators. As a result, it is conceivable that artificial intelligence will replace humans as the primary source of innovative designs in the future.⁹¹²

The retail industry, particularly for traceability, is the other significant area where AI is being used for the fashion industry. Traceability makes the supply chain more transparent by enabling effective information sharing when needed. As a result, it aids in determining a product's provenance and assessing its true social and environmental effects. An efficient traceability system can aid in quality monitoring due to the rising amount of recalls and low-quality items. Furthermore, the responsible stakeholder can be located and punished for carelessness in the event of a quality-related issue and the beginning of a product recall from the market. Traceability may also be used as a marketing strategy to increase brand awareness and assist customers to make educated purchasing decisions. With excellent inventory management, goods may be provided in the appropriate amount and at the appropriate time. Additionally, traceability can help manage reverse logistics operations and aid in the product recycling process with the knowledge of the actual raw material composition, as well as overcome other product-related data challenges and support a circular supply chain.⁹¹³ However, because this technology is still in its infancy and will continue to advance, it is imperative that researchers and engineers create and develop AI responsibly to avoid unintended negative effects in the future.⁹¹⁴

One of the potential negative effects is directly related to the area of intellectual property protection, as may be clearly foreseen. An increasing variety of AI-generated clothing and accessories are now possible thanks to the quick advancement of artificial intelligence technology, yet the majority of those fashion designs appear to be left without copyright protection in the present legal climate since copyright legislation does not often work well with non-human creation.⁹¹⁵ Also, since works cannot be protected by copyright unless they are deemed unique, it is frequently difficult for fashion designs to be protected by copyright. Since the goal of copyright protection is to safeguard a natural person's creative expression and give them incentives to produce, originality has always been read to imply that the creator must be human. This interpretation reflects the natural law justification for

⁹¹² H Härkönen, *infra* 'Fashion piracy and artificial intelligence—does the new creative environment come with new copyright issues?', 2.

⁹¹³ TK Agrawal, A Sharma, and V Kumar, 'Blockchain-Based Secured Traceability System for Textile and Clothing Supply Chain' in S Thomassey and X Zeng (1st eds), *Artificial Intelligence for Fashion Industry in the Big Data Era* (Springer Nature 2018) 197, 197-200.

⁹¹⁴ L Renaningtyas, P Dwitasari and N Ramadhani, 'Implementing The Use of AI for Analysis and Prediction in the Fashion Industry' 7 (1) (2023), *The Academic Research Community Publication* 1, 7.

⁹¹⁵ H Härkönen, *infra* 'Fashion and Copyright: Protection as a Tool to Foster Sustainable Development', 26.

copyright protection used by civil law nations. Artificial intelligence is not a "*person*," and it does not require rewards to produce. Additionally, while the Berne Convention's definition of authorship has no requirement that the author must be a person, it appears that the Berne member nations concur that the author must be human.⁹¹⁶

In other words, a fashion design created by artificial intelligence cannot be regarded as original if the intelligence was its only creator. Though, there may be instances where one may infer from an AI-generated work that there was sufficient human input and, as a result, a human author behind the work. It would be feasible to identify this person as the creator of the AI-generated design if a human were directing an artificial intelligence designer by giving instructions about, for example, what sort of clothing to create, which colors to use, and which materials to choose. Purely AI-generated fashion designs, however, would probably be unprotected by copyright laws by default, making it possible for anybody to duplicate them. The potential for an artificial intelligence designer to violate the exclusive rights of another designer is another issue to be concerned about. With the use of GANs, AI can '*generate*' fashion designs by mostly imitating already-existing ones, incorporating components from previously created ideas. Here, the issue of fashion designs' originality comes up once more. However, if an AI designer used the vast amounts of data it was fed to create a fashion design that is strikingly similar to another designer's creation, that would not necessarily be a copyright infringement, provided the source data consisted of fashion designs that do not pass the originality threshold, which most fashion designs arguably do not. Most of the time, it does not seem like the scenario would be all that different from when a human designer makes a mood board to acquire ideas for an upcoming collection and, as a result, produces a design that is similar to an earlier third-party creation. However, it is true that certain fashion designs do meet the bar for uniqueness.

A copyright exemption in the Digital Single Market Directive could open up new opportunities for this type of legal utilization of copyright-protected content in Europe. For the purposes of text and data mining, Article 4 permits acts of reproduction and extraction. Reproductions and extractions may also be kept for the same reason. The article also applies to data mining initiatives with a profit-making goal. Since artificial intelligence designers will inevitably duplicate fashion designs that are protected by copyright as they analyze them, this is important from their standpoint. These reproductions could be immune from infringement following the Directive's application of this exclusion. It should be noted, nonetheless, that Article 4 gives right holders the option to reject the exception. If the right holders have not clearly reserved their rights "*in an appropriate manner, such*

⁹¹⁶ Berne Convention, Supra n 24

as machine-readable means in the case of content made publicly available online," the rule only applies under certain circumstances.⁹¹⁷ Furthermore, the resultant product should be sufficiently different from the data to prevent copyright allegations if the picture data set employed by GAN, the AI's "source of inspiration," contains the kinds of fashion designs that may be considered unique. In order to finally reach the stage where the creator of the latter work might be deemed an author who has independent copyright on their sole-authored work, it should be transformed to the point that it is no longer significantly comparable to the source of inspiration. With two human writers, the evaluation procedure would therefore be precisely the same. However, if the creator of artificial intelligence merely makes minor changes to the source of inspiration, they will be infringers, raising the issue of who is responsible for the infringement. An artificial intelligence designer, unlike a human designer, might not be held accountable for a copyright infringement if it used another designer's work as inspiration, once again, as long as the copied item had a human author in the first place. Any violations would be the responsibility of the person operating the AI, whether that person be human or legal.

Numerous legal experts have already voiced their opinions regarding how AI-generated works should be handled in terms of copyright protection and have taken a side in the debate. Denicola contends that it is a flimsy, ultimately pointless, and counterproductive distinction if a user's contact with a computer drives it to produce its own expression and the outcome is exempt from copyright. Additionally, it denies a growing number of works that are equivalent in quality and public worth to those produced by people the incentive of copyright. Denicola further recommends that the creator and owner of the copyright for an AI-generated work should be identified as the computer user who begins the creation of the work.⁹¹⁸ In this approach, since AI-generated works lack human authorship, they would not necessarily enter the public domain.

Another intriguing answer to the issue is the possibility that in the future, copyright protection may become a "dual system," with "romantic" protection for original works made by humans and "industrial" protection for investments and the advancement of machine creation. For fashion firms who truly do develop designs on their own, with or without the assistance of AI, recognizing artificial intelligence creativity from the perspective of copyright law would be an appropriate option.

⁹¹⁷ Directive (EU) 2019/790 of the European Parliament and of the Council, of 17 April 2019, on copyright and related rights in the Digital Single Market and amending Directives (EC) 96/9 and (EC) 2001/29, *Supra* n 907, 4.

⁹¹⁸ R Denicola, 'Ex Machina: Copyright Protection for Computer Generated Works' 69 (2016) Rutgers University Law Review 251, 283-286.

In addition to identifying specific copyright concerns like authorship, originality, and infringement when it comes to the development of artificial intelligence creativity, it is critical to consider the larger picture: how will Artificial intelligence change the market for copyright content due to low-cost mass production of works that look and function like human-created works. In the specific instance of the fashion business, the larger picture also involves the issue of excessive manufacturing, which thrives in low-intellectual property environments and results in excessive consumption and negative environmental effects. To summarize, removing copyright protection to fashion designs created by artificial intelligence would be the worst answer to the issue, even if an artificial intelligence designer does not require incentives to produce in a comparable way to how human writers do, because the lack of intellectual property safeguards would further push the fashion industry to produce more and more garments, which is already a huge issue to our environment. We should not set up conditions that would make it any simpler than it is now for new fashion designs to enter the public domain. We cannot encourage the fashion industry to operate in a way that is even more unsustainable than it already is.⁹¹⁹

When it comes to patent law, the question is in no way any simpler to respond to. In reality, figuring out how to differentiate between algorithms as a whole and technological solutions developed by artificial intelligence algorithms is one of the most challenging tasks in the field of patent law. As an example, we may use Eve, an artificially intelligent robot, created in 2013. Eve analyzed a list of 1500 substances authorized for clinical use and discovered the anticancer substance TNP 470 that simultaneously inhibited dihydrofolate reductase, a crucial *Plasmodium vivax* enzyme, and stopped *Plasmodium vivax* reproduction, meeting the drug's therapeutic purpose. The benefits of self-learning and automated drug recognition helped Eve perform its duty even better. Without a doubt, freshness, ingenuity, and practical application are still the three requirements for a patent even if an invention that was "*created*" by artificial intelligence falls inside a patentable subject matter governed by patent law.

Artificial intelligence algorithms have limitless potential to investigate combinations of existing technologies in a variety of technological domains as well as subject matter and provide a vast number of technical solutions thanks to their great retrieval and learning capabilities. Some groundbreaking technological advances could lose their patentability if examination procedures adopt tougher requirements for innovations produced by or utilizing artificial intelligence algorithms. Contrarily, weaker criteria could result in a number of useless patents, and unneeded patent

⁹¹⁹ H Härkönen, *infra* 'Fashion piracy and artificial intelligence—does the new creative environment come with new copyright issues?', 5-10.

monopolies might even stifle further technological advancement. In addition, if an innovation was made by a system with artificial intelligence, might that system itself be issued a patent? Should the creator or manufacturer of the artificial intelligence algorithms have the patent rights to an innovation developed by artificial intelligence or should an artificial intelligence robot?⁹²⁰

There is no conclusive response to any of these queries. One conclusion may be that the claimed invention's rights are transferred to the human co-inventor who worked with the innovative robot to help develop it. In this case, the artificial intelligence would resemble a research instrument and the human co-inventor would own all intellectual property rights. Although the empirically challenging evidence test of separating semi-autonomous from autonomous creation is made possible by this conceptual distinction, users of AI innovation engines are obviously faced with perverse incentives to exaggerate the existence and scope of autonomous creativity by these imaginative creatures.⁹²¹

2. Web 3.0

With the term Web 3.0 we refer to the incoming, and imminent, evolution of the World Wide Web, such as the birth and widespread of the Metaverse, Blockchains and NFTs, which have already started and will continue to redefine our relationship with technology. The Fashion Industry is not immune to these changes, in fact, some brands have been pioneers of the novice tools, but intellectual property concerns may arise. It is therefore opportune to continue our analysis by projecting and highlighting the aspects that are more relevant to the topic of this thesis.

2.1 The Metaverse

The first media to record and immortalize tribe legends were prehistoric cave drawings and oral storytelling. In order to convey both true and allegoric events as well as priceless lessons learned to the plenum and the following generations, they were employed to create fictional, mythological realms. The theater was a social institution in ancient Greece that transported viewers to historical or mythological settings. Tragedies and comedies onstage together formed a social process that

⁹²⁰ X Yu, R Zhang, B Zhang, and H Wang, 'Challenges of artificial intelligence to patent law and copyright law and countermeasures' in DJ Gervais (1st eds), *The Future of Intellectual Property* (Elgar 2021) 150.

⁹²¹ D Somaya and L Varshney, 'Embodiment, Anthropomorphism, and Intellectual Property Rights for AI Creations' (2018), *AIES '18: Proceedings of the 2018 AAAI/ACM Conference on AI, Ethics, and Society* 278, 281-282.

shaped the communal identity and sparked political debate and action. Plato's allegory of the cave served as an example of how our own mental models shape how we perceive the world and how physical and virtual worlds may coexist. Later, the widespread production of virtual worlds was made possible by analog innovations like photography, cinematography, electricity, the telephone, and mass media like radio and television. The Link Trainer, a mechanical flight simulator, is the earliest analog forerunner of Virtual Reality, or VR, in the current era. It was employed to train large groups of military airplane pilots in the late 1920s. The first multisensory systems were created in the 1960s. The Sensorama machine by Morton Heilig was a standalone, public arcade game that offered immersive, multimodal theater experiences, which, through an opaque screen movie, a vibrating seat, noises, an odor transmitter, and wind fans, allowed gamers to experience a more exact simulated tour of a motorbike on city streets. Myron Krueger coined the phrase "*Artificial Reality*" in the 1980s. His ground-breaking project Videoplace showed how remote real-time interactions in computer-generated settings were conceivable. In addition, Jaron Lanier created the phrase "*virtual reality*" and the first industry-wide VR apps debuted. Huge immersion helmets were made portable and connected to body suits and other haptic accessories. The cave automated virtual environment (CAVE) room-scale VR system was created in the 1990s. This was a demonstration of partially realistic visual and operational VR. In order to give viewers a sensation of partial immersion, stereoscopic pictures were projected onto the room's walls in order to give them a sense of depth in their visual field. For installations in museums and works of art, this technology is commonly used. Additionally, the development of multiuser, social, computer-based, non-immersive VR platforms or virtual worlds was made possible by linked networks and the Internet.⁹²²

Then, in 1992, in a novel by Neal Stephenson, called *Snow Crash*, the first reference to the term "*Metaverse*" can be found. Although there is no official definition, it might be seen as a digital reflection of the real world. This parallel digital world interacts and clashes with the actual world in several ways.⁹²³ Users may connect, chat, play, and shop in this virtual reality environment. It represented a second, computer-generated virtual reality world that individuals from all around the world could connect to and access via goggles and earbuds. The Metaverse is supported by a protocol called "*The Street*" that connects many virtual communities and places, acting as an analog to the information superhighway. In the Metaverse, users manifest as avatars, which are

⁹²² S Mystakidis, 'Metaverse' 2 (2022), *Metaverse, Social Virtual Reality & Game-based Learning*, Encyclopedia, Volume 486, 489-490.

⁹²³ European Commission, 'Intellectual Property in the Metaverse. Episode 1.' (2022), https://intellectual-property-helpdesk.ec.europa.eu/news-events/news/intellectual-property-metaverse-episode-1-2022-02-25_en

customizable digital bodies. Despite being digital and artificial, Stevenson's Metaverse allows experiences to have a true influence on the physical self. The Matrix, a virtual reality cyberspace from William Gibson's 1984 science fiction book *Neuromancer*, is a literary example of the Metaverse.

The Metaverse, or Web 3.0, was conceptualized as the 3D Internet in the context of Virtual Reality. In its initial design, a network of virtual worlds was imagined, with avatars being able to move effortlessly between them. Opensim's Hypergrid is where this concept came to life. The second incarnation of the Metaverse, which will integrate social, immersive VR platforms with open game worlds, MMORPGs, and AR collaborative spaces, is now being built. This vision envisions people being able to meet, converse, and engage freely in both real-world and virtual environments as 3D holograms or avatars. This is currently feasible, although with a number of restrictions on the same platform. The next step is cross-platform and cross-technology meetings and interactions where some users are in VR settings, and some are in AR environments. Software connectivity and user teleportation across realities are common Metaverse tenets.⁹²⁴ A broad term known as "*extended reality*", or "*cross reality*" (XR) refers to a number of immersive technologies that create electronic, digital settings in which data are represented and displayed. Virtual Reality (VR), Augmented Reality (AR), and Mixed Reality (MR) are all parts of XR. In all of the XR aspects outlined above, people view and engage with a totally or partially artificial digital environment that has been created by technology.

The Metaverse is built on technologies that allow for multimodal interactions with digital people, objects, and settings. Stereoscopic displays that can transmit the sense of depth enhance the representational quality of the XR system. Compared to 2D systems, XR systems also provide greater aural experiences. The creation of soundscapes that notably improve immersion in AR and VR is made possible by 3D, spatial, or binaural audio. Users may touch, grab, move, and control virtual items with the controllers. They become active participants in any educational experience thanks to this potential. On this front, the creation of comprehensive hand tracking will enhance the user interface in the direction of a more natural experience. More sensory research is being done, with a focus on scent simulation and digitalization.⁹²⁵

Since the 2000s, this movement has gained momentum and has been widely embraced. The first inexpensive VR head-mounted displays or headsets, the Oculus Rift, HTC Vive, and Google

⁹²⁴ S Mystakidis, 492.

⁹²⁵ *Ibid*, 487-488.

Cardboard, were created in the 2010s thanks to advances in computer science. These devices helped take immersive VR to the next technical stage and closer to being a commonplace experience. Consumer-grade wireless, standalone VR headsets are standard in the new decade. Enterprise-grade MR headsets, such as the Magic Leap, Microsoft HoloLens, and wearable smart glasses, have also become popular.⁹²⁶ After the worldwide epidemic, many individuals started using platforms connected to the Metaverse for entertainment and socializing. A surge of growth and engagement was seen in well-known games like *Animal Crossing: New Horizons*, *Fortnite*, and *Minecraft*. Despite not being created using blockchain or NFT interfaces or accessible through virtual reality games, these games are nonetheless, in some ways, current Metaverse platforms. These video games introduce young people in particular to virtual worlds' digital economics and asset ownership concepts. through a multitude of various channels, such as blockchain games, virtual reality headsets, the purchase of virtual property, construction in sandbox settings, or the trading of NFTs, each of them fits into the Metaverse's larger picture like a piece of a jigsaw.⁹²⁷

Users in the Metaverse produce a significant quantity of text, photos, and video material using avatars. The user's thoughts and feelings are more fully expressed through the multimedia data created in this way than through plain conversation. There is an alignment technique that translates data into various modal types and a way of expressing data of various modal types by integrating them into one representation in order to handle multi-modal content efficiently.⁹²⁸ Users in the Metaverse are also less constrained by time and space, and they can employ avatars to live in different locations, changing the communication style from 1:1 broadcasting to 1:1 engagement. Additionally notable are mask effects, which offer a more lifelike user interaction experience. The avatar's impartial look is an excellent illustration of the social effect of the Metaverse, which enables involvement in social consensus without bias and a more impartial perspective.⁹²⁹

In reality, although AI and NFTs are essential to the consumer experiences of modern luxury businesses, the most important impending development may be the extension of brands into other metaverses. In fact, computerized product lines easily infiltrate these ultramodern settings. For their part, luxury businesses do not plan to pass up this next chance to grow their brands. Luxury goods

⁹²⁶ Ibid, 490.

⁹²⁷ T Quharrison and DJ Skee, 'History of the Metaverse' in T Quharrison and DJ Skee (1st eds), *The Metaverse Handbook: Innovating for the Internet's Next Tectonic Shift* (John Wiley & Sons 2022) 57, 72-73.

⁹²⁸ S-M Park and Y-G Kim, 'A Metaverse: Taxonomy, Components, Applications, And Open Challenges' 1 (1) (2022), *IEEE Access* 4209, 4219.

⁹²⁹ S-M Park and Y-G Kim, 4241.

are sought after by new and younger clients who wish to incorporate them into their digital life. For example, The Gucci Virtual 25 may be "*worn*" in augmented reality and is described by the brand as "*the world's first virtual sneaker*." Gucci's website places more emphasis on visuals than words since the brand is aware of its target clientele. Those sneakers are also considerably less expensive than real, wearable sneakers, which cost over six hundred euros. Yet, when it comes to virtual goods, low pricing is not always a given; in 2021, a Gucci handbag offered on Roblox sold for the equivalent of USD 4115, while the identical handbag, if it were genuine and usable in real life, would have cost USD 3400, albeit the virtual handbag could not be "*used*" outside of the Roblox platform.⁹³⁰

Some believe that Web 3.0 or the Metaverse will be our next revolutionary technological development, where we shall do our business, enjoy our pleasure, and shop all through avatars. A virtual land rush including hypothetical metaverses, novel forms of digital property, and novel means to acquire this property has been sparked by this possibility.⁹³¹ However, making such a leap of logic is probably not necessary. The basic architecture or protocol set of the internet will not likely be completely replaced or altered by the metaverse. Instead, it will develop to add to it in a unique way that seems like building on top of it. Take the current state of the internet into consideration. Although the majority of internet traffic is still sent via fixed-line cables and operates mostly on standards, protocols, and formats that were created decades ago, we call this period the "*mobile internet era*." We also still use some software and hardware from the early days of the internet, such as Windows or Microsoft Office, which have altered over time but remain largely the same as they were. We also understand that the internet is a collection of many various things. The average person typically uses a web browser or app to interact with the internet. These tools are accessed through a device that can connect to "*the internet*" using different chipsets. These chipsets all communicate using different standards and common protocols that are transmitted through physical networks. Collectively, all of them allow online experiences. Even if one corporation controlled the complete Internet Protocol Suite, a single organization could not drive end-to-end changes on the Internet.⁹³²

⁹³⁰ A Joy, Y Zhu, C Peña, and M Brouard, 340.

⁹³¹ R Belk, M Humayun and M Brouard, 'Money, possessions, and ownership in the Metaverse: NFTs, cryptocurrencies, Web3 and Wild Markets' 153 (2022), *Journal of Business Research* 198, 198-200.

⁹³² M Ball, 'The Next Internet' in M Ball (1st eds), *The Metaverse: And How it Will Revolutionize Everything* (WW Norton & Co 2022) 74, 76-77.

Since the Metaverse's inception, the market for virtual accessories has grown; as people's commitment to their avatars grows, they seem to be more likely to invest real money in digital clothing for them. Economic activity is an important content in the Metaverse because it creates an ecosystem that continues economic activity by consuming clothes and goods provided by the production company and producing and selling them with other users.⁹³³ However, because of how simple it is to replicate virtual items, the Metaverse has witnessed a rise in complaints of trade mark infringement. Businesses are now concerned about their intellectual property rights being utilized not just on physical items but also on digital platforms.⁹³⁴ In the metaverse setting, there is ample room for a wide range of undesirable and unlawful actions. It is unclear exactly where the borders of the metaverse realm are, thus the difficulty is how to stop or manage such events there. When it comes to handling responsibilities, battling harmful and unlawful actions, deterring deceptive advertising tactics, and defending intellectual property rights, the structure of the metaverse presents several difficulties. Intellectual property enforcement in the metaverse context is difficult, according to experts. This is due to the fact that metaverse material is spread and copied over decentralized networks that are powered by Web 3.0 and blockchain-based platforms, making it more challenging to pinpoint the provider who may remove unlawful information. As a result, questions regarding the relevant law, the relevant jurisdiction, and how to identify infringers may arise.

Unauthorized trade mark usage by well-known businesses is another problem in the metaverse. Some contend that it is likely that many developers and enterprises engaged in a metaverse will be subject to the Digital Services Act.⁹³⁵ While the Regulation (EU) 2022/2065 and the upcoming liability framework for developing digital technologies do not expressly address virtual reality, it is possible that additional changes to Community legislation are needed to ensure user safety online. Some people have expressed doubt about the choice of businesses like Facebook to create a self-regulation method to metaverse content monitoring. By strengthening protection against non-consensual pornography and defamatory content, for example, policymakers could make it easier for online platforms and law enforcement agencies to recognize and respond to dangerous or illicit content in the immersive environment. They could also make sure that liability laws that apply to online intermediaries take into account the potential effects on AR/VR communications platforms and their users.

⁹³³ S-M Park and Y-G Kim, 4225.

⁹³⁴ P Singh, and DK Rajput, 'Metaverse: Surging Need for Competent Laws with Increasing Metaverse Crimes' 5 (2022), *International Journal of Law Management & Humanities* 712, 722.

⁹³⁵ Regulation (EU) 2022/2065, *Supra* n 651.

Another point that has been brought up is whether it is essential to provide legal personhood to avatars in order to hold them accountable for their activities in the metaverse or, at the very least, to establish criteria to distinguish between an avatar and the legal person who controls that avatar, hence modifying the laws governing intellectual property and advertising. For instance, the Terms of Service would probably let users to control the intellectual property rights in their avatar in the event of an interoperable platform like Ginormaverse. There would be free and inexpensive stock avatars available, like in most games and virtual worlds, but users would probably want to modify one or many avatars and be able to use them in any interoperable environment. Other assets besides avatars will value the ability to keep copyright and other intellectual property rights even more.⁹³⁶ As a result, there is growing discussion on the necessity of updating the law regarding advertising to meet its implications for the metaverse. According to some analysts, the regulations governing video games will influence the structure for laws governing advertising in the metaverse. In order to prevent virtual product placement within the metaverse and increase transparency, other experts contend that rules should be created to restrict the extent of emotion-responsive advertising.⁹³⁷

But how can trade marks be safeguarded in the metaverse? Probability of confusion is the most prevalent and simple legal standard for proving trade mark infringement, and it requires proof that both the signs and the goods are similar. If a third party is utilizing a sign that is identical to or confusingly similar to a company's trade mark in the metaverse, it should be quite simple to prove the likelihood of confusion because trade marks often cover the aforementioned relevant products and services. However, issues might arise if trade marks for the pertinent digital products and services are not protected. Because fashion businesses are rapidly extending their operations to the metaverse, it might be claimed that real clothes and virtual clothing should be viewed similarly because they have the same customary origin. Novel issues are brought up by the comparison of the similarities between products and services. For instance, it is debatable whether the owner of a registered trade mark for clothes may stop a third party from using and registering an identical or similar brand to denote virtual apparel in the metaverse. Only the relevant law has the key to the answer. Some circumstances leave little room for doubt. For instance, if an architecture business possesses a European mark registration for architectural services, it may be able to restrict a third party from registering and using its trade mark to signify digital real estate design services in the metaverse. The design services for virtual properties will still be design services, which are

⁹³⁶ JM Garon, 'Legal Implications of a Ubiquitous Metaverse and a Web3 Future' 106 (1) (2022), *Marquette Law Review* 163, 218-219.

⁹³⁷ T Madiaga, P Car and M Niestadt with L Van de Pol, 'Metaverse: Opportunities, risks and policy implications' (2022), *European Parliamentary Research Service* 1, 6-7.

comparable to architectural services, even if it is acknowledged that they are not part of the architectural services. Other circumstances, meanwhile, are less clear: Should physical clothes belonging to class 25 of the Nice Agreement be compared to virtual apparel worn by metaverse avatars? Should virtual hairdressing services offered to an avatar of a user of virtual spaces be compared to hairdressing services provided in class 44? Should virtual restaurants, where avatars "eat" in the metaverse, be compared to class 43 restaurants? If the inquiry relates to the comparison of products and services, the criteria for comparison established by European case law will provide the response. In the Canon case, the Court of Justice of the European Union ruled that all pertinent factors relating to the goods themselves, including, among other things, their nature, intended purpose, method of use, and whether they are in direct competition with one another or are complementary, should be taken into account when determining how similar two goods are.⁹³⁸ With contrasting products and services, it is important to consider the nature, intended use, mode of use, complementarity, and competition. Distribution methods, the target audience, and the typical provenance of the items are possible additional considerations. It will then be clear that the nature of the various commodities and services differs from that of their comparable non-digital counterparts. Software is digital attire.⁹³⁹

There were no rules addressing this specific subject until recently. However, the European Union Intellectual Property Office released its initial recommendations in June 2022. And while some others recommended including virtual commodities in the same classifications as actual ones, the EUIPO did not adopt this strategy. As they are viewed as digital material or images, it has been made clear that "virtual goods" belong in class 9. Activities in the metaverse are, however, about much more than the sale of goods and it becomes a little trickier for services provided by the metaverse. Numerous metaverse services that include the provision of virtual products for usage in virtual settings are probably entertainment services (class 41) by nature. Businesses should think about adding class 35, which covers retail and wholesale services, if they want to sell other people's virtual products. However, businesses must take care to identify the kind of products clearly and precisely they are offering. The phrase "retail and wholesale services relating to virtual goods" will be challenged by the EUIPO since it is vague and unclear. The EUIPO's webinar gave "providing an online virtual environment for trading virtual art and virtual art tokens" in class 35 is an illustration of a suitable phrase. The EUIPO has stated that providing a virtual environment in which users may

⁹³⁸ Case C-39/97 Canon Kabushiki Kaisha v Metro-Goldwyn-Mayer Inc (1998), ECLI:EU:C:1998:442, 23.

⁹³⁹ JP Cabral, 'Protecting EU trade marks in the metaverse' (2022), <https://inventa.com/en/news/article/746/protecting-eu-trade-marks-in-the-metaverse>

engage for pleasure, amusement, or recreational reasons would also be a valid word under class 41. How the EUIPO will handle hybrid services, as in those that include virtual and "physical" components, remains to be seen.⁹⁴⁰ On February 10th, 2023, the European Union Trade mark Office rejected a portion of Burberry's metaverse-focused trade mark application. The well-known check pattern was applied for use on web3/metaverse-related goods/services, such as "*non-fungible tokens or other digital tokens based on blockchain technology and downloadable virtual goods,*" etc. (in Class 9) and "*online retail services related to fashion, clothing, and related accessories*" (in Class 35).⁹⁴¹ The EUIPO examiner claims in the partial refusal that the Burberry check trade mark lacks distinctiveness in accordance with Article 7(1)(b) of Regulation 2017/1001, which forbids the registration of marks that "*are devoid of any distinctive character*" for certain objected goods and services listed in Burberry's application.⁹⁴² One may interpret this to mean that trade mark registration requests for virtual products could basically be considered in the same way as requests for the use of those marks in conjunction with their "*real world*" equivalents. That entails transferring any potential lack of distinction into the virtual world in the instance of Burberry. Even while the EUIPO found that Burberry's check mark lacks unique character when applied to the "objected" products and services, namely virtual clothes and accessories, Burberry did not completely lose this battle. The EUIPO has approved the application to move forward for a number of products/services in Classes 9, which include "*Downloadable interactive characters, avatars, and skins; Video games, and downloadable video game software,*" and Class 41, which includes "*Providing online information about digital games; Providing online video games; Provision of online information in the field of computer games entertainment; Entertainment services, namely, providing online electronic games, providing a website.*" Burberry does not remain an exception as a large number of companies have applied to register their current trade marks for usage in conjunction with Metaverse.⁹⁴³

When thinking about intellectual property, it is clear that more fashion companies are beginning to consider protecting their digital assets as well because it is already quite valuable in the real world. In the Metaverse, fashion already has a noteworthy influence. Even high-end companies like Ralph

⁹⁴⁰ T Verborgh, B Dejan, 'EU trade marks related to the metaverse' (2022), <https://www.lexology.com/commentary/intellectual-property/european-union/gevers/eu-trade-marks-related-to-the-metaverse>

⁹⁴¹ Refusal of application for a European Union Trade Mark No 018647205 (2023).

⁹⁴² Regulation (EU) 2017/1001, Supra n 114, 7(1)(b).

⁹⁴³ The Fashion Law, 'EUIPO issues partial refusal for Burberry's Web3 focused trade mark application' (2023), <https://www.thefashionlaw.com/euipo-issues-partial-refusal-for-burberrys-web3-focused-trade-mark-application/>

Lauren are participating with their digital apparel currently available for purchase and shown on Zepeto avatars. Collezione Genesi, the NFT line that Luxury Marketplace UNXD and Dolce & Gabbana jointly launched in September, has generated sales of almost \$5.65 million to date. The Sims 4 and Moschino have also worked together. The cheap price tag of virtual fashion seems to be the driving force behind consumer desire. Designer NFTs typically cost far less than their real-world equivalents while maintaining the same level of value. This increases their accessibility. For instance, Nike submitted many new applications in October 2021 for its well-known trade marks, including the "Just Do It" motto, the swoosh emblem, the "Jumpman" insignia, and "Air Jordan," among others, for virtual footwear and clothing.⁹⁴⁴ Bulgari, a well-known luxury company that specializes in jewelry, perfumes, leather goods, watches, and other high-end products, has progressively increased its reach from its roots as a single jewelry store in Greece to its transformation into a brand intrinsically tied to Italy, until it finally adopted a more escapism-oriented strategy in 2021. Serpenti Metamorphosis was the first of its type in terms of its enormous scale and interaction with both AI, Virtual Reality and NFTs, and had its premiere in October 2021. Refik Anadol, a Turkish director and artist, created the installation, a multimedia and multisensory experience that embodies the idea of Serpenti Metamorphosis' rebirth. The installation's undulating patterns are constantly changing and are based on two hundred million images of natural objects, including 160 million images of flowers. On the walls, ceilings, and reflecting floors of the installation pavilion, the AI algorithms create streams of vivid, color-saturated forms and patterns that drift, blossom, merge, and recombine in a kaleidoscopic dreamscape. The experience is completely immersive and envelops the spectator in great emotion as it naturally changes shape from one moment to the next. The installation was planned to debut in many significant European towns in 2021 before becoming an NFT and going up for sale as a one-of-a-kind piece of constantly evolving art. Similarly, GivENCHY collaborated with Animal Crossing: New Horizons in 2020 to develop pertinent cosmetics and give players tattoos of the company emblem. Players may grab the ID code from the GivENCHY Beauty Instagram account. After, on June 13, 2022, GivENCHY unveiled GivENCHY Beauty House, a new sandbox game featuring online interactivity, in partnership with Roblox. The fundamental idea behind Roblox is that users may easily and attractively create environments in a virtual realm. Given that the present focus of sandbox usage is mostly on play and education, certain high-end brands, like GivENCHY, have already established relationships with Roblox. The immersive setting GivENCHY Beauty House pays homage to Hubert de GivENCHY, the

⁹⁴⁴ Samantha Collins, 'The Metaverse and the implications for Intellectual Property rights for fashion brands' (2022), <https://www.marks-clerk.com/insights/articles/the-metaverse-and-the-implications-for-intellectual-property-rights-for-fashion-brands/>

late inventor of the business, and offers users the chance to build their own virtual face and participate in contests for prizes. Every player's journey begins in the garden, where they may also access the L'Interdit prohibited stations and the irresistible dance floor, both of which take their names from Givenchy's renowned scent. Players may join the game and view a list of missions and adventures on the menu to their right. As long as players complete all of the quests on the list, they will get prizes. Additionally, gamers may take part in the makeup competition by using virtual characters that are displayed on the T-stage and have distinct themes. Players who cast the most votes will get a variety of prizes. Givenchy's CEO Romain Spitzer stated that the opening of the first metaverse beauty parlor is a component of Givenchy's brand strategy to covertly encourage consumer spending on goods that enable consumers to exhibit as much virtual world makeup in the real world as possible.⁹⁴⁵

Luxury companies have access to a wider market thanks to the burgeoning sector of the metaverse, which also gives them the chance to innovate their content and offer customers new experiences. The majority of luxury businesses joined the Metaverse earlier, and now is a wonderful time for them to undergo a digital transformation, but the sector still needs constant improvement to reach maturity. To create a larger group structure and better assure sustainable development, major companies must upgrade their infrastructure and online communities.⁹⁴⁶

2.2 Blockchains

The term "*blockchain*" refers to a "*public ledger consisting of all transactions taken place across a peer-to-peer network*". It is a data structure consisting of distributed, shared databases and peer-to-peer networks that enable the storage and use of a registry of transactions that are cryptographically linked together.⁹⁴⁷ The blockchain system monitors the tangible and intangible assets involved in each digital transaction and processes it via a network of users.⁹⁴⁸ A blockchain is simply a distributed digital record of copied transactions that is accessible from every computer system on

⁹⁴⁵ D Chen, T Jiang, XX Li and Y Zhang, 'Luxury and the Metaverse' 34 (2022), BCP Business & Management 533, 536.

⁹⁴⁶ Ibid, 538-539.

⁹⁴⁷ European Union Agency for Cyber Security's Glossary, *Blockchain*, <https://www.enisa.europa.eu/topics/incident-response/glossary/blockchain>

⁹⁴⁸ M Thanasi-Boçe, N AL-Issa, and O Ali, 'Combating Luxury Counterfeiting Through Blockchain Technology' in SS Muthu (1st eds), *Blockchain Technologies in the Textile and Fashion Industry (Textile Science and Clothing Technology)* (Springer 2022) 1, 2.

the network. The benefit of such a system is that an item's validity can be verified, and because it is dispersed across several computers on a blockchain, it is challenging to replicate.⁹⁴⁹

One of the numerous benefits of using a blockchain is that it does not require a third party to facilitate transaction movement, every additional block is approved by the neighborhood block, both previous and successive. As a result, it is exceedingly difficult to undo the execution of adding a block to the chain. Private addresses are then used to conceal the users' identities. And since the status of the amount spent is recorded and changed from (not spent) to (spent) when spending currency (such as bitcoins), it is simple and straightforward to follow the transactions that were made. Additionally, the framework may be used to demonstrate ownership of work performed in a workplace where several firms or parties are engaged in the building process.⁹⁵⁰

Blockchains may play a crucial role in the field of intellectual property protection as a result of these qualities. For time-stamping purposes, as an illustration. In intellectual property protection, the creation's date is essential. As a result, the blockchain technology proves to be beneficial. It is possible to demonstrate that after the miners authorized the transaction, a hash document reflecting the invention was anchored in the blockchain by uploading an original design or working together with the designer's or creator's contact information to a blockchain. Using a blockchain is not intended to establish separate intellectual property rights, but rather to establish a creation date or priority date for contractual purposes, such as when granting a license or assigning intellectual property, or in the case of legal action.

Blockchains should, however, abide by the European Regulation (EU) 910/2014 on Electronic Identification and Trust Services for Electronic Transactions in the Internal Market European, as it relates to electronic technology.⁹⁵¹ The duration of copyrights is capped by the limitations of traditional intellectual property evidence, which also offers proof of invention. Eventually, it is possible that technology will save the day when it comes to confirming the creation date of copyrighted works. BlockchainYourIP.com is a legal tech startup in France that provides a platform that enables the registration of a digital fingerprint of a document comprising creative works copyright or know-how. Users have the option to save the digital fingerprint of their works on a

⁹⁴⁹ KB Wilson, A Karg and H Ghaderi, 'Prospecting non-fungible tokens in the digital economy: Stakeholders and ecosystem, risk and opportunity' 65 (5) (2022), *Business Horizons* 657, 657-658.

⁹⁵⁰ ZA Halloush and QM Yaseen, 'A Blockchain Model for Preserving Intellectual Property' (2019), *Association for Computing Machinery* 1, 2-3.

⁹⁵¹ Regulation (EU) 910/2014 of The European Parliament And of the Council on Electronic Identification and Trust Services for Electronic Transactions in the Internal Market European (2014), L257/73/14.

blockchain.⁹⁵² Blockchain technology enables the monitoring and tracing of fashion items from their development to their acquisition since it comprises of a digital ledger that is designed to record commercial transactions. Thus, the provenance of an item is provided through blockchain technology. Blockchain also aids in ensuring the conditions under which the product was created and enables clients to confirm that the clothing was made in accordance with moral and environmental standards. In actuality, tags or tamper-proof QR codes tied to a blockchain might be connected to a scannable blockchain. In order to determine if a fashion item is authentic or not, a QR code is included in it.⁹⁵³

Fashion companies are compelled to enter this new market for all of the aforementioned motives and more. The gaming and fashion sectors were among the first to use blockchain as a suitable trading platform. In 2016, during Shanghai Fashion Week, blockchain technology and fashion were combined for the first time. The major issues to tackle that would likely push the fashion industry to the usage of the blockchain are supply chain complexity and counterfeiting.⁹⁵⁴ The luxury and fashion industries are under close scrutiny as a result of the internet era, the worldwide pandemic, the complexity of the supply chains for high-end goods, and the rising number of complaints of unethical behavior in recent years. In the world of fashion, transparency and sustainability are the trendiest themes. Assuring that final products adhere to best practices through supply chain transparency and traceability, they also provide chances to expand the use of ethical and sustainable methods in the creation and consumption of luxury goods. Blockchains can also assist in learning more about the product's manufacture and origins.⁹⁵⁵ A transparent record of internal self-executing industry agreements would be maintained on the chain. Brands may utilize the technology as an industry-wide blockchain to store their fashion designs as well as their existing copyright, trade mark, and patent registrations in a database. Since only confirmed transactions would be allowed on the blocks, the blockchain's visible record of ownership would ensure that brands could not steal one other's intellectual property. Additionally, the database would make it simpler to monitor the passage of intellectual property ownership or licensing contracts and to safeguard designs that are

⁹⁵² R Burbidge, *infra* 'Copyright and your creative work', 71.

⁹⁵³ M Malaurie-Vignal, 'Blockchain, intellectual property and fashion' 15 (2) (2020), *Journal of Intellectual Property Law & Practice* 92, 93-95.

⁹⁵⁴ K Divea and R Surjit, 'Blockchain Utility by Pioneers in Fashion and Apparel Industry' in SS Muthu (1st eds), *Blockchain Technologies in the Textile and Fashion Industry (Textile Science and Clothing Technology)* (Springer 2022) 81, 82-83.

⁹⁵⁵ N AL-Issa, M Thanasi-Boçe and O Ali, 'Boosting Luxury Sustainability Through Blockchain Technology' in SS Muthu (1st eds), *Blockchain Technologies in the Textile and Fashion Industry (Textile Science and Clothing Technology)* (Springer 2022) 17, 42.

now not protected by copyright law. Deals might be made enforceable and self-executing thanks to the peer-to-peer record of ownership and licensing transfers. Because parties would not be depending on intermediaries, judges, or laws, such agreements would have predictable and consistent results. Brands in the sector would be able to get quasi-intellectual property protection without depending on the government, resulting in the development of a crypto-legal framework known as crypto law. Brands' worries about the inapplicability of otherwise legitimate marks and the ambiguity of what constitutes protectable subject matter can be allayed by this regime.⁹⁵⁶

By using blockchain technology to safeguard designs, the quasi-intellectual property regime would change from being based on property law to being based on contract law. This is because the regime would instead be based on honoring the terms and conditions of an agreement using smart contracts and would no longer profess to grant rights to one's property or works. Smart contracts might be used internally, or endogenously, by the fashion industry to get past existing or absent laws. In the words of economists, "*the theory of endogenous policy describes how self-interested agents influence the choices made regarding governmental policies.*" This idea can be applied to the fashion industry, where participants can use blockchain technology, in particular smart contracts, to develop an endogenous "*crypto-legal structure,*" or a "*semi-autonomous cryptographic computer code,*" that will enable them to safeguard their most important assets without depending on the state's inconsistent application of the law or the absence of codified intellectual property laws. The industry may automate contractual restrictions using such technology, which will get beyond the inconsistent application of contract law and provide more protection than what intellectual property laws now provide.

In order to develop a fashion blockchain, participants in the sector should actually transact with one another.⁹⁵⁷ The blockchain would serve as a representation if parties mutually agree that the computer code associated with a design would only be utilized for a certain purpose or that a design is fully owned by one party. The economic study of contract law provides justification for the deployment of such an endogenous system. Maximizing welfare, efficiency, and dependable enforcement is of the highest significance in such an analysis. Blockchain technology's intellectual property rights have the potential to increase wellbeing. The technology will enable parties to reach agreements over design ownership that are in their best interests. It will therefore encourage designers to keep making investments in their products, which will help society as a whole overall.

⁹⁵⁶ S Yanisky-Ravid, and G Monroy, 'The Promised Land: Blockchain and the Fashion Industry' 87 (2) (2021-2022), Brooklyn Law Review 609, 634.

⁹⁵⁷ Ibid, 633.

Smart contracts that self-execute are used to increase efficiency as court enforcement is not required. Blockchain technology and self-executing contracts provide consistent enforcement and predictable remedies since the parties' expectations are stated explicitly and objectively at the beginning of the agreement. In the end, the disadvantages of using an endogenous system of self-executing smart contracts to safeguard fashion designers' intellectual property may be justified by the economic analysis of contract law. The legal and economic theories support greater fashion design protection, as well as the use of blockchain technology to enforce such protection. According to the legal and economic viewpoints, providing exclusive ownership of designs encourages creation. According to the perspectives of law and economics, an endogenous system for maintaining intellectual property protection in the fashion sector would offer incentives for new designers. Blockchain technology has the potential to help underground marketplaces thrive, but its use in the fashion industry would have greater positive effects on ethical and humanitarian issues. As a result, the fashion blockchain would increase economic efficiency and provide incentives for designers, furthering the objectives of the predominant theoretical justification for intellectual property protection. As a result, objections to blockchain based on its inability to uphold moral rights are not relevant.⁹⁵⁸

Blockchain, further, enables firms in the fashion and luxury industries, in particular, to digitally alter or customize apparel and accessories. In the years to future, these, and other cutting-edge technologies, such as 3D printing, will alter intellectual property law. The option to add data blocks to the chain gives brand owners the chance to track information about a product's progression through various production and supply chain phases. In order to distinguish between grey items in situations of parallel imports and to pinpoint where they departed the supply chain, brand owners might utilize this capability to track where goods are placed on the market. Similarly, blockchain might be used to track and manage leaks from certain distribution networks, helping to enforce such.

Blockchain might also be used to monitor and manage leaks from certain distribution networks, helping to enforce such agreements. As already established, one of blockchain's key features is that it enables several parties to a transaction to confirm what will be recorded on a ledger in advance without enabling any one party to subsequently edit any ledger entries. This provides a record that is trustworthy and transparent. Additionally, using blockchain, it is possible to document factually verifiable information about the persons who manufactured a product, where it was made, and when it was made. It is clear that this may be used for a far wider range of brand protection and information, such as trade mark registration information, legal data, assignment, and chain of title information, as well as proof of the first use in trade or commerce for counterfeits. A physical item's

⁹⁵⁸ Ibid, 642-650.

authenticity and licensing may be traced using the same blockchain concepts that make it possible to track an e-book's authenticity and license throughout its life cycle. Once more, this is accomplished by adding some form of unique physical identifier to the physical item.⁹⁵⁹ Of course, employing blockchain as a way of anti-counterfeiting will not assist with counterfeits that dilute brands and are purchased by customers who are well aware of their imitation and illegal character. However, it could be useful in getting rid of counterfeit items that buyers mistake for the real thing and which might be far more harmful to premium companies.⁹⁶⁰ If blockchain technology is properly used, it can stop counterfeiting from spreading in underdeveloped nations, where maintaining control over the supply chain is crucial. For Unregistered Community Design Rights, a blockchain may go as far as being used to establish counterfeiting in court cases, for instance, in connection to counterfeiting: if an object is not documented on the chain, it may demonstrate that it is not authentic.⁹⁶¹

Using blockchain-based apps, LVMH and the diamond business Chow Tai Fook provide access to details about their high-end goods. Customers can use a mobile application to scan the QR code on a product to receive information about the source and transaction history. Arianee is an autonomous, nonprofit consortium that was established in 2017 by a number of entrepreneurs with the goal of offering digital certification of luxury items using open-source and decentralized blockchain technology. The transparency, traceability, security, sustainability, and privacy concerns of all stakeholders in a premium supply chain are addressed by the Arianee blockchain system. For each premium item, its protocol generates a special digital identification card that can be accessed by users to provide them access to all the information they require about the luxury brand in a private, secure, and anonymous communication channel. Arianee created a SaaS platform in 2020 that is available to all brands who want to integrate it. By creating their own user interface and creating digital passports in real time from their IT infrastructure, brands can tailor and personalize their experience. Several companies, including Richemont, Breitling, Vacheron Constantin, Panerai, Audemars Piguet, Roger Dubuis, Verlan, Satoshi Studio, and others have already joined the Arianee Consortium.⁹⁶²

⁹⁵⁹ R Burbidge, 'The Blockchain Is in Fashion' 107 (6) (2017), *The Trade mark Reporter* 1262, 1266.

⁹⁶⁰ R Burstall and B Clark, 'Blockchain, IP and the Fashion Industry' 266 (2017) *Managing Intellectual Property*, Volume 266 9, 10-12.

⁹⁶¹ M Malaurie-Vignal, *infra* 'Blockchain, intellectual property and fashion', 96.

⁹⁶² M Thanasi-Boçe, N AL-Issa, and O Ali, *infra* 'Combating Luxury Counterfeiting Through Blockchain Technology', 11-12.

Anti-counterfeiting platforms can be classified as self-built, third-party, or systems created by governmental organizations depending on the developer source. The first kind frequently struggles with sustaining problems with fake systems. For many luxury companies, the main problem is that their supply chain networks and systems rely on centralized database systems with single-point processing, storage, and centralized control, exposing the systems to a variety of attacks that could lead to tampering with data records along the supply chain. In order to prevent counterfeiting, luxury businesses use a number of cutting-edge technologies that make use of instruments that help uncover dishonest practices or arrangements in the supply chain. Another issue with this is that authentication solutions are often created for use by producers and that consumers seldom have the chance to confirm authenticity. Serial numbers, watermarks, holograms, barcodes, QR codes, special inks, dyes, papers, labels, and other technical solutions have all been used to try to solve the problem. These strategies have not, however, had a lasting impact on the fight against counterfeiting. The idea of the offered solution is where the issue is. The entire confidential information has been kept in a centralized database system. Data may be changed, and its security is readily breached. Different applications that can aid in identifying counterfeit goods might make use of additional anti-counterfeiting ingredients. As an illustration, the advantages of silver nanowire (AgNW) films were addressed. These films, which have excellent electrical conductance, high transparency in the visible range, and high infrared (IR) qualities, have been widely employed as flexible transparent electrodes. To safeguard their brands, a number of upscale businesses have used various anti-counterfeit technology. Following are a few examples: The watch manufacturer Hublot created a smartcard authentication technology that enables users to authenticate their Swiss timepieces online. The Dublin Institute of Technology has created a volume hologram using digital printing that is more secure than surface holograms because it employs a reflected laser on light-sensitive plastic. An effort to find and shut down any websites selling replicas has been launched throughout Google's sponsored search network by the premium apparel company Barbour in association with the Internet security company Search Laboratory. The purpose of the campaign is to inform Barbour brand customers about the negative effects of buying a fake item.⁹⁶³

At the same time, the intangible character of intellectual property creates problems for protection compared to traditional assets like money, land, and things, which makes intellectual property protection more difficult in today's digital and globalized economic environment. First off, the digitalization of information or creativity makes it simpler for works to be copied or plagiarized, and it becomes much more difficult and expensive to determine which works are truly original.

⁹⁶³ Ibid, 6-8.

Additionally, we are living in a time of big data and data explosion. The capacity to examine and confirm the validity of large samples is necessary for intellectual property protection. The adjudication of the rights and violation of intellectual property rights in original works must be done quickly because of how quickly infringement and dissemination have accelerated due to globalization and the digitalization of works. Numerous academic articles have examined the use of blockchain technology in intellectual property related fields and in conjunction with IoT technologies.⁹⁶⁴ As an illustration, Distributed ledger technology, or DLT, which is a database of information that is shared and duplicated in different locations, might be used to trace the design process, and demonstrate precisely when and by whom a feature was introduced to a design. Designers will not need to worry about their designs going public before they are comfortable doing so even if this information is stored on a public blockchain because the data itself can be encrypted, and they will still have unquestionable proof of when their designs were created.⁹⁶⁵

As already indicated, blockchain technology makes copyright management easier when it contains smart contracts. Automating contract execution is the primary purpose of smart contracts. The traditional databases that maintain registration information for trade marks, patents, and registered designs might be replaced by blockchain technology in intellectual property offices' registration and award of intellectual property rights, for example, by utilizing blockchain technology, intellectual property offices may streamline their processes and achieve faster, more affordable record-keeping in a more secure setting.⁹⁶⁶ This technology may be used for time stamping, a legal truth that can be established by any method is proof of creation. Therefore, this technique might be used to demonstrate the authorship of a work that has been blockchain-encrypted. In fact, Softwares specifically for the fashion sector that allows for the certification and registration of creations on a blockchain has already been created by several start-ups. This type of certificate includes proving the creation's content by a connection between the creation and the hash in addition to supplying a definite date for the creation, or, more precisely, its anchorage. However, it must be made clear that in order to receive copyright protection, it is not sufficient to prove the invention's creation date and content. This production must be an original work in the sense of copyright. Evidently, blockchain does not offer proof of a work's authorship. Additionally, it makes no guarantees on the authenticity of the creation, as anybody with bad intentions may claim authorship. It is not feasible to use this

⁹⁶⁴ J Lin, W Long, A Zhang and Y Chai, 'Using Blockchain and IoT Technologies to Enhance Intellectual Property Protection' (2019), Proceedings of the 4th International Conference on Crowd Science and Engineering 44, 44-45.

⁹⁶⁵ R Burbidge, *infra* 'The Blockchain Is in Fashion', 1267.

⁹⁶⁶ M Malaurie-Vignal, *infra* 'Blockchain, intellectual property and fashion', 95.

technology to confirm the accuracy of the data present in a document. It just serves to demonstrate that the material being spread there has not been changed. One may, for instance, claim ownership of a MaxMara clothing pattern by securing it on a blockchain.⁹⁶⁷

The current intellectual property offices might also employ blockchain technology to register and issue intellectual property rights, for instance, by replacing the traditional databases that contain registration data for trade marks, patents, designs, and, in some countries, copyright. The benefits are clear. These rights might essentially become "*smart intellectual property rights*" by being registered on a distributed ledger, which would offer a reliable and trustworthy proof of record. The data might also be connected to and related to real product usage, allowing for quick updating of the requirements for initial use in trade and commerce. Unregistered rights, which are significant in the fashion sector in particular, may also be impacted by blockchain technology. It is frequently not cost-effective for designers to apply for registered rights due to the seasonal nature of fashion designs, with quickly changing designs or "*see now, buy now*" models that will only be marketed for a brief time, and designers frequently rely on unregistered design rights and copyright to prevent copies of their designs. Enforcement of unregistered rights might make it difficult to establish facts, such as who is the rightful owner of a design.⁹⁶⁸

As I have tried to hint at throughout this paragraph, while the fashion industry would benefit from using blockchain technology by gaining stronger protections for fashion designs, there are some arguably negative implications that come with the adoption of a blockchain-based, endogenous quasi-legal system. Many detractors of blockchain technology are worried that increased adoption of the technology will have negative externalities because blockchain can be used to carry out transactions "*that are illegal, unconscionable, or otherwise legally unenforceable*" and because blockchain may not need to rely on a regulatory enterprise and may minimize the importance of such a regulatory scheme. The inappropriate use of intellectual property in the selling of NFTs is one instance of how blockchain technology and smart contracts are being utilized to enable allegedly criminal actions in the fashion industry.

Another criticism of blockchain technology is the possibility of a power imbalance as a result of less reliance on judicial and regulatory enforcement. This might imply that self-executing agreements in the fashion sector would give major firms in the sector an excessive amount of power over the market. They could be able to control every design in the blockchain, making it even more

⁹⁶⁷ Ibid, 95-96.

⁹⁶⁸ R Burstall and B Clark, 10.

difficult for smaller businesses to enter the market. A regime that strictly enforces self-executing contracts would not permit an equitable review of the circumstances surrounding the copying, but instead would give those who own the code more authority and stronger rights, removing the defenses of alleged copiers against infringement. In the end, this system could serve the interests of major companies at the expense of smaller businesses. Finally, some opponents assert that copyright law's functions cannot be practically replicated by blockchain technology and that third parties cannot provide copyright protection through blockchain technology without the legislature's express permission.⁹⁶⁹ Which side is right? Only time will tell.

2.3 NFTs

Non-fungible tokens, or NFTs are cryptographic assets on a blockchain that can be distinguished from one another by their distinctive identifying codes and information. They cannot be bought or swapped for equivalent amounts like cryptocurrencies can. This contrasts with fungible tokens, like cryptocurrencies, which are interchangeable and may thus be used as a medium for business transactions. An NFT is a digital asset that simulates real-world stuff including artwork, music, in-game items, and films; further physical objects will probably be added to this list in the future. To put it simply, an NFT is made up of a token ID number and an address code for a so-called smart contract. On a blockchain, such as the Ethereum blockchain, these two codes are kept.

The NFT is a unique original and is hence "*non-fungible*" since the combination of such tokenID and address code is unique. They are regularly purchased and traded online using cryptocurrencies, and they are typically encoded using the same software as many virtual currencies. Crypto art, also known as "*cryptographic art*," is a subcategory of art that relates to blockchain technology which consists of digital works of art that are directly published on a blockchain in the form of non-fungible tokens, allowing for the ownership, transfer, and sale of art in a secure and verifiable manner. NFTs enable the trading of digital art, resulting in the development of a new market and providing ignored artists with a chance.⁹⁷⁰

Through the development of the technical standard ERC-721 on the Ethereum blockchain in 2018, the technological foundation for NFTs was created. According to the ERC-721 standard, each NFT is required to have a unique ID number, or tokenID, which is produced during the generation of the

⁹⁶⁹ S Yanisky-Ravid, G Monroy, 640-642.

⁹⁷⁰ R Moro-Visconti, 'Cryptocurrencies, Non-fungible Tokens, and Digital Art Valuation' in R Moro-Visconti (2nd eds), *The Valuation of Digital Intangibles: Technology, Marketing, and the Metaverse* (Palgrave Macmillan 2022) 489, 490-492.

token, also known as minting. The underlying smart contract is the NFT's beating heart, which is a software that is installed to a specific address on the blockchain and is composed of code, for its functionality, and data, for its state. This makes it a specific kind of account in the blockchain that can send transactions throughout the network. A smart contract, on the other hand, is not managed by a user; rather, it is distributed to the blockchain network and executed as intended. As a result, the smart contract self-executes the rules established in its code, as it may autonomously enforce the functions if the predetermined requirements are met. "*Minting*" is a technological procedure that produces the real NFT, which describes the procedure of posting a token ID for the special token on a blockchain. The related smart contract must already be live on the blockchain in order to mint an NFT. The command to mint an NFT runs a smart contract's stored code, which results in the creation of a new block, the validation of data, and the recording of data onto the blockchain. This procedure generates a tokenID for a new NFT and associates it with the user account of the NFT's author. There is only one original of a one-of-a-kind analog work of art, such as a painting, a sketch, or a sculpture. Digital art creations, in contrast, are files and are thus easily duplicable. Any copy, however, is a perfect replica of the original since the copied file's data set matches the original file's data set.⁹⁷¹

The first well-known NFT instances were CryptoPunks, which were released in 2017. When the artist known as Beeple's "*Everydays: The First 5000 Days*," a montage of digital artwork he made every day, sold at Christie's auction house for the astounding sum of \$69.3 million in 2020, the NFT market began to rise quickly. This was the third highest price ever paid for a work of art by a living artist, after Jeff Koons and David Hockney. NFTs of profile images like CryptoPunks, gaming items like "skins", land in metaverses, and collectibles have also thrived as investments outside of the domain of art.⁹⁷²

There are not any established regulations specifically for art NFTs just now. However, "*crypto-assets*" as defined by the MiCa draft and NFTs may overlap. The Union's proposed Regulation on Markets in Crypto-Assets (MiCA) calls for broad regulation of crypto assets; nevertheless, this regulation shall not apply to crypto assets that are distinct from other crypto assets and are not fungible with them, under Article 2(2)(a). It is further clarified in Recitals (6b) and (6c) of the draft that the rule should not apply to digital artwork and collectibles since their worth is based on the distinctive qualities of each crypto-asset and the benefit it provides the token holder. It also does not

⁹⁷¹ European Parliament, 'Intellectual Property Rights and Distributed Ledger Technology, with a focus on art NFTs and tokenized art' (2022), Policy Department for Citizens' Rights and Constitutional Affairs Directorate-General for Internal Policies, Study Requested by the JURI committee 1, 13-16.

⁹⁷² R Belk, M Humayun and M Brouard, 200-201.

apply to crypto assets that represent services or tangible assets that are distinct from one another and not fungible, such real estate or product guarantees.⁹⁷³

While these crypto-assets may be traded in markets and amassed for speculative purposes, they are not easily interchangeable, and since each is distinct, it is impossible to determine the relative value of one crypto-asset to another by comparing it to an existing market or an equivalent asset. It is further clarified that a unique and non-fungible crypto-asset should not be thought of as unique and non-fungible in its fractional components. The issuing of crypto-assets as non-fungible tokens in a sizable series or collection, however, is then defined as a sign of their fungibility. A crypto-asset cannot be deemed unique or non-fungible just because of the assignment of a unique identity to it. For a crypto asset to be regarded as distinct and non-fungible, the assets, or rights it represents must likewise be distinct and non-fungible. Therefore, the legislation should not, in general, apply to NFTs. However, there are exceptions for big series or collections, and there are still some questions about what is meant by "*de facto uses*," which might make an NFT either fungible or not unique.⁹⁷⁴ If the criteria for an original work under copyright law are satisfied, the picture file the NFT represents is protected by copyright. It may not always be the case that so-called "*generative art*" satisfies the standards of an "*original work*" under copyright law. Some NFTs are generative in the sense that an algorithm codetermines their appearance. The answer to the question of whether a piece of generative art is covered by copyright law must be determined on a case-by-case basis and is based on the specifics of how the piece of art was made. Both the well-known "*Crypto Punk*" and "*Bored Ape*" NFTs have generative components. The "*Fidenza*" NFT project, which enables the NFT owner to obtain a one-of-a-kind print, is another well-known example of generative art. These generative NFTs are a combination of randomness and programming. The actual image is occasionally even created entirely at random using a combination of qualities that may be found in databases that are available to the general public. In certain circumstances, the author creates each feature independently, but the combination of the qualities and the final image is not necessarily related to the author's intellectual production. Sometimes an algorithm creates the photos, but the NFT artist curates the mix. If it is assumed that copyright laws do not apply to such an NFT, the

⁹⁷³ Proposal for a Regulation of the European Parliament and of the Council on Markets in Crypto-assets and amending Directive (EU) 2019/1937 (2020), COM/2020/593 final, 6b-6c, and 2(2)(a).

⁹⁷⁴ European Parliament, *infra* 'Intellectual Property Rights and Distributed Ledger Technology, with a focus on art NFTs and tokenized art', 21.

result would be that anybody could create an NFT using a non-protected picture file containing generative art. NFTs, regardless of the copyright issues, provide digital uniqueness.⁹⁷⁵

Technically speaking, there are multiple processes involved in minting an NFT. In essence, they are the process of producing the source, the information, and finally the actual minting of the token. An NFT cannot be made available for purchase on a public market before each of these requirements has been met. Each of these actions may infringe on the author's rights of reproduction under Article 2 of the InfoSoc Directive and communication to the public from Article 3 of the InfoSoc Directive.⁹⁷⁶ To determine if the act of minting itself is pertinent from a copyright viewpoint and so necessitates the permission of the author of the underlying artwork, the various phases of minting for both types of NFTs must be described. Technically speaking, there is a difference between NFTs that have their creative content registered on the blockchain as such (On-Chain NFTs), which are extremely rare due to the prohibitive costs involved, and the more typical type of NFTs (Off-Chain NFTs), in which the blockchain entry merely links to the creative content. Depending on whether an On-Chain or Off-Chain NFT is minted, the relationship between the NFT and the underlying artwork varies.⁹⁷⁷ Additionally, there is a chance of various rights breaches due to the abundance of NFTs being produced, which may damage both moral rights and exploitation rights. In actuality, fakes are a growing issue on NFT platforms. The majority of the time, "*counterfeit*" or "*unauthorized*" NFTs are a copyright infringement, but emerging techniques are working to alter that, for example by employing AI to detect intellectual property infringements. Since the Digital Copyright Directive's Article 17 took effect on June 2021,⁹⁷⁸ "*online content-sharing providers*" have been required to take the appropriate precautions to prevent illegal uploads.⁹⁷⁹ According to recent studies, there are a number of risks connected to creating, buying, and selling NFTs without the original asset's owner's consent. A previously created digital work of art has occasionally been stolen, minted as an NFT, and then sold on an NFT marketplace. It is difficult to estimate the number of additional copies as an NFT of the same asset might be minted twice or even more times.

⁹⁷⁵ Ibid, 17-18.

⁹⁷⁶ Directive (EC) 2001/29 of the European Parliament and of the Council, of 22 May 2001, on the harmonisation of certain aspects of copyright and related rights in the information society, Supra n 837, 2-3.

⁹⁷⁷ European Parliament, infra 'Intellectual Property Rights and Distributed Ledger Technology, with a focus on art NFTs and tokenized art', 30.

⁹⁷⁸ Directive (EU) 2019/790 of the European Parliament and of the Council, of 17 April 2019, on copyright and related rights in the Digital Single Market and amending Directives (EC) 96/9 and (EC) 2001/29, Supra n 907, 17.

⁹⁷⁹ Ibid.

It is difficult to foresee when these intellectual property challenges could be resolved because social norms and legal systems evolve slowly.⁹⁸⁰

The Court of Justice upheld the contentious Article 17 in a recent ruling and dismissed Poland's challenge. Poland claimed that the rights to freedom of speech and information, which are protected by Article 11 of the European Union's Charter of Fundamental Rights, are violated by points (b) and (c) of Article 17 of the Digital Copyright Directive.⁹⁸¹ The Court dismissed the objection on the grounds that it is the duty of Member States to implement an interpretation of the relevant provision that provides for a just balance between the numerous basic rights guaranteed by the Charter when the Member States transfer Directives into their national legislation.⁹⁸² The pertinent topic was whether NFT trading markets must include upload filters if the requirements of Article 17 Digital Copyright Directive are satisfied. On the one hand, they make copyright-protected material posted by its users accessible to the general public. On the other side, they eventually serve as a marketplace where people who want to purchase and those who want to sell NFTs may connect and make deals. Although the sales part of the NFT market is its primary goal, it also serves as a gallery where full collections of a series may be seen. Unlike "*normal*" markets, where only products are traded, which may violate copyright itself or that may contain pictures that violate copyright, NFT marketplaces allow the public to view digital copies of either physical or digital works of art. This is accomplished not just by acting as a marketplace for sales promotion, but also by offering services to produce, or generate, new NFTs. The NFT marketplace does, therefore, first look closer to potential copyright infringements than a traditional "*marketplace*" notwithstanding the sales activities.

The Digital Copyright Directive also calls for a high degree of protection, emphasizing that exceptions need to be interpreted strictly to provide writers the best possible bargaining position with the widest range of platforms. All of this indicates that NFT trading markets are covered under Article 17 of the Directive. But it is important to remember that NFT marketplaces only provide tokens, not content. Most of the time, just the real token is associated with the content, or the actual effort. This rather contradicts the use of Article 17. Even if a takedown request is granted, the only change is that the NFT-related work is no longer made available to the public on that specific

⁹⁸⁰ Y He, W Li, L Liu and W He, 'NFTs – A Game Changer or a Bubble in the Digital Market?' 26 (1) (2023), *Journal of Global Information Technology Management* 1, 4.

⁹⁸¹ Charter of Fundamental Rights of the European Union (2012), OJ C 326/391, 11.

⁹⁸² Case C-401/19 Republic of Poland v European Parliament, and Council of the European Union (2022), ECLI:EU:C:2022:297.

marketplace since it is no longer advertised for sale there. Despite this, the infringing token still exists. The NFT is still in use and could possibly be sold privately or on other platforms. For technological reasons, most claims for destruction based on copyright or trade mark law are likely to be unenforceable: The market might not be able to "burn" or destroy an NFT that has already been issued or get it back from the buyer or existing owner. This is because the blockchain entry cannot be erased or amended. After all, it is immutable. Generally speaking, it is technically impossible to access the wallet of the buyer or current owner of the NFT under normal conditions, and frequently the buyer or current owner is anonymous, which makes legal actions, to put it mildly, challenging. It will be fascinating to see what type of self-regulating mechanisms NFT markets develop and how effective they are because they do have an incentive in not sell illegal or infringing NFTs.⁹⁸³

Even the EUIPO has noticed how applications using words relevant to virtual commodities and non-fungible tokens are becoming more common. Because of this, the Office has declared in its official message that it would use the following strategy for categorization. Because they are regarded as digital material or pictures, "virtual goods" are appropriate for Class 9, as I have already explained. Yet, the word "non-fungible tokens" by itself is unacceptable to the Office. It is necessary to specify the type of digital object that the NFT authenticated.⁹⁸⁴ According to the EUIPO, a categorization for just "virtual goods" would not be deemed to have a high enough level of accuracy or clarity. Therefore, it is crucial that more information be given that outlines the subject matter to which the items are related.⁹⁸⁵ A number of worldwide projects are already in operation in the area of intellectual property registration that makes use of the decentralized immutability of Distributed ledger technology. On the Community level, the EUIPO is working on a project called "SDR IP Register on Blockchain" with the intent of expanding interoperability with other organizations and institutions, enhancing data security, improving data quality, and fostering economic synergies between member state registration authorities.⁹⁸⁶

⁹⁸³ European Parliament, *infra* 'Intellectual Property Rights and Distributed Ledger Technology, with a focus on art NFTs and tokenized art', 42-43.

⁹⁸⁴ EUIPO, 'Virtual goods, non-fungible tokens and the metaverse' (2022), https://euipo.europa.eu/ohimportal/en/news-newsflash/-/asset_publisher/JLOyNNwVxGDF/content/pt-virtual-goods-non-fungible-tokens-and-the-metaverse

⁹⁸⁵ Walker Morris, 'EUIPO guidance on classifying virtual goods and NFTs' (2022), <https://www.walkermorris.co.uk/in-brief/euipo-guidance-on-classifying-virtual-goods-and-nfts/>

⁹⁸⁶ EUIPO, 'SD3 IP Register on Blockchain Project Card' (2021), https://euipo.europa.eu/tunnel-web/secure/webdav/guest/document_library/contentPdfs/Strategic_Plan_2025/project_cards/SD3_IP_Register_on_Blockchain_PC_en.pdf

Although it presents new difficulties, the issue of intellectual property protection of a particular piece of content that has been tokenized and connected to a distributed ledger is legally remarkably similar to issues that have been raised since the dawn of the internet. In most cases, the creation of the source, which occurs before the actual minting, will constitute a reproduction, despite the finding that, if someone tokenizes a digital work that was created by someone else, copyright infringement will not be established for the tokenization itself if a "*off-chain*" minting is concerned. Additionally, if the author has not given their prior authorization, the online exhibition of the work as a token, even in thumbnail form, may be considered a copyright violation. As a result, if the underlying work is protected by copyright law, NFTs that are created without the author's permission often violate that author's copyright. Because of this, the majority of NFT markets pragmatically provide a notice-and-take-down feature. In addition, remedies are offered by copyright law. Therefore, notwithstanding certain ambiguities, it can be claimed that the European Union's intellectual property framework as it currently gives rightsholders the tangible rights and claims necessary to fight against NFT-related infringements.

The national legislation of the member states are not entirely harmonized, it must be noted. The Union intellectual property rights Regime may be utilized in relation to NFTs. However, because the Union's intellectual property rights Regime is not entirely harmonized, there may be instances when the position varies in different member states. In terms of enforcement, it is in the NFT markets' self-interest to offer safeguards against the distribution of illegal NFTs. It will be crucial for the European legislature to monitor the kind of self-regulating systems they develop and their efficacy.⁹⁸⁷ Due to this tendency, the issues of ownership and intellectual property protection became even more important. The detachment of the physical object from the artistic creation was a trend that was evident even before the development of NFTs, since the conceptual art movement placed more emphasis on the concept itself than on the physical object. Let us start with the concept of ownership, which is crucial to NFTs. The separation of the tangible thing from the intangible work is another phenomenon that can be seen in intellectual property generally, especially in the field of art. These advancements of detachments reached their peak with the advent of NFTs and turned to an emphasis on the intangible worth even more abstract than the notion. Paradoxically, it is possible to own or have actual possession of a picture. However, the painter owns the copyright of the painting and is the creator of the intangible work. An NFT can attest to the originality and authenticity of the work it points to. Anil Dash, one of the NFTs' creators, wonders if such a

⁹⁸⁷ European Parliament, *infra* 'Intellectual Property Rights and Distributed Ledger Technology, with a focus on art NFTs and tokenized art', 43-47.

connection to an underlying work would be durable given that it frequently depends on the success of a start-up's website. Although the NFT is unique in and of itself, the work it refers to need not be. This is due to the fact that it is currently costly to include digital art on the blockchain. The NFT link would really be able to verify a specific work since it would benefit from the time stamp if it were also feasible to store the underlying work on the blockchain. Only if thieves are successful in stealing a work before the author mints it may they unjustly mint it as an NFT.

NFTs have provided a threat to the traditional art industry, particularly in terms of commerce. It led to a disagreement about how to define or compile the values of creative creations between the conventional and NFT art worlds. Additionally, it appears that NFT purchasers are motivated by a desire to alter the existing power dynamics in the conventional art industry.⁹⁸⁸ The Artists are the exclusive owners of all intellectual property rights in and to any Digital Artwork linked with an NFT and any material therein. Ownership is recorded on a blockchain because the NFTs sold or otherwise transferred to the owner in accordance with the Agreement are non-fungible tokens. The single instance of a digital art file, defined as "*Digital Artwork*", is then connected to each NFT. The owner may own a token, but under the terms and conditions of the Agreement, he shall only be granted a restricted license to the Digital Artwork. Then he must take all necessary steps to obtain and maintain a working wallet that permits access to the NFTs, and any other cryptocurrencies required for the purchase and/or sale of the NFTs, including, where applicable, Ethereum ("ETH").

The Digital Artwork is covered by copyright and other intellectual property laws, which belong to the Licensor and/or other parties and will continue to do so. The Licensor grants to the owner a constrained, non-sublicensable license to use, publish, and display the Digital Artwork during the Term upon a valid purchase of the NFT by the original purchaser or upon a Permitted Transfer, provided that he complies with the terms and conditions of the Agreement. The License cannot be transferred, but it will do so automatically if the subject NFT is transferred in accordance with a permitted transfer. All licensing rights shall expire immediately upon the end of the Term or at the Owner's violation of any provision of the Agreement.⁹⁸⁹ Then, it comes logical to ask whether an NFT may be owned in the sense of property laws. The answer may vary depending on the various national regimes. NFTs, for instance, cannot be regarded as property under Section 903 of the German Civil Code since they are entirely digital. Physical items must be tangibly defined by space. As a result, it is impossible to possess NFTs in the precise sense of the German Civil Code.

⁹⁸⁸ J Chen and D Friedmann, 'Jumping from mother monkey to bored ape: the value of NFTs from an artist's and intellectual property perspective' 31 (1) (2023), *Asia Pacific Law Review* 100, 103-105.

⁹⁸⁹ Gucci Vault, *Terms Of Service And NFT Owner License* (2022) 1, 7-8.

However, there is debate over how the Section may be applied analogously. This debate is founded on the claim that NFTs are not the same as data, which the German government purposefully chose not to classify as property since it is so easily reproducible. Due to blockchain technology, NFTs are much more analogous to the physical property since they are unique as a token and may be assigned to a certain individual while simultaneously excluding other people from ownership.⁹⁹⁰ The United Kingdom's High Court recently recognized NFTs as "*legal property*" in a recent ruling.⁹⁹¹

Lavinia Osbourne is the creator of Women in Blockchain Talks. Two of Osbourne's NFTs from the Boss Beauties collection, a collection of 10,000 NFTs featuring illustrated, varied, successful career women, were stolen. The High Court's recognition of NFTs as property started from the acknowledgement of the four elements of property: definability, third-party identification, ability to be assumed by third parties by virtue of their nature, and finally some degree of permanence. The High Court declared that "*crypto currencies are a form of property capable of being the subject of a proprietary injunction*" since they fit those requirements. The upshot of the action is a restraining order on the accounts of Ozone Networks, OpenSea's host, to freeze the NFTs, as well as a disclosure from Bankers Trust "*compelling [OpenSea] to provide information about the two account holders currently holding the NFTs.*" This decision may end the question of whether an NFT's property, as tokens made of code, must be separate from the item it represents. With the ruling, victims of NFT theft will also be able to request court injunctions against those whose cryptocurrency has been suspected of containing a stolen NFT and against the NFT marketplace where the stolen asset is traded. This decision will undoubtedly have a considerable influence on additional legal arguments involving the legitimacy of NFTs in the future.⁹⁹²

With the purpose of selling the token later, offering and selling the NFT on a marketplace entails the first upload of the NFT's minting, the display of the brand the NFT stands for on the NFT marketplace, and the actual transaction. From a copyright standpoint, each of these actions could be important. A picture of the work that the NFT represents must also be displayed when an NFT is being offered in a marketplace. In terms of copyright, if the display occurs on a public NFT marketplace, it constitutes both a "*reproduction*" of the work as defined by Article 2 of the InfoSoc Directive and a "*making available to the public*" as defined by Article 3 of the InfoSoc Directive, as I have already explained; however, when offering an NFT on a market place, Article 5(3)(j) of the

⁹⁹⁰ German Civil Code (1896).

⁹⁹¹ Royal Courts of Justice of England and Wales, Case 1021/2022 Osbourne v. Persons Unknown and Others (2022).

⁹⁹² European Parliament, *infra* 'Intellectual Property Rights and Distributed Ledger Technology, with a focus on art NFTs and tokenized art', 22-23.

InfoSoc Directive may provide for an exception. According to the norm, Member States are allowed to specify exceptions or restrictions to the rights outlined in Articles 2 and 3 for "*use for the purpose of advertising the public exhibition or sale of artistic works, to the extent necessary to promote the event, excluding any other commercial use, including any other use for profit.*"⁹⁹³ If this is the case, it follows that, in order to avoid violating any rights derived from Article 2, the author's permission would need to be acquired before offering the NFT, even in member states that provide an exemption for promoting a sale of a work. In conclusion, it seems likely that the author's permission is needed for the offering of an NFT.

Finally, the issue of whether the NFT transaction qualifies as a "*distribution*" act under Article 4 of the InfoSoc Directive shall be raised.⁹⁹⁴ According to Article 4, the author has the exclusive authority to permit or forbid the public from receiving copies or the original of his work in any format through the sale of goods or other means. The sale of an NFT does not come within the distribution right since it does not imply the sale of the underlying work itself. The distribution right, together with its expiration, is connected to a material thing under European law. The exception to that rule is the claim made by the Court of Justice in the Tom Kabinet case about digital exhaustion in software.⁹⁹⁵ Nothing, however, suggests that NFTs might be classified as software. As a result, the sale of an NFT generally does not come under the purview of the distribution right.⁹⁹⁶ Depending on what was agreed upon, the buyer of an NFT may or may not receive any usage rights to the work represented by the NFT. In the absence of any explicit agreement, the purchaser of an NFT does not acquire any rights beyond those allowed under the exceptions for private use based on Directive (EC) 2001/29 on the harmonization of some elements of copyright and associated rights in the information society. However, the NFT owner may be granted certain rights depending on the smart contract, the terms of the NFT purchase, or the terms and conditions in place on the marketplace where the NFT was purchased. However, the precise meaning of the individual statements of intent may vary based on the national copyright contract law that is applicable, which as we know by now is a body of legislation that has not yet undergone full harmonization.⁹⁹⁷

⁹⁹³ Directive (EC) 2001/29 of the European Parliament and of the Council, of 22 May 2001, on the harmonisation of certain aspects of copyright and related rights in the information society, *Supra* n 837, 2-3 and 5(3)(j).

⁹⁹⁴ *Ibid*, 4.

⁹⁹⁵ Case C-263/18 *Nederlands Uitgeversverbond and Groep Algemene Uitgevers v Tom Kabinet Internet BV* (2019), ECLI:EU:C:2019:1111

⁹⁹⁶ European Parliament, *infra* 'Intellectual Property Rights and Distributed Ledger Technology, with a focus on art NFTs and tokenized art', 34-37.

⁹⁹⁷ *Ibid*, 24.

Additionally, wearable NFTs raise a different query from the standard one of NFT ownership. Is it simple enough to secure one's ownership of works of art or music utilizing exclusive contracts and data protection software? The tendency of bringing luxury into the metaverse, where interested users may buy such wearable NFTs created by premium firms, was another significant breakthrough in the fashion industry. These wearables would come in two varieties: one that would clothe one's avatar, and another that would function as a filter for real-time images. Blockchain technology and smart contracts are used in these digital-only designs to further demonstrate the exclusivity, authenticity, and ownership of each outfit and accessory. Smart contracts are computer programs that, when particular criteria or requirements are satisfied, activate a certain preset function. In our case, a smart contract may be configured to generate an agreement that specifies the date, time, and main subject of the transfer itself. This can serve as a warrant for one's ownership of a certain wearable, together with the client's digital signature. Another option is to create additional ledgers on a regular basis, each of which would update the preceding ledger with added information, including ownership of any NFT.

Can a market that operates in the digital sphere be made legal and afterward regulated? Who is responsible for what? As it is clear, even though any NFT can be protected by a patent or copyright, depending on the situation, enforcement is a completely other issue. In the actual world, artists have already started to bring complaints about counterfeit NFTs circulating the market, both locally and abroad. However, the absence of a regulating authority provides the best opportunity to circumvent the legislation itself. We can state that one can enter a smart contract system and demonstrate the ownership of a certain commodity to secure possession, but that still remains an arbitrary process that does present a possibility for error. A mechanism must be created to control, comprehend, and build upon the potential that such NFT marketplaces have in virtual economics, in addition to the normal due diligence conducted during the registration of any right. In reality, this is no different from the normal exchange of products and copyrighted works between citizens of different nations. The authors who sell NFTs, however, have no method of prohibiting resale, counterfeiting, or another nefarious data breach or usage due to the anonymity of blockchain vaults and transactions. Even in nations that do not take the rules of intellectual property as seriously as the rest of the world, such actions may take place.⁹⁹⁸ The biggest advantage for designers is the non-fungibility of this cryptographic technology, which guarantees not only the uniqueness of the design but also enables them to track the ownership, sale, and purchase of their work, however many times it may be sold,

⁹⁹⁸ P Harish, 'Wearable NFT and the Ownership Conundrum' (2022), <https://fashionlawjournal.com/wearable-nft-and-the-ownership-conundrum/>

without causing physical damage to their work. Any and every sold work may be utilized to receive royalties from every sale and purchase of their piece thanks to the NFT technology.

The question that still needs to be answered is whether present trade mark and copyright legislation and understanding apply to the digital sphere just as well as they do to the physical. Bored Ape Yacht Club, or BAYC, by Yuga Labs, one of the most well-known NFT lines, is the subject of trade mark lawsuits in California, for example. The majority of NFT content licenses though, do not grant any intellectual property rights, however in this case the license grants the owner the ability to use the BAYC characters and brand to develop derivative works in addition to displaying the original work. Using the BAYC images, Ryder Ripps, the defendant in the Yuga Labs lawsuit, produced NFTs. Even the numbers Yuga Labs allocated to these NFTs are identical, according to Yuga Labs, which may lead some people to believe that these are indeed the original bored ape NFTs. According to Yuga Labs, the sole distinction is that the NFTs' titles are RR/BAYC rather than just BAYC. The original Ripps NFT photos, which Yuga Labs is trade marking, also had symbols like a skull on the clothes worn by the bored gorillas. Yuga Labs Inc. won the action against the artists Ryder Ripps and Jeremy Cahen in April when a federal judge in California determined that they had broken the law by using the Bored Ape logo to sell NFTs that looked identical to the real thing. This case raised a relatively simple trade mark and licensing infringement, which was resolved by reaching a settlement, but the courts must be able to comprehend the universal character of NFTs to give out relevant judgments for future, more articulate, lawsuits. Similar to the internet, NFTs cross state and national borders, hence applying various jurisdictional rules to NFTs may actually be detrimental.⁹⁹⁹ The NFT Art purchased from Yacht Club is licensed to the buyer by Yacht Club for a variety of uses, including *"use of the Art to produce and sell merchandise products displaying copies of the Art"* and *"use of the Art to participate in a third party website or application that permits the inclusion, involvement, or participation of your Bored Ape."*¹⁰⁰⁰

The intellectual property rights of fashion businesses are more fiercely guarded. The fact is that companies may not need to submit fresh applications for virtual goods since they may likely depend on their already-existing trade mark rights to launch enforcement proceedings. Nevertheless, fashion companies are increasingly rushing to register a variety of trade marks in three categories: *"downloadable virtual goods"* (Class 9); *"retail store services featuring virtual goods"* (Class 35); and *"entertainment services, namely providing online. non-downloadable virtual footwear, clothing, headwear, eyewear, bags, sports bags, backpacks, sports equipment, art, toys, and accessories for*

⁹⁹⁹ P Pande, 'NFTs, Fashion & Property' (2023), <https://fashionlawjournal.com/nfts-fashion-property/>

¹⁰⁰⁰ U.S. Central District Of California, Case CV 04 355 Yuga Labs v. Ryder Ripps, Jeremy Cahen (2023).

use in virtual environments" (Class 41). Brands must demonstrate that there is a possibility of customer misunderstanding due to the resemblance of the goods and the marks in order to win a trade mark infringement claim. Therefore, if a brand is not actively engaged in the metaverse for economic gain, it is harder to demonstrate misunderstanding.¹⁰⁰¹ Countries that are members of the Berne Union are required under Article 5(2) of the Berne Convention for the Protection of Literary and Artistic Works to forbid any formalities in the use and enjoyment of copyright.¹⁰⁰² Because of this, it is now feasible to generate copyrighted works from the moment they are created. However, this has also led to the production of "*orphan works*," which are copyrighted works whose owners are difficult or impossible to find. The digital world increased this issue. This problem can be resolved by NFTs by offering tokenized evidence of title to the underlying physical or digital work, free from the restrictions imposed by Article 5(2) of the Berne Convention. However, copyright security is not unqualified.

The theory of fair use can be used as an affirmative defense against accusations of copyright infringement. It strongly supports fair usage if someone creates an NFT along with the work after it has been altered. However, it becomes less evident if the identical work just changes platforms, such as from a digital work on a website to the same digital work produced as NFT. The Supreme Court determined that time shifting constituted fair use in the 1984 case of *Sony Corp. of America v. Universal City Studios, Inc.* In other words, the function of using the audiovisual works on Betamax movies through a Video Tape Recorder (VTR) was different even if the audiovisual works were the same.¹⁰⁰³ One could contend that the placement of the work in a different context changes how it functions, which would favor the NFT minter on factor one of the fair use tests if the NFT was produced alongside a work without the copyright holder's consent and changed the medium of the work. It is quite possible that courts would reject a fair use argument if the NFT is just pointing to a website that makes the work accessible to a new public without the copyright holder's consent. Regarding the third fair use element, if the NFT minter is just minimally employing a copyrighted work unlawfully, this factor may still be in the NFT minter's favor. The fourth factor favors the copyright holder when the NFT minter investigates the work beforehand to prevent the copyright

¹⁰⁰¹ D Tan, 'Fashion Forays in the Metaverse' (2022), the Strait Times 1, 1.

¹⁰⁰² Berne Convention, *Supra* n 24, 5(2).

¹⁰⁰³ U.S. Supreme Court, Case 464 U.S. 417 *Sony Corp. of America v. Universal City Studios, Inc.* (1984).

holder from doing so. NFTs have scarcely been formally controlled in any country up to this date.¹⁰⁰⁴

A case from late 2021, when director Quentin Tarantino announced that he would mint seven scenes of the classic movie "*Pulp Fiction*" as NFTs, may serve to illustrate how the creation of the NFT without the consent of the holder of the copyright of an artwork still under copyright protection constitutes a copyright infringement. Each NFT includes unreleased sequences, a customized audio commentary from Quentin Tarantino, and digitized chapters from the original handwritten screenplay. Shortly after, Tarantino was sued by Miramax, the movie company to which he had licensed and assigned "*broad rights*" to "*Pulp Fiction*" in 1993. According to Tarantino, he was operating in accordance with the legally protected rights he had, namely the right to distribute the script. According to Miramax, Tarantino's idea may diminish attempts to manufacture NFTs based on its film collection. Miramax states that this conversation is still ongoing. Customers can become misinformed and think Miramax is connected to Tarantino's NFTs. Tarantino announced the sale of the NFTs for January 2022 despite the ongoing legal dispute. The offer of an NFT claiming ownership of the piece "*Free Comb with Pagoda*" by the artist Jean-Michel Basquiat on the NFT marketplace OpenSea is another illustration, this time involving post-mortem personal rights that may further complicate the owner's ability to damage or destroy a work of art. The winning bidder should also have the option to destroy the actual work, making the NFT "*the only surviving unique work*" in addition to the NFT. The actual artwork was last put up for auction in 2012 at Heritage Auctions in Texas, but it went unsold. A Philadelphia, Pennsylvania gallery sold it privately for an unknown price in 2015. All reproduction rights should be transferred together with the NFT in addition to the certificate of authenticity, which was provided by the Jean-Michel Basquiat Estate. This is technically conceivable under Anglo-Saxon copyright law in some circumstances, albeit it is difficult. However, the sale of the copyright in its purest form is prohibited by EU copyright law.¹⁰⁰⁵

NFTs may cause problems with trade mark law as well, and depending on what the NFT stands for, a protected trade mark contained in an NFT that is being used without the owner's permission may be considered a trade mark infringement. A number of cases, like the recently resolved Metabirkins, are still proceeding courts.¹⁰⁰⁶ The first sale theory for trade marks was brought up in the recent

¹⁰⁰⁴ J Chen and D Friedmann, 116-120.

¹⁰⁰⁵ European Parliament, *infra* 'Intellectual Property Rights and Distributed Ledger Technology, with a focus on art NFTs and tokenized art', 29-30.

¹⁰⁰⁶ U.S. Southern District Of New York, Case CV 22 384, *Supra* n 3

Nike v. StockX case, and it was debated how it applies to digital properties.¹⁰⁰⁷ The Defendant, StockX, began selling NFTs alongside Nike shoes on an internet marketplace for resale. While stockX argued that because these tokens are based on lawfully acquired actual things, users of the NFTs may always swap them for the physical object, Nike launched a lawsuit alleging trade mark infringement. According to the first sale theory, no party's intellectual property rights are violated if the object is used for its original use and then sold again. The supposition is that the remuneration went to the owner of the intellectual property right from the very first product sale. The question then arises as to whether the NFT and the actual goods are treated as the same or different assets since even this concept has its limitations in that it permits the buyer to use and resell the product but not to develop additional items carrying the trade mark. If the first is properly established, StockX may have a case establishing the owner's rights of an NFT. Because it is so new, no attempt has been made by law to identify the intellectual property associated with anything NFT. It is a topic that raises concerns not only about intellectual property law but also about how technology will be administered and controlled in a society that is primarily moving toward the metaverse and virtual reality. Such lawsuits represent a step toward a more formalized legal framework controlling the virtual world and the properties that are thusly created from it.¹⁰⁰⁸ In conclusion, the emergence of NFTs has an impact on trade mark protection as well. The classification of virtual assets in the form of NFTs other should follow a consistent methodology.¹⁰⁰⁹

As time goes on, a lot of fashion businesses are becoming interested in NFTs. The connection between those two very different worlds seems surprising at first, but it becomes immediate when explained. First, most fashion brands, especially the ones who have survived different eras and decades, owe their longevity to the peculiar attention they have always reserved for innovations. Outside of the wardrobe basics everyone owns in their closets, most consumers buy new fashion items to keep up with trends and popular styles. And when NFTs were taking the world by storm, in 2022 in particular, and it seemed like it was all everyone was talking about, fashion businesses did not stand still. Brands are aware that what might seem like a niche nerd interest side of the Internet today might become the norm tomorrow, and that pushes every fashion house to try and acclaim a

¹⁰⁰⁷ U.S. Southern District Of New York, Case CV 00 983 Nike, Inc. v. StockX LLC (2023).

¹⁰⁰⁸ P Pande

¹⁰⁰⁹ European Parliament, *infra* 'Intellectual Property Rights and Distributed Ledger Technology, with a focus on art NFTs and tokenized art', 40-41.

special kind of relationship with metaverse users before everyone else. Because every user is a potential future customer.

Second, fashion brands are also aware that NFTs, like extreme luxury, are not a necessity but a systemic way to boast. If we were to ask NFTs owners why they purchased one of the *Bored Apes*, for example, we would probably reach two types of answers: either the NFT was bought to show off wealth and exclusivity, or it was an investment choice. And fashion is strictly linked to both these answers: by having your NFT wear a famous bag or hat, not only you are making it more unique, therefore higher in re-sell value, which compliments the investment, but it also suffices as an immediate visual solution to portrait wealth. It is almost like saying: “*even my NFT owns Prada!*”

Companies like LVMH have invested in “*Aura*,” a blockchain-based consortium that provides transparency and traceability. LVMH views this change as a fantastic chance to forge a long-lasting relationship with clients who can now be certain that they are purchasing distinctive goods from a reputable company. Their main rival, the Kering Group is also working on building applications and software to provide their clients with a smooth shopping experience and the assurance that their purchases will not be fakes. Their brands, like Gucci, also function in the metaverse.¹⁰¹⁰

Karl Lagerfeld, a well-known and influential player in the fashion world, best recognized for his work with Chanel and Fendi, launched his own company after 36 years of successfully running Chanel. The brand's team chose to honor him by minting NFTs and distributing them on his birthday after his passing in 2019. The NFTs were released in three parts, with the first phase including a drop of 777 collectibles priced at 177 Euros each. Seven is the brand's fortunate number, hence the NFTs were introduced in three phases. The penultimate phase introduced three hundred collectibles for 77 Euros each NFT, with the last phase launching 77 collectibles at 177 Euros each. Karl's appearance and his catchphrase, “*I am like a caricature of myself, and I like that*,” served as inspiration for the NFTs. The Chromatik Karl and the Ikonik Karl were the two distinct types of NFTs. The clients might tweet about them, display them via augmented reality on Snapchat, or have the masterpiece as an NFT collectible to exchange with other art fans over the blockchain. Similar to this, the high-end Jimmy Choo company, famed for its exquisitely crafted women's shoes, made the decision to establish itself in the online community by working with the New York-based artist Eric Haze. The brand's NFT drop was distinctive since it included 8888 mystery boxes in addition to an NFT auction on the Binance Market Place. Haze's distinctive lettering was digitally imprinted on these sneakers with rotation for the NFTs. The purchase of the 8888 mystery boxes enabled the

¹⁰¹⁰ A Joy, Y Zhu, C Peña, and M Brouard, 338.

release of the digital shoes. The digitally animated sneakers NFTs, which were denoted on four levels of exclusivity and rarity, were randomly allocated to each surprise package. There are 5333 neutral cards, a super super-rare card, 445 super rare cards, and 3109 rare cards in all. The customers were forced to make blind purchases without knowing which cards they were purchasing. The mystery boxes went on sale for 30 Binance USD (about 13,672 USD at the time) on October 20 on the Binance marketplace, and anybody who received the SSR and SR was entitled to get a super-rare Jimmy Choo random NFT. Through digital art and marketing, the project was continued culturally to improve the atmosphere of the items. The second agenda called for all auction profits to be donated to the Jimmy Choo Foundation for Women, a non-profit devoted to helping women who have survived conflicts reconstruct their lives. A well-known, opulent jewelry and watch company called Jacob & Co., was established in 1986 by diamond designer Jacob Arabov and has always been a forward-thinking, exploratory business that dabbles in innovative technologies.

In April 2021, Jacob & Co. became one of the first luxury brands to enter the NFT market following the introduction of blockchain technology. The firm's creator emphasized his excitement about becoming the first luxury brand to enter NFT, adding, *“My ambition is for Jacob & Co. to become the first luxury brand to establish a successful NFT and open the path for other luxury companies to start introducing items & collections through NFT. When NFTs will be used in the watch and luxury industries is the question; not “if.” The ‘when’ is now for Jacob & Co., and we are ready to lead this change”*. Jacob & Co.'s first NFT project was a very original digital piece called *"NFT SF24 Tourbillon"* that was created in collaboration with one of the most popular NFT platforms, ArtGrails. The NFT was offered at a five-day auction beginning on April 4, 2021, with a \$1,000 opening bid. The company's first digital asset is a reproduction of the Epic SF24, a revolutionary travel watch that was one of a kind and equipped with a conventional split-flap schedule display that shows twenty-four cities around the world and is frequently seen at airports. But unlike the Epic SF24, this new watch model based on NFT features a tourbillon that operates, and instead of cities, the split-flap system shows the top ten different cryptocurrencies, such as Bitcoin, Ethereum, Fantom, and so on, in the form of a 10-second animation. The distinctive digital asset of the brand's top bidder was physically packaged with a certificate of ownership and a casing. This identification, in addition to providing basic details like the date and time of creation, the firm, and the kind of product, enables the watch to be verified as an original *"Trusted Object"* on the Internet. The hard disk with the NFT, which is the digital representation of the watch, is also included in the watch's box. After the auction, the owner will be able to resell the watch and NFT and can help transfer

ownership to anyone he chooses. This one-of-a-kind, digital watch by Jacob & Co. was up for bid for 24 hours on the ArtGrails NFT platform, and it eventually sold for \$100,000.¹⁰¹¹

2.3.1 The MetaBirkin Case

Intellectual property concerns regarding the fashion and luxury goods industry have already started to emerge as trade mark lawyers concentrate on issues like how trade mark dilution might occur in the metaverse, whether digital assets should qualify as "*goods*" for the purposes of the trade mark laws, and who should be held accountable when the identity of the infringer is unclear.¹⁰¹²

In the Metaverse, both works that originate from within and those that originate from without may be accused of violating intellectual property rights. New creative works are being produced within the Metaverse, as has been witnessed before. Any reproduction or dissemination of this online content by a third party without permission might be considered copyright infringement as these works are likely to be covered by copyright. It is conceivable to initiate enforcement proceedings for such instances of infringement. However, because the blockchain offers privacy, the copyright owners may have certain challenges, such as when attempting to determine the true identity of the offender. Or even the agreement by users of terms and conditions that absolve the Metaverse platform of responsibility in the event that a user commits an infringement. Non-Fungible Tokens are the subject of the vast majority of infringement claims now pending in the Metaverse, out of which the very recent case of MetaBirkins has definitely become a central part.¹⁰¹³

At Art Basel in Miami in December 2021, artist Mason Rothschild debuted one hundred digital artifacts of a furry, multicolored Hermès Birkin that he had developed on the Ethereum blockchain. He then sold them on the OpenSea NFT marketplace. The initial MetaBirkin NFT was sold for 10 Ether, or more over \$42,000. Later, Rothschild, also known as Sonny Estival, produced, and marketed about one hundred MetaBirkin NFTs. Naturally, Hermès filed a lawsuit alleging trade mark infringement in both name and look.¹⁰¹⁴ Lawsuits involving the metaverse were a result of the frequent unauthorized use of trade marks by brands on virtual items in the Second Life ecosystem. These legal actions offered little insight into how courts will handle trade marks, and accusations of

¹⁰¹¹ K Divea and R Surjit, *infra* 'Blockchain Utility by Pioneers in Fashion and Apparel Industry', 100-104.

¹⁰¹² M Gordon, 'The Metaverse: What Are The Legal Implications?' (2022), *Clifford Chance* 1, 4.

¹⁰¹³ European Commission, 'Intellectual Property in the Metaverse. Episode IV: Copyright' (2022), https://intellectual-property-helpdesk.ec.europa.eu/news-events/news/intellectual-property-metaverse-episode-iv-copyright-2022-06-30_en

¹⁰¹⁴ *Supra* 3.

trade mark infringement, in the metaverse due to quick settlements or the defendants' inability to appear in Court. Unless the sales agreement specifically specifies otherwise, when one buys an NFT, which is effectively a crypto token on a blockchain, they are often just purchasing a certificate of authenticity rather than the intellectual property rights associated with the underlying artwork or even the digital artwork itself.

The MetaBirkin NFTs were developed by Rothschild, who acknowledged doing so as an experiment to see whether he could provide the same illusion that the Hermès Birkin purse has in the real world as a digital good.¹⁰¹⁵ The result was ambiguous. After all, the U.S. Supreme Court determined in 1994 that 2 Live Crew's interpretation of "*Pretty Woman*" qualified as fair use under Copyright Law despite including a considerable amount of Roy Orbison's 1964 hit song "*Oh Pretty Woman*."¹⁰¹⁶ In his opinion for the Supreme Court, Justice David Souter made it plain that applying the principles to each individual situation in order to determine whether or not something qualifies as "*transformative use*" is a subjective test. Similarly, Rothschild resorted to the archaic "*Rogers*" legal standard. The standard, which was first established in a lawsuit brought by legendary dancer Ginger Rogers against the creators and distributors of the Fellini film "*Ginger and Fred*," permits artists to use a trade mark without permission as long as their use satisfies a minimal standard of artistic relevance and does not purposefully mislead consumers.¹⁰¹⁷ Hermès, however, asserted its rights under trade mark law rather than copyright law in this instance and presented evidence at trial to support its assertions of the likelihood of confusion, including survey findings, marketing techniques, and trade channels. It also presented evidence demonstrating that Rothschild's project was largely monetized rather than solely artistic, as he urged people to promote his MetaBirkins to increase their worth. Hermès also provided indications that it considers joining the virtual reality industry with its own digital products, claiming its trade mark claim in both the metaverse and the physical universe even if it does not already sell NFTs in the market.¹⁰¹⁸ Rothschild further asserted that the law of fair use provided protection for digital works. Hermès maintained that the Rogers test did not apply since Rothschild actively mislead customers by using the term "*MetaBirkin*" to imply that the NFTs were connected to Hermès, undermining consumer recognition of Hermès as the exclusive supplier of goods marketed under the Birkin mark.

¹⁰¹⁵ D Tan, 1.

¹⁰¹⁶ U.S. Supreme Court, Case 510 U.S. 569 *Campbell v. Acuff-Rose Music, Inc.* (1994).

¹⁰¹⁷ U.S. Southern District Of New York, Case 695 F. Supp. 112 *Rogers v. Grimaldi* (1988).

¹⁰¹⁸ TW Brooke and DN Garno, 'Jury Finds Creator of MetaBirkins Liable Under Trade mark Law' (2023), <https://www.hklaw.com/en/insights/publications/2023/02/jury-finds-creator-of-metabirkins-liable-under-trade-mark-law>

In May 2022, the court rejected Rothschild's request to have the lawsuit dismissed despite concluding that Rogers applied, saying that "*using NFTs to authenticate an image and allow for tradeable subsequent resale and transfer does not make the image a commodity without First Amendment protection any more than selling numbered copies of physical paintings would make [them] commodities for the purposes of Rogers*". The parties disagree about the extent to which the MetaBirkins NFTs are works of artistic expression, but it is "*undisputed... that the MetaBirkins NFTs, including the associated images, are in at least some respects works of artistic expression*". In the end, Judge Rakoff concluded that Hermès revised lawsuit had enough factual accusations to support the assertion that Rothschild's use of the Birkin brand was expressly deceptive and lacked artistic relevance. This case is noteworthy because it is the first to consider the extent and use of trade mark protection for digital assets in a virtual setting. The jury, however, ultimately ruled in favor of Hermès, finding that the MetaBirkins were not regarded as works of protected art but rather were comparable to standard consumer goods and so infringed against Hermès' trade marks. This ruling in Hermès' favor indicates a readiness to support brand owners' rights to restrict usage of and pursue trade mark infringement in the metaverse. Additionally, this decision indicates that while the sale of digital art may qualify as "*artistic expression*" protected by the First Amendment under Rogers, virtual issues will be resolved using real-world trade mark considerations such as confusion, goodwill, and dilution.¹⁰¹⁹

A total of \$133,000 in damages has been awarded against Rothschild, which includes \$23,000 for cybersquatting on the MetaBirkins.com website and \$110,000 in anticipated NFT sales revenues. The outcome of the much awaited trial, which was held in a US federal court, reaffirms that trade mark rights for tangible objects equally include digital goods and NFTs. For the NFT industry, which is based on decentralized, permissionless platforms that enable anybody to trade digital goods, the case is viewed as a potentially important early precedent. Future approaches to NFTs by fashion businesses and independent makers are likely to be influenced by this choice.¹⁰²⁰

More and more businesses are pursuing Web 3-focused trade mark applications, including Hermès, as intellectual property issues continue to influence how current intellectual property principles are applied to blockchain-based, digital assets.¹⁰²¹ Overall, companies should think about submitting

¹⁰¹⁹ B Chan and P Etkin, 'Fashion in the Metaverse: A Win for Hermès Against Metabirkin NFTs' (2023), <https://www.lexology.com/library/detail.aspx?g=c043ba9c-9541-4727-b398-5d3a9ca30cb9>

¹⁰²⁰ Fashion Law Journal, 'Hermès Wins Trade mark Lawsuit Against MetaBirkin NFT Creator, Setting Precedent for NFTs in Fashion Industry' (2023), <https://fashionlawjournal.com/hermes-wins-trade-mark-lawsuit-against-metabirkin-nft-creator-setting-precedent-for-nfts-in-fashion-industry/>

¹⁰²¹ B Chan and P Etkin

enlarged trade mark applications that specifically encompass digital goods and NFTs because doing so can facilitate metaverse expansion plans and strengthen enforcement efforts. The enforcement, anti-counterfeiting, and takedown actions of a brand against illegal virtual products will be strengthened by a registration that covers NFTs and virtual goods. For instance, many metaverse platforms and NFT marketplaces have takedown policies that allow them to remove counterfeit virtual goods upon receiving evidence of the violation of protected rights; this evidence is much easier to establish in the presence of a trade mark registration for the relevant goods or services.¹⁰²² Second, as the MetaBirkin example demonstrates, sales that depend on a brand's goodwill may flow to someone other than the brand owner. Third, clients who buy a counterfeit NFT could become miffed that an expensive item is not an officially branded one since the value they spent in the NFT vanishes.

The metaverse will, as it is now imagined, be a vast area with numerous players. Without a doubt, watching services with unique modalities for looking up unauthorized trade mark usage in the metaverse will emerge. Brands can discover abuse through customer involvement, for example. At least, enforcement action will go the conventional path, with cease-and-desist letters and subsequent lawsuits. Protecting their brands in the metaverse will be essential for brand owners, and preparing to participate in the new meta sandbox will necessitate a legal plan.¹⁰²³

3. Looking Ahead

This thesis has focused on describing the different configurations of the world of fashion within the Internal Market of the European Union under the lenses of intellectual property. We have observed how the applicable system is, potentially, the most advanced in the world and satisfactory for the most part, but that does not mean that it cannot be improved or that it is free of imperfections. Therefore, to conclude this Chapter, suggestions and proposals for the future will be presented, and while some will be more abstract, others more obtainable, they will all tackle the remaining puzzle pieces of the legal framework.

¹⁰²² GH Stanton, C Ganin and M Park, 'Protecting Fashion Brands in the Metaverse and Beyond' (2022), <https://www.perkinscoie.com/en/news-insights/protecting-fashion-brands-in-the-metaverse-and-beyond.html>

¹⁰²³ K Park, 'Trade marks in the metaverse' (2022), https://www.wipo.int/wipo_magazine/en/2022/01/article_0006.html

3.1 What could be improved?

Overall, the theories based on trying to fix the many issues of fashion intellectual property law are endless. Yet, I will try to summarize some of the most pungent ones. First, it is clear that during the past 20 years, European intellectual property law has undergone a process known as "*constitutionalization*" among academics. Particularly, the digital world has given the issue of "*Digital constitutionalism*" additional significance since the activities of strong commercial corporations may have a significant impact on how individuals use their constitutional rights. An excellent illustration is the hotly contested issue of algorithm-based moderation by online platforms of the information provided by internet users and the means to control it in a way that complies with basic rights. The European Convention on Human Rights, which is one of the most useful human rights instruments for the Union's institutions, for example, has no mention of intellectual property. Article 1, Protocol 1 of the Convention mentions the general right to property, but to associate it with intellectual property brings up the difficulty of assimilating intangible property with a physical concept, implying at the very least a need for specific justification when it is used. Because of this, it has been said that the European Court of Human Rights' present tendency does not adequately account for the complexity, specificity, or multidimensional features of intellectual property.¹⁰²⁴

On the other hand, the infamous late inclusion of intellectual property in the Charter of Fundamental Rights within Article 17 is very evidently presented, but also very evidently lacking.¹⁰²⁵ All that the text says is "*Intellectual property shall be protected*", reserving to the topic of intellectual property rights of the vaguest specification of protection of the whole Charter. The simplicity definitely gifts the text a certain authority, but it is unsatisfactory to say the least. It is incredibly ambiguous on a number of crucial issues, including who should benefit from the protection, what obligations states will have as a result of this provision, what intellectual property actually means in the context of the Constitution, and how this protection relates to other social values. Therefore, it is not unexpected that Article 17(2) received a lot of flak.

Therefore, despite its expanding relevance, the Community's "*constitutional*" framework for dealing with intellectual property is fairly flimsy and the majority of interpreters have emphasized that a more explicit, detailed provision is needed to ensure its protection at the constitutional level.

Parallel to this, the European Court of Human Rights began to consider intellectual property as a potential restriction on the right to free expression, as we have seen within the previous Chapter

¹⁰²⁴ European Convention on Human Rights, *Supra* n 659, Protocol 1, 1.

¹⁰²⁵ Charter of Fundamental Rights of the European Union, *Supra* n 981, 17(2).

when dealing with the parody exception, with the *Deckmyn* and *Plesner* cases.¹⁰²⁶ To assess the impact of intellectual property legislation on this right, which is "*essential for every democratic society*," the court used a stricter proportionality test. But despite their efforts to stop overly protective interpretations of intellectual property, the Courts have so far largely defined Article 17(2) by stating what it is not. There is still much to be learned about the precise positive meaning of the constitutional protection for intellectual property inherent in that standard and how it interacts with other basic rights and it is vital to continue working towards the reintegration of a balanced intellectual property provision in the constitutional framework of those documents that, due to their confusing phrasing, provide a danger of misinterpretation.¹⁰²⁷

Three proposals for the creation of a future clause have been put out so far, all of which are based on constitutional and quasi-constitutional patterns that take into account the public-interest underpinnings of intellectual property. The first option incorporates the pro-property language of some national constitutions into the protection of property, expanding its social role to include intellectual property. It is referred to as the *Conservative Option* because it places the protection of intellectual property within of a revised and conditional right to property. Under it, the general interest should always be taken into consideration while evaluating the goals and restrictions of intellectual property use. No one's assets may be taken away from them unless it is in the public interest, and only in the situations and under the conditions allowed by law, with prompt payment of a just recompense for the loss. Everyone has the right to the preservation of the moral and material interests coming from his or her scientific, literary, or creative work to further knowledge, creativity, learning, and culture.

The second option, the "*purpose-oriented*" one, is concerned with situating intellectual property protection within the realm of academic freedom. Regarding this second option, placing intellectual property within the heading of the right to research and culture is a clear advantage in arguing for a reform of Article 13 of the European Charter.¹⁰²⁸ By putting the social role of intellectual property at the very center of the service, protection is made to be *purpose oriented*. Research in the sciences and the arts will be unrestricted. Respect must be shown for academic freedom. Everyone will own the right to enjoy the arts, engage in research, and take part in communal culture, and to profit from

¹⁰²⁶ Case C-201/13 *Johan Deckmyn and Vrijheidsfonds VZW v Helena Vandersteen et al.*, Supra n 647; Court of the Hague, Civil Law Section, Case KG ZA 11-294 *Nadia Plesner v. Louis Vuitton Malletier SA*, Supra n 660

¹⁰²⁷ C Geiger, 'Building an ethical framework for intellectual property in the EU: time to revise the Charter of Fundamental Rights' in G Ghidini and V Falce (1st eds), *Reforming Intellectual Property* (Elgar 2022) 77, 77-83.

¹⁰²⁸ Charter of Fundamental Rights of the European Union, Supra n 981, 13.

scientific advances. The moral and monetary interests emerging from a creator's creative work will be protected; this right extends to authors, scientists, and artists.

The third option, which also supports the strict social boundaries of protection, ties intellectual property to the freedom of speech and the right to knowledge, the latter of which includes the active pursuit of accurate and impartial information through the use of available sources. According to this method of constructing intellectual property clauses, freedom of use must be taken into account as the general rule and exclusivity must be justified as the exception; in other words, "*intellectual property rights constitute islands of exclusivity in an ocean of liberty.*" The third option also fits with the European Court of Human Rights' recent propensity to consider copyright issues in the context of Article 10 of the Convention.¹⁰²⁹ Due to the fact that it is founded on a conversation between a creator and the public, or at the very least the interaction between a creative individual and society, it also serves as a more contemporary and inclusive defense of intellectual property rights.¹⁰³⁰

3.1.1 Employing economy's theories as a solution for intellectual property concerns

The theories based on the *constitutionalization* of law, although interesting, are not the sole protagonist of this current push for reforms. Second to them, we find those who advocate a revolution in the way that the innovation curve theory is approached, which has been explained beforehand, and that stand in direct relation to economic arguments.

Disruptive innovation theory in particular becomes important. The theory starts by admitting that disruptive innovations start off simple since they seek to gain market share by providing current non-consumers with a bare-bones product or service that may seem rudimentary when assessed using the previous performance measures. But disruptive inventions are known to get better over time and eventually change the world when the majority of people switch to new goods or services because they are happy with a solution that is easier, more convenient, and less expensive. Continuous waves of disruption gradually reinvent the market over time. In order for a product to become unique, it must first get stale and dull. A novelty that will eventually suffer the same end. Industries with intellectual property rights are not an exception. They are not immune to disruptive innovation; on the contrary, they are especially susceptible to the digital age. If intellectual property

¹⁰²⁹ European Convention on Human Rights, *Supra* n 659, 10.

¹⁰³⁰ C Geiger, 84-89.

is an artificially created form of intangible property, a legal fiction of a registered or state-sanctioned monopoly, it can only survive competition in societies where means of duplication and imitation are scarce and expensive; otherwise, in a typical capitalist economy, intellectual property rights goods and services are freely taken or passed off. And here come the various solutions brought forward by experts of the subject. A potential resolution could be quite praiseful if discovered since the existing international regime is at odds with the very social and economic system, namely global capitalism.¹⁰³¹

A framework to get beyond this contradiction is, for instance, shown by the notion of *Profiting from Innovation*. The framework "*Profiting from Innovation*" addressed a conundrum that is frequently left unsolved: why do highly innovative, trailblazing businesses frequently fail to realize the financial benefits of their work? Manufacturers of first-generation PCs have all but vanished from the market. Even IBM, a pioneer in the Microsoft-Intel PC market, left the market in 2005 when it sold its PC division to Lenovo, a Chinese firm. The graphical user interface was developed by Xerox and Apple, but Microsoft Windows, which is a subsequent iteration of the same product, currently rules the PC industry. The first browser was created by Netscape, but Microsoft eventually dominated the industry. Although Apple's iPod was not the first MP3 player, it held a dominant position in the market. Although Pfizer, a late entry, acquired a stronger market position with Lipitor, Merck, a pioneer in cholesterol-lowering medications, was the market leader with Mercavor. At first look, it may seem that these instances are the outcome of Schumpeterian "*gales of creative destruction*," in which victors are often contested and overturned by challengers, creating a vicious cycle that capitalism itself fuels. However, a deeper look reveals that results were not just predetermined; rather, they were the result of the company's commercial strategy, intellectual property position, business model selections, and timing choices. The appropriability regime, which heavily weighs intellectual property, along with the business model and organizational design are cited by the *Profiting from Innovation* framework as the primary reasons why some innovators profit from innovation while others lose out, frequently to their own imitators, and why it is not inescapable that the pioneers will lose. Unless there are compelling reasons to internalize, enterprises should rely on markets, such as outsourcing, according to Teece's summary of *Profiting from Innovation's* guidelines. Such justifications could be based on one of three main situations: shoring up the appropriability position by creating or purchasing complementing assets that the invention would probably drive up in price; creating or acquiring complementary assets that would

¹⁰³¹ F Xiang, 'The end of intellectual property: Challenges beyond the "China Model"' 2 (1) (2012), *International Critical Thought* 99, 102-103.

likely increase in value as a result of the invention or that were otherwise necessary to complete the task at hand; or economies of scope based on the function of complementary assets; to improve the situation regarding appropriability. This phenomenon is not brand-new. The reason why entrepreneurs initially moved into distribution and marketing during the Second Industrial Revolution, which started in the late nineteenth century, was that suppliers and distributors frequently lacked the necessary knowledge of the novel complex products as well as the facilities needed to handle them effectively. Due to this, a large number of the new businesses satisfied their requirements by quickly establishing a nationwide marketing and distribution network taken control of by their managers and employees.¹⁰³² Therefore, including this concept into intellectual property would enable businesses to either prevent or at the very least alleviate the issue.

Others, furthermore, when discussing the new points of view that shall be introduced into future legal drafts, focus on the link between counterfeit clothing and extremely unpleasant societal issues including sweatshops, the widespread removal of lawful manufacturing employment, and unpaid taxes.¹⁰³³ Strengthening transparency and traceability within the garment sector is crucial to preventing child labor and sweatshops, to name one.¹⁰³⁴ Also, concern for Indigenous artists and communities regarding the integrity of their works is directly related to the maintenance of moral principles at the same time as economic issues. As a result, third parties' exploitation, or misappropriation as well as the non-use or abandonment of minorities work, directly impacts the members of the relevant communities, stripping them of any possibility to rightfully exploit their own cultural heritage intellectual property. These thefts may occur, in particular, when rights are linked to violators endangering local populations. As a result, patents have been granted to third parties who are not members of the community in relation to alleged inventions, or third parties have registered trade marks for products that have shapes that correspond to traditions, and copyrights on non-creative intellectual creations that are entirely based on intangible cultural heritage have also been recognized. The communities that are trying to preserve their legacy may thus lose both their past and current identities and be barred from manufacturing their customary items without any type of benefit-sharing arrangement being put in place in their favor.¹⁰³⁵

¹⁰³² AY Al-Aali and DJ Teece, 16-19.

¹⁰³³ H Kim and E Karpova, 'Consumer Attitudes Toward Fashion Counterfeits: Application of the Theory of Planned Behavior' 28 (2) (2010), *Clothing & Textiles Research Journal* 79, 87-89.

¹⁰³⁴ M Chon, 19.

¹⁰³⁵ B Ubertazzi, *infra* 'Intellectual Property Rights and Intangible Cultural Heritage', 159-160.

3.1.2 The much-awaited reforms and improvements individual intellectual property rights deserve

Some requests to adjust the rules and norms get even more specific about the many types of intellectual property; to name one, copyright protection of digital artistic expression is a field that is fast expanding both in terms of the law and in terms of the technological elements of copying and safeguarding. Any system of moral laws and ordinances exists to get rid of parasites and freeloaders. The provision of the item to become a communal good is one first option for copyright reform. Independent of whether or not they receive a profit from the goods produced, the taxpayers in this scenario make a contribution. Furthermore, unlike a monopolist, the government does not appropriate this excess. Setting up an institution so that the good is no longer technically a public good is a second option for dealing with physical goods. For instance, one may allow an investor the authority to use the "*public good*" for their own personal gain. Private toll roads are an obvious example, but more recently, this technique has also been applied to the building of tunnels and airports. This assumes that excludability can be realized to some extent. Private toll roads feature access controls, unlike regular streets, which are open to all users. Private investors only need to collect a small portion of the positive externalities produced by their investment in order for it to be profitable. It boils down to an institutional "*scheme*" that "*confers benefits by making requirements of beneficiaries,*" such as tax income or specified fares, for the benefits, regardless of the unique special institutional arrangement that deals with the "*public good*" attribute. It seems unjust to free-ride on such a plan, which is only sustainable when the majority of other individuals meet the standards, as various authors have emphasized. It is equally unjust to receive the benefit from such an institutional system by taking advantage of others' benefit-producing compliance, since it would not only weaken the basic institutional structure but also be widespread free riding.¹⁰³⁶

However, the most obvious requirement for copyright is that it is still one of the few domains that is not fully integrated or still too unevenly harmonized in Europe. The existing Directives provide a lot of a-la-carte options and exclusions along with some sound underlying concepts. This is delaying the development of a sizable Community market for the copyright industries, undoubtedly to the detriment of consumer interests in the European Union and perhaps to the detriment of copyright companies in Europe.¹⁰³⁷ The digital age must be justified using the same logic. Using outdated rules will always have the apparent drawback that they may not be the best match for the

¹⁰³⁶ G Demuijnck, 'Illegal downloading, free riding and justice' in A Lever (1st eds), *New Frontiers in the Philosophy of Intellectual Property* (Cambridge University Press 2012) 261.

¹⁰³⁷ L Manderieux, 27-28.

present circumstance. We need to produce a solution where the new types of works act differently from the old types of works. Here is an easy illustration: Because it is difficult to create and distribute extra copies of the newspapers and magazines that one purchase from the newsstand, newsstands prove to be a successful method of marketing newspapers and magazines. On the other hand, it is rather simple to produce as many copies as one needs if one "*buys*" a newspaper by downloading it off the Internet. Therefore, the outdated laws, traditions, and customs will not be remarkably effective unless we can find a means to stop the majority of those duplicates from being generated. Relying on outdated principles leads us to disable some of the World Wide Web's non-newsstand-like characteristics in order to address the issue that it is not like a newsstand. Adopting new regulations that prevent the use of emerging technology is also unlikely to be effective over the long run, even if it occurs. Clinging to the existing laws would be a suitable, though temporary, option if our purpose in revising present legislation were to make things more difficult for developing technologies in order to safeguard current market leaders against prospective competition from providers of new media. Following outdated guidelines could affect how modern technologies are marketed in the short term, which could affect how they develop over time. This could then affect whether and how the affected industries compete in the markets for those technologies in the future.¹⁰³⁸

Moving on, an improvement I would ask for is a broader level of protection for the many facets of fashion, such as runways, or museums. Today's runways and fashion shows involve much more than simply a few models walking down a catwalk. They involve exceptionally large investments, a large number of collaborators, actual tales, and performances, among other things. Examples range from Fendi's famous desecration of the Trevi Fountain in Rome to Louis Vuitton's carousel of black feathers and laces to Gucci's controversial set of a hospital operating room, which had models strolling around with statues of their own severed heads. From 1935 through 1954, fashion designer Elsa Schiaparelli and surrealist artist Salvador Dal collaborated on a number of notable designs, including a lobster dress, a shoe cap, and gloves with red painted fingernails. This unusual partnership has been credited with starting the continuous, fruitful conversation between the fashion and art industries. Stylists and artists have consistently been a source of inspiration for one another, inspiring and fostering each other's invention and originality, particularly in the haute couture, but also in the prêt-à-porter. The lines between the two spheres are frequently crossed, causing them to grow increasingly hazy. Early in the 1980s, fashion began to move into museum settings, with

¹⁰³⁸ JD Litman 'Revising Copyright Law for the Information Age' in JD Litman (1st eds), *Digital Copyright* (Maize Books University of Michigan Press 2017) 148, 148-152.

fashion exhibitions on display at the most esteemed cultural institutions worldwide. At the same time, well-known museums welcomed fashion by developing permanent collections of couture clothing. The quantity and popularity of fashion exhibitions, as well as the size of the audience they may draw, have significantly increased during the previous ten years. Additionally, fashion houses have been developing their own museums, including online ones, like the Valentino Garavani Virtual Museum, which are devoted to designs and models from their historical collections, iconic items, photographs, and press clippings, as well as other materials, as proof of careers that have spanned ground-breaking decades over the past two hundred years. One of the most well-known examples of apparel on exhibit outside of retail establishments is at the Salvatore Ferragamo Museum and the Gucci Garden in Florence. In popular culture and the media, as well as among academics from a variety of disciplines, such as fashion theory, art history, cultural studies, aesthetics, sociology, and anthropology, the interaction between fashion and art has received considerable attention.¹⁰³⁹

The first nation to advocate for the legal protection of fashion shows was France, whose legal system is comparable to that of Italy. In particular, Article L. 112-1 of the French Intellectual Property Code states that all works of art are protected as long as they are original, independent of gender, mode of expression, quality, or aim. Additionally, Article L. 112-2 lists a non-exhaustive list of works that are protected by intellectual property.¹⁰⁴⁰ In the case *Ashby v. Gaulme, Kenzo et Lacroix*, the French Supreme Court established a new route in the system of fashion law by ruling that fashion shows can be protected by intellectual property. The French Federation of Couture and five haute couture companies filed a lawsuit for infringement against three photographers who posted pictures and videos of the infringing fashion shows online. The lawsuit was brought against both the clothes as well as the fashion shows themselves. In fact, the French Federation of Couture established a strict system to regulate the use of photos taken during fashion shows. Under this system, only photographers identified by press agencies and who had agreed to standard contract terms were permitted to use the photos, and only for informational purposes, explicitly banning any use for commercial gain. According to Ashby Donald and the other two photographers, they were permitted to post the images online in order to report on current events under both Article 10 of the European Convention on Human Rights and the French Intellectual Property Code. The Paris Court of Appeal overturned the initial ruling and declared that the photographers had violated intellectual property rights for both the fashion shows and the plaintiffs' clothing. Based on this exception, the

¹⁰³⁹ L Palandri, 109-112.

¹⁰⁴⁰ French Intellectual Property Code, *Supra* n 220, L. 112-1 and 112-2.

photographers had been deemed not responsible in the first instance. The French Court de Cassation rejected the photographers' appeal when they filed it. Due to the claimed infringement of their right to freedom of speech, they made the decision to file a lawsuit with the European Court of Human Rights in Strasbourg.¹⁰⁴¹ The European Convention on Human Rights states that in order for freedoms to be exercised, they must be accompanied by duties and responsibilities and may also be subject to formalities, conditions, restrictions, or penalties, but only to the extent that these are required by law and are appropriate in a democratic society.¹⁰⁴² The French Court of Appeal and the European Court of Human Rights denied the application of the exception for freedom of expression and found the defendants liable for infringement in accordance with Articles L 335-2 and 3 of the Code de la Propriété Intellectuelle because some of the photographs were only available for online download after payment and the photographers' commercial intent was thus obvious.¹⁰⁴³ Fashion presentations at Milan Fashion Week are parallelly blooming into actual experiences as well, frequently using scenic effects in old buildings. The sets are becoming more and more intricate, requiring the labor of architects and artists who are challenged to design amazing, multi-sensory performances in which every aspect, including the use of lights, sounds, and colors, must be carefully considered. Today's fashion shows are more than just a showcase of the designer's most recent work; they have evolved into a form of cultural expression for aesthetic, social, historical, and occasionally political ideals. Consider Missoni's decision to dress models in pink caps as a statement against gender inequality, the echo of Queen Elizabeth's first appearance in the front row of a fashion show next to the legendary Ann Wintour, or Valentino Garavani's three-day spectacular farewell to the catwalks in Rome to honor his 45-year relationship with the Eternal City, among other examples. However, there has never been a documented case in Italy that addressed the legal protection of fashion shows. Given the inflated cost of setting up the show, which justifies protection against imitation from the moment the work is created, and the possibility of later reproducing fashion shows through audiovisual and photographic means, the issue is not unimportant. Accordingly, protection should under Italian law if the relevant work is original, regardless of its intended use. Furthermore, originality does not consider the quality of the work; rather, it just requires that the author's individuality be expressed in the work. Therefore, it is plausible to claim that most contemporary fashion shows, insofar as they combine a variety of

¹⁰⁴¹ European Court of Human Rights, Case 36769/2008 *Ashby Donald et al. v France* (2013).

¹⁰⁴² European Convention on Human Rights, *Supra* n 659

¹⁰⁴³ French Intellectual Property Code, *Supra* n 220, L 335-2, and L 335- 3.

scenic and technological solutions, music, costumes, and locations, provide a sufficient level of uniqueness to obtain protection under the Italian system.

As an illustration, the Italian Supreme Court awarded intellectual property protection to formats in a decision from 2017, as long as they exhibited "*a basic scheme identifying the main characteristic features of a TV show or, more frequently, of a whole series of truly coordinated episodes.*" The "*main structural elements of the story, the setting in an identified time and space, the common thread of the narration, and the characters in their peculiarities*" have all been cited as examples of such elements.¹⁰⁴⁴ Due to the short duration of the event and the fact that it is not broken up into episodes, concerns with the protection of fashion shows as formats may arise since there may not be enough repetition and definition of fixed features. Modern fashion shows, however, may be argued to have a sufficient unity of concept given that they increasingly frequently have a real director and narrative and are theoretically repeatable. The Dolce & Gabbana 2020 show in the Valley of the Temples, Sicily, was directed by Oscar-winning filmmaker Giuseppe Tornatore, who created what the press described as a "*couture mythology*" atmosphere with models walking around the ruins similarly to the Greek muses of the ancient myths. This is one of the most recent and illustrative cases. Additionally, inventions that may change over time within the parameters of a certain plot are also protected by copyright laws. Italian law, which protects oral works or works that cannot be replicated, does not need fixation, in contrast to other legal systems, such as those of the United States. Performance arts appear to be more similar to fashion shows in this sense than choreographic works. As a result, under Italian law, fashion shows may very well qualify as an autonomous copyrightable work, assuming they fulfill the Copyright Law originality requirement. Once it is shown that copyright may be used to protect fashion shows, the next concern is identifying the copyright owner of the work. Fashion shows are the culmination of the efforts of many people, including set designers, hair stylists, makeup artists, tailors, architects, and sound and lighting professionals.

Fashion shows' authorship is a contentious issue since they may fall under at least two of the Italian Copyright Law distinct regimes for works with multiple contributors. In the first instance, fashion shows may be considered "*composite works*" since their many components cannot be separated from one another, as opposed to works whose constituent elements are generated by discrete and mutually autonomous contributions. Article 10(1) will be applicable in this situation. Fashion shows may be instead considered "*collective works*" in accordance with a second interpretation. Collective works are described as the combination of independent works or parts of works by different authors

¹⁰⁴⁴ Italian Court of Cassation, Case 18633/2017 omissis S.p.A. (2017).

that are brought together for literary, scientific, educational, religious, political, or artistic purposes. The person who plans and oversees the production of the joint work is regarded as its author under Article 7 of the Law. Since protected performances are those that represent the interpretations of a copyrighted work, as defined by both national and international law, this would thus include the performance of a fashion show by runway models. Acting and performing artists are defined as "*actors, singers, musicians, dancers, and other persons who perform, sing, act, recite, or in any other manner execute intellectual works, whether such works be protected or of a public domain*" in accordance with Article 80(1) of the Italian Copyright Law.¹⁰⁴⁵

Similar to how the Berne Convention for the Protection of Literary and Artistic Works classifies copyrightable subject matter, many other treaties provide protection to "*actors, singers, musicians, dancers, and other persons who act, sing, deliver, declaim, play in, or otherwise perform literary or artistic works*".¹⁰⁴⁶ If we take into account how fashion shows have evolved in recent years, incorporating new technology like holograms, augmented reality, and drones, the backdrop described above becomes even more convoluted. Erin Fetherston, Prabal Gurung, and Band of Outsiders were just a few of the designers Intel collaborated with in New York to live stream their shows in virtual reality. Similar to this, the fast-fashion store Topshop in London gave customers headphones so they could see its catwalk display in real-time in a three-dimensional virtual environment. But the mixed reality sector saw one of the most intriguing advances. This time, it was more about layering an experience over the real-world using holograms rather than recording and reproducing an event to move consumers. In 2006, the renowned Alexander McQueen used this for the first time on a catwalk when a spectacular organza gown was modeled by a holographic Kate Moss. Holograms have lately made an appearance in the Diesel, Guess, and Ralph Lauren fashion shows. These holograms provide optical illusions and further the interaction between fashion and technology. The discussion on the copyright protection of artificial intelligence creations, which may also include fashion shows produced by AI in augmented reality, begins with the fact that, according to Italian law, creative works must be original in order to receive copyright protection, and historically, the requirement of originality has been connected to the physical author. In actuality, the production of the work as a unique representation of the author's intellectual effort is the initial entitlement to the acquisition of copyright, according to Article 6 of the Italian Law.¹⁰⁴⁷

¹⁰⁴⁵ Italian Law for the Protection of Copyright and Neighbouring Rights No. 633, of April 22, 1941, as last amended by Legislative Decree No. 68, of April 9, 2003 (1941), 10, 7 and 80.

¹⁰⁴⁶ Berne Convention, Supra n 24.

¹⁰⁴⁷ Italian Law for the Protection of Copyright and Neighbouring Rights No. 633, of April 22, 1941, as last amended by Legislative Decree No. 68, of April 9, 2003, Supra n 1045, 6.

As a result, it appears that robots and artificial intelligence are not considered writers. However, as long as human decisions are present, this does not imply that algorithmic artworks cannot enjoy copyright protection. It is believed it will not be too long before this problem is brought up in national courts because the artificial intelligence revolution is influencing nearly every industry and is presently the focus of several legislative research.¹⁰⁴⁸

There are various suggestions for tightening the system in the case of patents so that they do not only claim to someone else's idea but also have some real connection to innovation. In terms of copyright, one of the main objectives is to make sure that no abandoned or orphaned works remain inaccessible indefinitely because the copyright holder has passed away, disappeared, or is in some other way untraceable. Reintroducing patent renewal is a sneaky way to shorten the term of a patent and make it harder to unintentionally infringe on long-standing but meaningless patents. As an example, one could keep the patent term fixed while dividing the twenty-year term into smaller increments, with a renewal being required at each stage.¹⁰⁴⁹ Finally, even if there is always space for development in design, we may consider ourselves content if we take into account that businesses have suggested that the United States copy our dual system of Community Design Protection for a stronger intellectual property. In order to particularly safeguard fashion designs in a manner similar to that of the European Union, the Council of Fashion Designers of America even went so far as to campaign for new laws. Fashion designers will benefit from the two-step procedure since they may decide which designs merit prolonged protection and then register those specific designs.¹⁰⁵⁰

¹⁰⁴⁸ E Varese and V Mazza, 'The Protection of Fashion Shows: An Uncharted Stage' in RE Cerchia and B Pozzo (1st eds), *The New Frontiers of Fashion Law* (Laws 2021) 85, 85-93.

¹⁰⁴⁹ M Boldrin and DK Levine, *infra* 'The Bad, the Good, and the Ugly', 248-251.

¹⁰⁵⁰ P Holton, , 424-425.

Conclusion

The aim of this whole dissertation was to portrait the relatedness between intellectual property and the fashion industry within the Internal Market of the European Union.

The continuous narrative thread that has been portraited since the introduction, which connects the entire thesis as a whole, has been the investigation inside of one of the most articulated sides of “*Fashion Law*”, which is intellectual property, to try to answer the big dilemma over the autonomy of such legal field. Considering the peculiar role of power the fashion industry holds within the European Union, which is the organization that batter preserves and protects it, by analyzing this dilemma under the lenses of the Union we have found an answer that fits worldwide.

The study began with the basics of the frameworks, with the general introduction of intellectual property rights within the European Union and the ever-present question of why they result to be particularly relevant to the world of fashion. Being the European Continent the most fashion-focused area in the globe, it is to absolutely to no one’s surprise that the leading supranational organization of the region is also the leading force behind the protection of intellectual property rights residing within fashion goods.

We have then discussed the primal importance to coordinate the rules between the Member States when dealing with imported or exported goods and the previously struggling cohabitation of the free movements inside the common market and the different intellectual property rights of the Member States, dedicating the central part of the first Chapter to explaining the long and complicated process, in which the European Court of Justice had a focal role, that led to the almost complete harmonization of intellectual property rights. We then saw how the breaking point was reached through many legislative developments on the matter, especially after the Lisbon Treaty which, for the first time ever, introduced the topic of intellectual property rights within Primary Law sources under Article 118 TFEU.

After ending the initial Chapter with the description of the most relevant characters of the various single intellectual property rights when applied to the fashion system, the theme surrounding the major influence of the Union within the topic was resumed in the second Chapter, which consisted of multiple yet short comparisons of the European Union’s intellectual property system to some major international ones, such as The United States, China, The United Kingdom, Latin America, and South East Asia, to show how advanced how our framework results when compared side by side to foreign ones.

In order to reach more into the details of the protection guaranteed by the European Union, the third Chapter, directly connected to the caselaw depiction of the first two, highlighted the most relevant jurisprudence theories regarding apparel and accessories' intellectual property rights, using the most recent developments of the General Court and Court of Justice of the Union. Some of these cases dealt with some fundamental questions of the Internal Market, such as the counterfeit phenomenon, on one hand, and the antitrust concern, on the opposite side. The same Chapter, with no arrogance of portraying the right solution, calls for a balance of interests.

At last, the fourth and final Chapter delved into the possible future of the fashion industry that is being created right before our eyes through the so-called *Web 3.0* and put the attention on what those new “*ways of creating fashion*”, whether it was virtual reality or a simple 3d manufacture, and what they could entail for intellectual property rights.

As it is then apparent, the study has led to several nuances of the intricate relationship between fashion and intellectual property rights inside the Union's territory, and sometimes beyond, which implicate, now that we have reached the end of the analysis, to draw the needed conclusions.

Starting in a chronological order, firstly we cannot ignore, as it has been pointed out in more or less subtle ways throughout the whole thesis, the incredible influence the European Union has had over the subject. It is probably unsurprising to notice this character, but it remains relevant, nevertheless. And it is defined as unsurprising since not only the biggest and most powerful fashion houses in the world all have European roots but also because the special relationship European people have with a personal sense of style is unique to that of all the rest of the world. In fact, the month dedicated to the Fashion Weeks that happens twice a year, in the following order: New York, London, Milan and Paris, sees three cities out of the four being European and the even the couture weeks only happen in the French Capital. High-end colossus such as Gucci or Louis Vuitton, as much as the leading fast fashion brands Zara and H&M, were all created in Europe. Therefore, it is logical that the Union takes the fashion industry more at heart than, for example, The United States.

But to consider that the European Union has achieved harmonization throughout all the Member States and that it remains as the leading institution on the topic worldwide only because Europeans like to dress well would be too simplistic of a reality. As this dissertation tried to show, there were economic reasons behind the plan to push intellectual property enforcement, which, of course, is also connected to the incredible economic relevance of the Fashion industry. But without diverging too much on the main point with other considerations that can already be drawn from the previous Chapters, it is incredible to see how almost every other country is trying to replicate the Union's system while the Union itself is already trying to surpass its own rules for better ones. It is not the

sole matter where the European Union shines for its advancements, but it is impressive and a source of collective pride. The process the Community has gone through to standardize legislations over the region and to improve the national laws can be classified as historical. Probably, without the European Union, and in particular the Lisbon Revolution, this thesis could have never been made in the first place, and *Fashion Law* as a whole would have never reached its current status.

Secondly, we must acknowledge the incredible role of the Courts, which, once again, have resulted to be the most dynamic institution of the Union. Whenever we mention the incredible the European Union has put itself through since the Treaty of Rome to achieve the only imaginable beforehand dream of a truly consolidated international organization between different Member States, we always accompany the reasoning by mentioning how fundamental the judgments of the European Courts have been. And this field is no different.

The first Chapter highlighted the discussions and doubts on whether it was possible to coordinate the different norms every state held within intellectual property rights and overall, the Internal Market and subsequent free movement of goods. Then the third Chapter presented various factual instances where the existing European regulations and Directives all became useful only through the enforcement of the Courts. Both those fragments show how many obstacles that swayed from achieving the main goal of the Union were able to be surpassed only through the use of trials. As we all know the European community many times before has used the legally binding judgements as a tool to dictate Law without doing so in a much more direct way. It is assured that without historical verdicts such as *Van Gend en Loos*, the Union would not be where it is today, and the same logic can be applied to this dissertation.¹⁰⁵¹ Without the continuous affirmations and clarifications on whether the factual background proved there was an infringement of intellectual property rights based on the likelihood of confusion and the possibility to trick the consumer of the jurisprudence, fashion brands would have a much narrower epitome of protection and the copying levels would flourish without any trace of stopping.

At the same time, and this also brings me to the third conclusion, without these limits clearly defined by the European Courts, the brands could abuse the high protection the Union guarantees them even in the absence of any real risk of confusion with a competitor product.

Thirdly, as it happens almost everywhere in the Law departments and as the Court have also indirectly affirmed, we can draw the conclusion that there is no real solution without proper balance and fashion intellectual property is no different. Both the excess and the total lack of intellectual

¹⁰⁵¹ Case 26/62, *van Gend & Loos v. Netherlands Inland Revenue Administration* (1963), ECLI:EU:C:1963:1

property rights protection can be risky, considering the peculiar structure of the industry. As pointed out throughout the third Chapter in particular, there is a real threat of strengthening the already powerful fashion houses if we succumb to the most rigid version of infringement. As we reached the conclusion that considers the fashion industry as an oligopoly, it is natural to foresee how that could be problematic if intellectual property rights lawmakers will keep making regulations more and more prone to find any instance in breach of the norms. In an ideal world having broader terms of protection, and therefore infringement, would be hoped for in the interest of independent smaller brands. And while that might be true in some cases of our own reality, the truth remains that brands that will use, and borderline abuse, protection the most, because of monetary power and heritage, are the brands that belong to some of the biggest multinationals on planet Earth.

To add even more fuel to the fire, these companies are already in compromising positions given the fact that some of their actions could be interpreted as an antitrust technique. Yet, the argument gets even trickier when considering how none of these Maisons own a dominant position over the market on their own, but it is their parental company that potentially does. In the end, what this thesis has tried to pass on, in particular in its third Chapter, is the fact that not only the complete absence of intellectual property safeguard is dangerous to our market, but the excess and exasperation of it could be just as much.

Directly connected to this logic, the same Chapter also pointed out how the apparel industry is based on referencing one another in more or less “*infringing*” ways, and that is the way a particular style gets immortalized or, even more specifically to every day’s life, it is the way trends start and live. And the fashion industry is nothing but an agglomeration of trends. All of this to say that outlawing any type of copying is just as wrong as no protection at all, and it is a mistake we must avoid to root for the most stringent of laws. In conclusion, the only rightful way is finding a balance between the cons and pros of safeguarding intellectual property rights of fashion items, and while improving the current system for stricter rules is of course a positive outcome, lawmakers should not aspire to a dystopian type of protection that leaves no room for creativity.

Talking about improvement, the fourth point to be made from this dissertation is that by admiring all the new inventions that will inevitably shape our world in the upcoming years, we can notice the many loopholes and imperfections of the Law. The concept of what is the web and what can be done online is changing, and the fashion industry, in what has been defined as the fashion industry 4.0, is adapting to it in a very fast way, almost leading the way compared to most other economies. Considering that the whole point of the industry is to always be one step ahead, be the coolest or the one who discovers the new “*IT*” thing before everyone else, this is not surprising in the slightest.

Fashion brands are always some of the quickest to collaborate with innovative creators or jump into new and fun projects. Yet, the state of the legislation is not at the same stage.

The compartment of law has always been known to be slightly behind history in the sense that before regulating a new phenomenon, the legislators would wait to have a full perception of it, and that took some time. It is undoubtedly true that law is intrinsically anachronistic and incomplete, but this characteristic starts to feel heavier and heavier when adapted to the new technologies. That is because they are so fast in their birth, evolution and even death that the law can never keep up. In the worst scenarios some online phenomenon will last only few years, if not months, and if the legislators are not fast enough they will be living a complete “*lawless*” existence. It is then a rational consequence to hope for the national, and supranational bodies, to consider these new outlets in their drafts before they reach a state on their own that is so defined and static that the law would hardly scratch its shell. This dissertation pointed out how these very fast micro revolutions of the Internet open touch upon intellectual property rights when they deal with Fashion, yet it is apparent that is the law almost never specifically regulate these phenomena, leaving a “*fatal*” flaw of the law that could easily be deceived.

In the fifth place, as already mentioned in the Fourth Chapter’s final paragraph, even when appreciating the valuable safeguard fashion houses find under the European Union’s framework compared to the rest of the globe, we can still recognize its flaws and ask for improvements within the legislature to better adjust itself to the fashion system’s needs. The fact that the Union’s Regulations and Directives are several steps ahead of all the other major systems, and are sometimes, such as in the case of the United states, utilized as an example of towards what direction to move to, it is not enough of a justification to stop improving.

We have highlighted the weakness of the Community’s “*constitutional*” framework and how more specific provisions are needed. To answer this need we have sketched few of the most notable constitutional theories, such as the *Conservative Option*, based on a revised and conditional right to property, the *Purpose-Oriented Option*, concerned with the right to research and enlarge culture, and the *Final Option* which ties intellectual property to the freedom of speech and the right to knowledge, also creating a strict link with Article 10 of the European Convention on Human Rights.

We then investigated how economy, by teaching enterprises to rely on markets outsourcing (*Profiting from Innovation*), could be used to improve intellectual property regimes from the base of the *Disruptive innovation theory*, which requires a solution to its impending destruction. We also named transparency and traceability within the garment sector as crucial steps to take in order to prevent child labor and sweatshops.

At last, we confronted the major individual intellectual property rights, finding what areas ask for more attention or immediate action. For patents we proposed to tighten the system so to always have a real connection to innovation. Yet, copyright is probably the one who needs intervention more out of all. Not only because there is an absolute need to make it fully integrated within all the Member States, but also there is the possibility to undertake it for certain faucets of the fashion industry, like runway shows or museum exhibitions, that have been completely overlooked when it comes to proper legal protection.

All the sectors, such as copyright, that still lack a full harmonization process, are detrimental to the fashion industry. In particular, it just should also be considered how to better protect the world of fashion even in those areas there are less practiced or easily enforced under the current legislation. The European Union's current frame is a good system, satisfactory to the most, but not even close to the final goal.

Several examples have been made in the final paragraph, but the list should not be considered as the definite answer to what the fashion system still needs by intellectual property rights, but should be interpreted as a paradigm of the fact that there are still many areas of fashion that the Law ignores or does not fully or correctly protects and it is in our interest to request the European Union to consider these imperfections, to continue the leadership and the attention to the topic.

This brings me to the six and last conclusion to be made. The big surrounding theme of this dissertation has been *Fashion Law*, and how, little by little, it has been imposing itself into the legal jurisdictions. We have started this inquiry by wondering whether the expression refers to an autonomous field or not, and we have decided to focus our attention on intellectual property of the European region because of its advancements on the matter. Of course, keeping in mind how *Fashion Law* has never been intended to be boxed as a domestic phenomenon, and was immediately recognized as a supranational order that would hold no national origin but encompass borders and multiple jurisdictions, the inquiry has obviously not been focused on the event as anything else other than an international expression, reflecting of its nature. And the final answer to that question must be, unfortunately, one of a negative nature.

Fashion Law remains an expression to refer to a grouping of different legislations that are particularly relevant for the fashion industry, but does not, yet constitute a legal field per se, not even under intellectual property of the Internal Market, where it is in its most evolved state.

And if *Fashion Law* cannot be considered an autonomous discipline under the lenses of the field that better encapsulates its needs and in the supranational organization that better protects it, it is

absolute certain that, to this day, *Fashion Law* is still far from becoming more than just an agglomeration of different rules and norms that might be useful for brands. This answer, for the moment, is more than certain.

And the all the different Directives and Regulations we have announced thus far, only further prove this point. We have highlighted how these Acts have been able to suffice the fashion industry's needs in rather satisfactory terms, but it is also apparent how, on the other hand, the legislators never fully intended for those rules to be written with this industry in mind. It is always the Fashion world that has adapted to the Law to find protection and never vice versa.

For example, Regulation (EU) 2017/1001, which has revolutionized trade marks registration and strengthen the protection given to fashion brands, has no clear Article shaped after fashion marks.¹⁰⁵² The same can be said for the incredibly helpful E-commerce Directive, which has been used times and times again for online infringements but even in its latest amendments never specifically gathers to online fashion piracy.¹⁰⁵³ Some of the latest progressions, as in the European Unitary Patent, completely ignore the Fashion phenomenon as well, carrying no evolution from their previous regime on this topic.¹⁰⁵⁴ Sure, Fashion Houses will definitely utilize the new system to their advantage, but it will be a one way street and not a collaboration.

Even the biggest revolution, which was the Article 118 TFEU empowering the European Parliament and the Council to establish measures for harmonizing a single European system, never mentions the apparel or accessories industries, although they are clearly relevant for the economy of the Member States.¹⁰⁵⁵

The EUIPO has no ad hoc registration for bags, for example, although there are Nice Classes for the same reason. The Courts, as well, have applied the concepts of likelihood of confusion and similarities in a clear way, but did not develop a criterion that specifically gathers into the peculiarity of the Fashion system even though they often deal with cases like *Rolex SA v EUIPO*.¹⁰⁵⁶

The same logic can be applied to antitrust. The fashion industry is an oligopoly, and one of a peculiar kind, but since our current framework mostly considers solely dominant positions as the

¹⁰⁵² Regulation (EU) 2017/1001, Supra n 114

¹⁰⁵³ Directive (EC) 2000/31, Supra n 828.

¹⁰⁵⁴ Regulation (EU) No 1260/2012, Supra n 255.

¹⁰⁵⁵ A Kur, T Dreier, and S Luginbuehl, *infra* 'IP in the European legal framework', 50-52.

¹⁰⁵⁶ Case T-726/21 *Rolex SA v EUIPO and PWT A/S*, Supra n 614.

enemy, as in Articles 101 and 102 TFEU or the Vertical Block Exemption Regulation, Fashion brands are rarely scrutinized as they should.¹⁰⁵⁷ Therefore, antitrust has resulted as nothing but a secondary tool in our inquiry, that shows the complete neglect reserved for the fashion industry in the drafting stage of the different Acts.

So far we have no Primary nor Secondary Law instruments that tackles the Fashion industry as its main component, breaking the illusion of *Fashion Law* being a finite quest.

All that being said, this does not preclude the possibility for the situation to change in the future and in fact, we do hope that in the following decades the legislators would take more at heart the necessities of the Fashion Industry, going as far as dedicating a space inside of our legislations solely to Fashion's needs. Intellectual property is the likely the side of the Law that is closer to reach such a momentum and if this study has taught us anything, is that there is no one more classified or adapt to take on this challenge than the bodies of the European Union. Also, on the day we will finally, and hopefully, witness *Fashion Law* reaching an autonomous status under intellectual property, antitrust, and overall competition, regimes should be integrated as a way to balance out the different interests and find the perfect equilibrium between rights enforcement and market wellness. Until then, we can only wait and see.

¹⁰⁵⁷ Articles 101 and 102 TFEU.

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