

Garrigues Digest

Fashion Law

Summer edition 2018



GARRIGUES

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Fashion Law Commentary 1-2018

How to hire an influencer that doesn't exist

Cristina Mesa, senior associate at Intellectual Property and Fashion Law Practices and Álvaro de la Cueva, partner at Tax department of Garrigues.



Just when it seemed that the rules and regulations on contracting influencers were getting clearer, along came **Lil Miquela (@lilmiquela)**. She has over a million followers or “miquelitas” on Instagram, and has contracts with brands like Prada, Chanel and Supreme. Not to mention several hits on Spotify, and the fact that she strongly supports “Black Lives Matter”. A force to be reckoned with.

What is special about this 19-year-old influencer of Spanish-Brazilian origin is that not a single one of her freckles is genuine. No one knows exactly how Lil Miquela, the first computer-generated influencer, came about. Nothing is known about who created her, or who manages her lifestyle on-line, or who negotiates her contracts. This particular influencer has followed in the footsteps of other virtual personalities like the British band **Gorillaz** or the pop idol **Hatsune Miku**.

And so the first conundrum that presents itself in this scenario is how do we contract an influencer if they do not exist? Below you will find an outline of the main legal aspects to be considered when contracting the services of a virtual influencer.

Is it possible to protect a virtual influencer's appearance?

Without question. There are several instruments available for this purpose, such as copyright, industrial drawing, whether registered or unregistered, and sometimes, trademark law. The following table summarizes the main features of each protective measure:

Copyright

Requirements: It is an original creation
Duration: 70 years from the date of the creator's death
Registration: It is not required. Protection comes with creation

Registered industrial design

Requirements: Novelty and singular character
Duration: 25 years from registration

Registration: Yes, subject to the principle of territoriality

Diseño industrial no registrado

Requirements: Novelty and singular character
Duration: 3 years since it was made available to the public
Registration: It is not required. It is protected throughout the European Union

Reademark

Requirements: Distinctive character
Duration: Potentially indefinite
Registration: Yes, subject to the principle of territoriality

From the foregoing, it is clear that virtual influencers are protected in the same way as any animated character, just like those of Disney, Pixar or Nickelodeon, companies that have **character merchandising** down to a fine art.

What is more, these channels are cumulative, and so, provided that the prerequisites are fulfilled, there is nothing to stop the same character being simultaneously protected by copyright and trademark regulations.

Do we need to obtain the influencer's image rights?

No. Image rights only apply to natural persons, and therefore they only need to be considered when contracting traditional influencers. In the case of virtual influencers, all we have to do is obtain the appropriate intellectual and/or industrial property rights.

However, some campaigns are mixed, in that they combine both real and virtual characters, in which case the image rights of the natural persons involved would need to be obtained.

Who do we approach in order to contract the services of a virtual influencer?

The owner of the rights or the company to which they have been licensed. It may well be that the virtual influencer is the company's own creation, in which case the creative process should be taken into account. If the influencer was generated by the company's own employees, there is a presumption of ownership in its favor, although it would be advisable to review the intellectual property clauses entered into with the employees. Conversely, if a third party was commissioned to generate the influencer, we would have to be extremely careful to ensure that we have obtained all the intellectual and industrial property rights required for its exploitation worldwide.

What type of agreement would we need?

The contractual structure should be two-pronged. On one hand, it should regulate the provision of services, which in this case would be aimed at the team that created the influencer. On the other, it should ensure effective assignment of all the intellectual and industrial property rights needed in order to run the campaigns:

- **Service agreement.** Firstly, we would need to contract the creation of the works that we plan to disseminate. For example, the creation of 3D illustrations, in which the influencer displays the collections that we want to disseminate on Instagram or Facebook. Another example would be videos that we wish to upload on YouTube. These are authentic productions which may involve the input of script writers, illustrators, animators, etc.
- **Assignment of rights agreement.** This type of contract would ensure that we obtain all the intellectual and industrial property rights required for our proposed uses. For example, promoting campaigns on our own social networks, press, and corporate websites and so on.

In any case, it would be necessary to specify in as much detail as possible exactly what actions the influencer would be asked to take. The degree of creative freedom that we allow the scriptwriters and illustrators is another matter, although we would recommend that approval of the final result be reserved in all cases.

What needs to be considered when contracting a virtual influencer?

From a legal perspective, there are specific clauses which are to be carefully considered in this type of agreement. For example:

- **Exclusivity.** The possibility of obtaining exclusive rights in a particular sector, or failing this, the possibility of excluding our most direct competitors. However, exclusivity tends to have quite a significant budgetary impact.
- **Control.** As in the case of traditional influencers, the possibilities of controlling the final result should be analyzed on a case-by-case basis. If we are contracting an influencer because of his/her persona, there is not much point in telling that character how to behave. Notwithstanding this fact, get-out clauses should be included for cases in which the influencer's conduct, or rather their script writers', clashes with brand values (e.g. political statements, prohibited substance use, behavior inappropriate for children and so on.)
- **Followers.** The contractual duration should also be subject to the continuance of a specific number of followers on social networks. Mechanisms may also be established for checking their quality and avoiding fraudulent practices.
- **Confidentiality.** It is highly likely that the influencer's owners will wish to maintain the confidentiality of some aspects of their contracting, such as, for example, the contractual price paid, or in the case of Lil Miquela, the name of her creator.
- **Advertising.** Finally, we also need to be sure that the campaigns contracted comply with advertising standards and requirements, such as, for example, the need to make it clear to consumers that this was an agreed recommendation. The virtual nature of the influencer does not mean that we are not required to clarify that this is an advertising feature (#advertising or #ad) unless it is obvious that this is advertising material.

Can I recreate the appearance of a virtual influencer without the author's permission?

No! Technically it is very easy, but if you do so, you will most likely be infringing third party intellectual and/or industrial property rights.

In Spain, we have a significant precedent regarding unauthorized use in the case of the Lara Croft character on the front cover of *Interviú* magazine, (Judgment of the Provincial Appellate Court of Barcelona of 28 May 2003). Not only does the judgment make an award for property damages incurred by the Lara Croft creators, but it also includes moral damages incurred as a result of the character being "stripped naked" without their authorization.

"The report should be considered as a whole which resulted in "infringement of the moral right of the claimant, by displaying altered drawings of the audiovisual game character, together with the aforementioned texts and photographs of the model in the manner described, creating an association between Lara Croft and a sexualized image that does

not correspond to her personality, and which damages or violates those rights, and in addition infringes the property rights referred to previously”

It is important to bear in mind that Spain has no equivalent to the US fair use doctrine, and that any use of a third party’s work, except for a small number of exceptions, shall always require their consent. As such, it cannot be alleged that there was no commercial intent when attempting to justify any unauthorized use of works protected by copyright.

Are there any particular taxation aspects to consider?

Basically, in the case of contracts entered into with the right holders or licensees of rights, it is their legal personality that needs to be considered. In the case of a natural person, personal income tax (IRPF) will normally need to be withheld on the amounts paid (either as service agreements or as intellectual or industrial property rights) and VAT will also be payable.

In the case of a legal person, withholding tax is only applicable if there is an assignment of image rights (which would only apply in the case of mixed campaigns because virtual influencers cannot hold image rights as

they are not natural persons) or if the agreement includes both the provision of services and the assignment of intellectual or industrial property rights. This is in addition, of course, to VAT.

These issues may become more complicated when the owner or licensee in question is not a tax resident in Spain, as this can have considerable repercussions in relation to both withholding tax on the payments and VAT. As a general rule, this will all depend on the country where the owner or licensee is resident, on whether the agreement concerns the provision of services or assignment of the rights in question, or if the campaign will have effects in Spain.

All these circumstances are difficult to assess, and will require a preliminary case-by-case analysis, because normally, the company that owns the rights will be reluctant to accept a reduction in the payment it receives owing to the application of a Spanish tax, and will want to receive the full amount, therefore demanding that the Spanish company assume the cost of these tax payments itself.

For the CJEU, the red sole can belong to Louboutin

Cristina Mesa, senior associate at Intellectual Property and Fashion Law Practices and Eva Golmayo, lawyer of Intellectual Property department of Garrigues.



We have today finally heard the most eagerly awaited judgment by the fashion industry in the lawsuit pitting the famous French designer against Van Haren Schoenen BV due to its marketing of high-heel shoes with a red sole – Christian Louboutin’s hallmark.

The proceeding became more complicated when the Dutch firm, far from admitting the infringement, filed an invalidity action against Benelux trademark no. 0874489, claiming the color red (Pantone 18 1663TP) applied to the sole of a high-heel shoe:



For Van Haren the strategy was clear – if there is no trademark to infringe how can there be infringement. However, the mark in question is not a usual trademark and, given the doubts in interpreting the type of trademark involved – shape versus color – the Court in The Hague requested a **preliminary ruling** at the CJEU:

Is the notion of 'shape' within the meaning of Article 3(1) (e)(iii) of Directive 2008/95/CE ('Form', 'vorm' and 'forme' in the German, Dutch and French language versions of the Trade Marks Directive respectively) limited to the three-dimensional properties of the goods, such as their contours, measurements and volume (expressed three-dimensionally), or does it include other (non three-dimensional) properties of the goods, such as their color?"

In our previous **post**, the Advocate General of the case, Maciej Szpunar, **held** that the trademark registered by Louboutin was a shape mark, not a color mark, and as such came under the prohibition of article 3 (1) (e), (iii) of the Directive since it was a shape that gave "substantial value" to the product per se and could not be appropriated. This is an absolute prohibition which, furthermore, cannot be avoided through evidence of supervening distinctiveness, a very valuable weapon for Louboutin when it comes to defending the existence of a color trademark, since he successfully used this argument in his proceeding against **Yves Saint Laurent** in the United States (2011).

However, the **Judgement by the CJEU of June 12, 2018 in Case C-136/16** has not agreed with the Advocate General. The CJEU does not accept that the mark registered by Louboutin is a shape mark and instead holds that it is a color mark. In the **press release** published today by the CJEU, it claims that the shape is used solely in order to show the position of the red color covered by the registration:

"Furthermore, while it is true that the shape of the product or of a part of the product plays a role in creating an outline for the color, it cannot, however, be held that a sign consists of that shape in the case where the registration of the mark did not seek to protect that shape but sought solely to protect the application of a color to a specific part of that product. In the present instance, the mark does not relate to a specific shape of sole for high-heeled shoes since the description of that mark explicitly states that the contour of the shoe does not form part of the mark and is intended purely to show the positioning of the red color covered by the registration. The Court also holds that a sign, such as that at issue, cannot, in any event, be regarded as consisting 'exclusively' of a shape, where the main element of that sign is a specific color designated by an internationally recognized identification code.

In light of the above, it would seem that Louboutin is playing with a better hand when it comes to defending the validity of its trademark in Benelux, since in the case of color trademarks, intensive use can make the mark in question acquire the necessary distinctiveness to comply with the essential function of the mark: to indicate the origin of the product. However, it will ultimately be up to the Court of The Hague to decide, in view of the conclusions of the CJEU, whether the mark registered by Louboutin is valid.

Personally, every time I see a pair of Louboutin shoes I remember a scene from *Los Soprano* in which Adriana appeared in Carmela's dreams. In the scene Adriana walks away through the streets of Paris, showing the red soles of her shoes, and turns around to wave goodbye to Tony Soprano's wife. And yes, it is then that I want Adriana's shoes to be by Louboutin.

Are influencers required to pay taxes?

Ana Carrete, senior associate at Tax department of Garrigues.



Advertising has changed dramatically in recent years. In today's world, the major brands couple traditional means with influencer marketing, for example, a highly-followed YouTube or Instagram user that brings potential buyers' attention to a dress or an accessory, hoping it will go viral. Sometimes these brands give their products to the influencer free of charge, while other times they pay them for their services. This raises a tax issue: should influencers pay tax on these activities?

In general, the answer is yes. When influencers receive any type of consideration, whether monetary or in kind, that consideration must be declared in their personal income tax return and, where applicable, they must include VAT on any invoices they issue.

This is the conclusion reached by the General Tax Office (DGT) in its binding ruling CV0992-16 of March 14, in connection with an individual who, in pursuing a hobby or interest, regularly uploaded homemade video games to YouTube and was approached by a company offering to pay him for advertising their products in a space on his channel. According to the DGT:

- For the purposes of the tax on business activities (Spanish IAE), uploading videos to a public YouTube channel constitutes a business activity, given that resources and means are organized and used in order to participate in the production of goods and services, irrespective of whether or not an economic profit is generated. Consequently, the YouTuber was required to register for this tax, even though, as an individual, an exemption would apply.
- For the purposes of personal income tax (Spanish IRPF), income obtained by allowing companies to advertise on one's YouTube channel constitutes income from economic activities.

In calculating net profit, the taxpayer could deduct their business expenses, providing they are incurred in carrying out the activity and are related with the

generation of income (i.e., income correlation principle). To be deductible, the expenses must be recognized in the correct time frame, noted in the related accounting records and duly justified.

Notwithstanding the above, the DGT concluded that expenses incurred in pursuing hobbies or interests (in this case, making video games) are still merely income used in consumer spending and therefore are not deductible. This conclusion is somewhat controversial, to the extent that these expenses were related with the generation of income that was indeed taxable.

We understand that the criteria put forth in the binding ruling would apply not only to YouTubers but also to Instagram influencers, and, in short, to any influencer who receives any type of monetary or non-monetary consideration for their "marketing" activity. This type of internet-based activity is not new to the tax authorities and is now being monitored and included in the most recent tax control plans.

Although at times it could seem strange that this type of income, received for simply being an influencer and helping to market certain brands, is taxable, we recommend reviewing each individual's situation to determine the tax obligations to be met. This should be done not only now, when preparing tax returns, but before as well, prior to signing any contracts and working in this way.

Spanish parliament involves the fashion industry in its drive to combat anorexia and bulimia

Cristina Mesa, senior associate at Intellectual Property and Fashion Law Practices and Eva Golmayo, lawyer of Intellectual Property department of Garrigues.



Taking its cue from the French “Photoshop Decree”, on May 17 the Upper House of the Spanish Parliament approved a non-legislative motion to combat eating disorders. The truth is, as the approved non-legislative motion says, we are facing a serious problem for the youngest sectors of the population, which is why it urges the government to adopt a package of measures aimed at properly combating anorexia and bulimia, disorders affecting one in ten teenagers in Spain.

The motion is very closely based on the legislation adopted in France where retouching images without identifying that it has been done could mean fines of up to €37,500. France also requires models to have a medical certificate assessing their general health. And this is not a simple declaration of intent. In actual fact, the fines agencies and catwalks face for infringing this requirement can be up to €75,000.

Following the path marked by France, the non-legislative motion approved by the Upper House, following slight amendments since its publication in 2016, urges the government to implement the following legal measures:

1. Identify photographs that have been digitally retouched.
2. In any advertising of beauty products and techniques, make visible the age of the model advertising them;
3. Put in place the necessary measures to ensure that all advertising for beauty products, complements and techniques complies with a set of common truth, legality, honesty and fairness standards with respect to consumers and users, and that they go through a number of suitable filters before they are published in print or distributed on radio or visual media, especially on publicly owned media;

4. Close any “pro-anorexia” or “pro-bulimia” websites and impose criminal penalties on anyone encouraging these types of disorders. In Italy, practices of this type may carry penalties of up to two years in prison and fines ranging between €10,000 and €100,000;

5. Ban anyone with a body mass index below the scientifically accepted “healthy” level from working as a model, and levy fines on agencies that fail to comply;

6. Include in the Mental Health Strategy, in conjunction with the Spanish Statistics Institute and the health authorities, annual surveys on the incidence, prevalence and progression of eating disorders in Spain; and

7. Carry out institutional initiatives by the Health, Social Services and Equality Ministry, and involve the various regional health ministers in them, to raise awareness of the risks of eating disorders.

Although there have been attempts at legislating on this subject by the regional governments in Madrid and Catalonia, the plain fact is that no specific legislation exists in Spain on combating anorexia and bulimia in the media. Following the approval of this non-legislative motion, the fashion industry must be ready to respond to the possible implementation of legislation that has a direct effect on how its products are advertised in the media and on the catwalks. The time has come to rethink the values and ideals that the industry wishes to put across to its customers.

Interview to Neliana Fuenmayor (A Transparent Company): the importance of being open and honest

Cristina Mesa, senior associate at Intellectual Property and Fashion Law Practices of Garrigues.



Neliana, why does transparency matter?

Purpose drives trust — however the lack of trust is one of the challenges towards transparency. Global Scan Trust reports that “Two-thirds of consumers and shareholders value purpose. 65% of CONSUMERS globally try to support brands that are purposeful (...) 55% of people globally are unable to name a company with a strong purpose” This is an indication of lack of transparency by companies that still are in the business as usual mindset and was lacking behind new opportunities by embracing openness and engaging with new consumer segments such as digital natives who are drive by looking for purpose and having an impact in the world. In the era of the internet it is really hard to hide certain information, as is very difficult to control every piece of data, so why not be honest, no business is perfect, and by collaborating across sectors, e.g. fashion and technology new solutions can be designed for old and new problems such as textile waste.

How do you help companies in the transition from a linear to a more circular business model?

I think there is a shift happening in the fashion industry. As I am writing this I am on my way to the Copenhagen Fashion Summit, the largest annual gathering of the fashion industry to discuss the state of fashion, measure the progress and impact as well as setting new parameters. A year ago we presented the first case study implementing blockchain technology in a UK alpaca supply chain with Martine Jarlgaard x Provenance. What this means a year later, is that it has served as an example for businesses who are looking to transition from opaque and silo'd supply chains into open and circular, by embracing transparency and blockchain technology as a tool to achieve full circularity. We are working with partners just as Agroloop and Circular Systems to integrate our solutions to their existing recycling systems as we are a vision for a transparency and circular fashion industry. Many global brands are

looking at how the implementation of blockchain can help them transition but as their supply chains are so complex and often low tech, there is a bigger job to be done, as well as a mindset shift to collaborate more with MSI's, trade unions and tech companies. I would say we work with the pioneers and we help those who want to pioneer to discover and design new solutions in order to pilot. We are focused on long term results rather than short term fast fashion profits.

Do you think that nowadays “sustainability” is an actual factor taken into account when making a purchase decision?

The 'S' word, I think has been counterproductive for the movement of better fashion, hence I talk about transparency, as it places sustainability in terms of natural capital and ethical practices at the same level, I believe both are interdependent of each other. If a river gets polluted that will be bad for the community using that water, and if a worker doesn't get paid fairly, means we are buying swap shop clothing even though we may be buying organic food. So, the ability to sustain, is just how an ecosystem operates. In business we talk about sustainable business as in, is making a profit not a loss, but its not related to how the business has a positive impact in the sector or environment. Again, silo'd and fragmented mindset does not help towards a very much needed holistic approach.

How do you see the future of “smart labelling”?

I am in two minds with this, on one hand I love the fact that products will come with real time information where we can interact with it, know the origin of the actual t-shirt I am buying or the fish I am eating in a restaurant. That is how we can then be sure about things. On the other hand, it means more time looking at our phones especially in social spaces, but I see that it can be a great

way to trigger conversations as well. Tapping with your phone an NFC tag on your dress to show your friend who just complemented you outfit and you can share and also educate people on the story of your garment is a powerful way to bring to life the resources both natural and human that took to make a garment. I also think smart labels will enable circle economy, otherwise, I have no clue how textile will truly giving a second life cycle without incinerating it or ending in land fields.

“Trust” is the keyword for a more transparent fashion industry. How do you secure clients’ trust?

Trust is what we are all looking for, as we are more and more understanding the power we have as consumers. We are all consumers and we want to get what the package says! We won’t buy the same brand if we get some and is not what we thought it was. We are becoming more savvy consumers and regardless of sustainability, understanding that we are voting with our wallets every time we buy into a service or product, is becoming a more powerful movement fuel by the lack of trust. With you trust there is not sustainable business.

Can you give us some examples of actual applications of the blockchain technology within the fashion industry?

Well, there are not many. We tracked the world’s first garment on the blockchain with our tech partners Provenance who have developed since 2013 a software to use a very complex technology with an incredibly accessible software. There are others in the space who are also piloting blockchain in fashion such as Loomia or Lusko who are raising an ICO. We believe blockchain is not about the hype for a new technology that will solve everything overnight, we believe the underlying technology of crypto is about the movement from centralised to decentralization and keeping accountability of claims of origin or authenticity.

Is the fashion industry ready for the digital revolution?

Well, if it is not, it will happen anyway. Artificial intelligence for instance is not something of the future, is the present and is moving fast. It will make fashion re-thinking the way is done, we are still using the 20th century systems

and ways of producing. A dress will always be a dress but the design thinking process is where innovation meets technology. We need to embrace digital an evolutions towards new solutions fit for the 21st century.

What is your advice for those fashion companies which are willing to undertake their digital transformation?

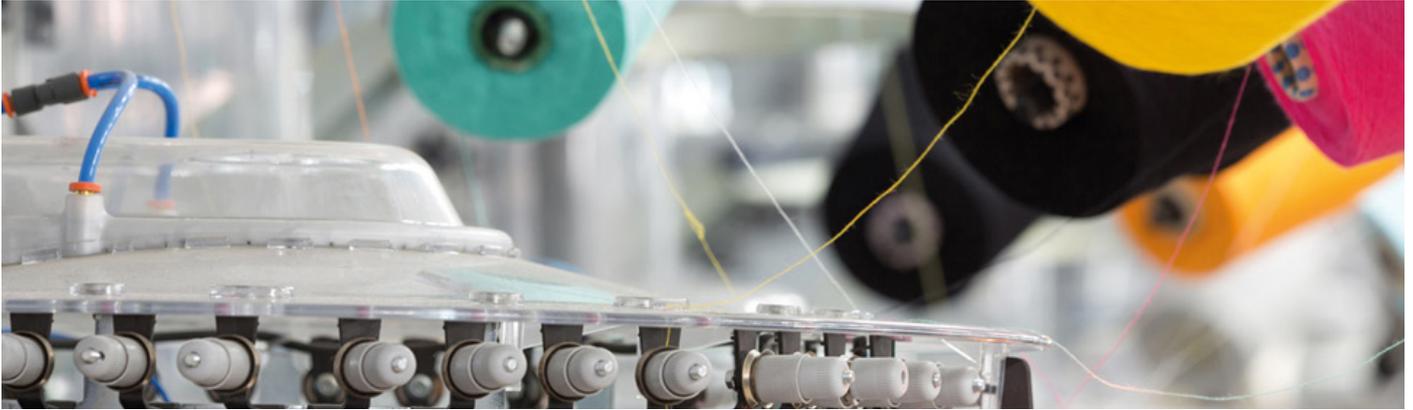
The advice I always give is to be more open and collaborative, to be ok with not being perfect and to communicate it. People build trust in business that are open and honest, is not the same publishing a press release to say ‘sorry’ after the damage is done. So in terms of adopting new technologies such as blockchain or AI is about understanding that is a journey, but the goal has to be set at the start with a strong purpose to not get lots on the way.

Do you think that Spain has a say in the FashionTech industry?

I think Spain has already given a great lesson to the fashion industry by how Inditex built their operations and supply chains, by rethinking the way it was produced and where, being able to react to consumer behavior. I think that was the key of their success, placing the consumer at the heart and that is what tech companies do too. Customer centered solutions can help a great deal the fashion industry that is known for ignoring a part of the population e.g. plus size fashion. So what is next, I think, in Spain there is a huge gap between Zara and smaller brands like Adolfo Dominguez (who are a vegan brand) in terms of annual revenue and customer reach, but both have their USP, and maybe a consortium of Spanish brands who want to share their challenges towards sustainability, innovation and transparency could be a great way to bring Spain closer and make a stronger more impactful fashion industry.

Tech is the new black: technology makes its way into the fashion world

Eva Golmayo, lawyer of Intellectual Property department of Garrigues.



In the world of fashion, everything would seem to be old hat. Trends come and go, and then come again, homage is paid to past icons and lawyers have to deal with accusations of plagiarism practically on a daily basis.

However, technological innovation has now found a niche in the fashion world. Take, for example, the materials used for clothing. One of the most groundbreaking developments has come about thanks to 3D printing, known as additive manufacturing. This process allows creators to produce flexible three-dimensional structures, opening up a whole new world of design possibilities.

A lot has changed since threeASFOUR and Travis Fitch premiered a 3D printed dress (dubbed "Oscillation") at New York Fashion Week, revolutionizing the industry. Nowadays, many fashion collections exclusively feature 3D-printed garments, and there are numerous websites where you can "build" your own clothing.

Fortunately for those who are attracted to 3D printing, the key patent for one of its most extensive technologies ([US5597589A](#)) expired in 2014. Consequently, the legal challenge we now face is that of protecting the works created using this technology.

A clear example of the arrival of this technology in the fashion world was seen at the MET Gala 2016, where tech-integrated dresses took center stage. The actress Claire Danes wore a Zac Posen dress that lit up in the dark and stole the show. But Danes was not the only one who shone that night. The model Karolina Kurkova wore a Marchesa/IBM collaborative design that changed color according to the model's emotions. Fashion does have its price, though, and the Czech model paid dearly that night. Not only did she reveal her emotions to the public

through her dress, but she was also unable to sit down all night and had to be taken back to her hotel in a bus so as not to crease her outfit.

Given the appeal of this clothing, many businesses are vying to get hold of these revolutionary materials. This has led Under Armour to initiate legal action against several well-known fashion firms. The claimant alleges that these businesses have infringed Under Armour's patents by adding technology to their clothing to monitor users' vital signs and thus measure performance. Although no decisions have yet been issued, we are sure that the legal battle will be a source of much discussion.

The increasingly close ties between sports and fashion are also clear. When the difference between coming in first and losing the race is measured in fractions of a second, a lot of brainwork goes into coming up with state-of-the-art solutions. This has resulted in various innovations such as applying compounds to cyclists' jerseys to make them more aerodynamic and tweaking neoprene components to create faster swimsuits. These innovations have proven effective beyond dispute, leading some of sports event organizers, such as the International Swimming Federation, to ban the garments.

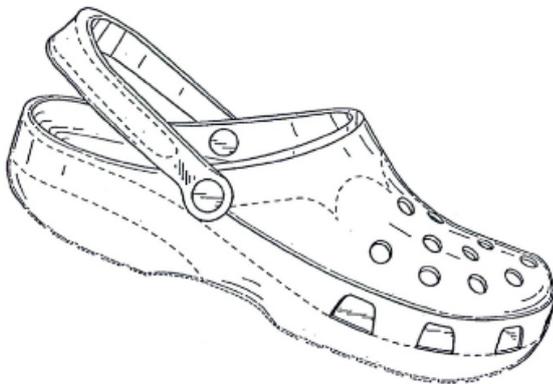
While we don't know what exactly tomorrow's fashion world will bring, there is every indication that cyclical fashion trends will be giving way to more revolutionary, technology-based changes.

The GCEU cancels the iconic CROCS design

Cristina Mesa, asociada principal del departamento de Propiedad Intelectual y de la industria de Moda y Beatriz Ganso, abogada del departamento de Propiedad Intelectual de Garrigues.



Croc has lost the community design protecting its famous rubber clogs. This time it was the **General Court of the European Union** (GCEU) that confirmed the European **Union Intellectual Property Office** ("EUIPO") decision to **refuse registration of the eminently famous Crocs designs** considering that it was not a "new" design. We should recall that there are two requirements for a design to fulfil the conditions for obtaining protection, namely, novelty and individual character.



Regarding its novelty, the Crocs case serves to warn us yet again that the design protection strategy should be devised in advance with extreme care because, as has occurred in the case in question, the company itself can actually destroy the novelty of its own designs and as a result, the possibility of obtaining exclusive rights therein.

And this is what has happened to Crocs. The EUIPO had already held in favour of **Gigi Diffusion** in the invalidity procedure it filed against Crocs Inc. considering that

the famous clog failed to comply with the need for novelty required of all industrial designs. The GCEU has now confirmed the EUIPO's decision, focusing on the concept of "disclosure". According to the **Community Design Regulation**, a design has been disclosed "*if it has been published following registration or otherwise, or exhibited, used in trade or otherwise disclosed, before the date of filing (or priority claimed), except where these events could not reasonably have become known in the normal course of business to the circles specialised in the sector concerned, operating within the Community*".

When applying this precept, it is necessary to take into account that, in any case, disclosures made during the 12 months prior to the date of filing the design application do not infringe that novelty. The law's purpose is clear, namely to grant applicants a margin within which to test the market, in order to decide whether it is worth investing in registration of their designs.

In this case, the evidence submitted appears to demonstrate that the Crocs design was disclosed long before it was filed (22 November 2004), having duly attested that Crocs had already placed the product on the market through its own website in 2002. As such, the previous disclosure meant that the product lacked novelty, and based on the failure to comply with this requirement, the EUIPO proceeded to declare cancellation of EU design no. 257.001, a decision which has now been confirmed by the GCEU. It remains to be seen whether Crocs will decide to take its case to the CJEU, or finally relinquish its claim.

Adidas and “the conquest of the three stipes: “Two stripes are not enough”

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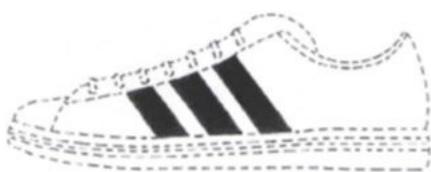


The General Court of the European Union (EGC) has just ruled in favor of the European Union Intellectual Property Office (EUIPO) refusing the appeal filed by Shoe Branding Europe BVBA (BVBA) against the decision refusing registration of the following trademark:



Trademark application filed by BVBA

The reason? The opposition filed by Adidas AG (Adidas) which claimed that there was a likelihood of confusion with its earlier marks and the unfair advantage taken of the reputation of the earlier marks, in breach of articles 8.1.b and 8.5 of Regulation 2017/1001. The earlier marks used by Adidas in support of its claim were the following:



Marca de la UE 3517646



Marca alemana 39950559

“The Board of Appeal had wrongly concluded that there was no similarity whatsoever between the marks at issue and that that error of assessment had distorted the Board of Appeal’s assessment as to whether there was, on the part of the public, a likelihood of confusion or, a fortiori, a likelihood that a connection would be made between the marks at issue.” The EUIPO dismissed Adidas’ oppositions on two occasions, but the German company, true to its slogan, “nothing is impossible”, and its success on other occasions (accessible [here](#)) decided to continue its crusade before the German courts, which upheld its claim:

Following the German judgment, the EUIPO refused registration of BVBA’s trademark. But the Belgian company was not prepared to give in easily either and appealed the refusal at the EGC on the grounds that the Board of Appeal had made several errors of assessment with respect to the following:

- **Evidence of reputation:** The EGC confirmed that Adidas trademarks are well-known. Of note as far as this aspect is concerned was the Court’s assessment of the evidence submitted by Adidas to demonstrate the use of its trademark. BVBA argued that the majority of the evidence submitted referred to other marks owned by Adidas (other than 3517646 and 39950559). However, the Court held that *“the proprietor of a registered mark may, in order to establish the reputation of that mark, rely on evidence of its reputation under a different form, in particular under the form of another registered mark, provided that the relevant public continues to perceive the goods at issue as originating from the same undertaking”*.

It therefore considered that other trademarks consisting of three parallel stripes placed in the same position were particularly relevant. However, it did not take into account evidence of the reputation of Adidas’ trademarks that did not refer to footwear (goods protected by the trademarks in dispute), because it was not *“relevant to the case”*.

- **Damage to the reputation of the earlier mark:** the Court concluded that Adidas' trademarks could not be held to lack distinctive character when they enjoy a high reputation.
- **Absence of due cause for the use of the mark applied for:** finally, the Court did not consider that there was due cause for the registration of BVBA's trademark. One of the most important reasons was the Court's assessment that BVBA had acted in bad faith in using the slogan "two stripes are enough", on the grounds that it takes advantage of Adidas's reputation.

Adidas has once again won the battle for its distinctive stripes in a crusade against anyone who puts parallel stripes on a shoe, making an enormous effort to maintain its famous identifier. The battle is also being

fought in Spain, where trademarks consisting of three and four parallel stripes for footwear have been refused registration (judgment **633/2009 by the Zaragoza Provincial Appellate Court of November 27, 2009**, and judgement **174/2011 by the Valencia Commercial Court of July 29, 2011**).

When Adidas bought the **three parallel stripes** from the Finnish company Karhu for 1,600 euros and two bottles of whisky, it could not have imagined that it was destined to become one of the most valuable sports trademarks in the world. However, as we have just seen, maintaining the trademark's selling power means that it must constantly be defended, which is what has led the German company on this crusade. We are looking forward to the next battle.

The new cosmetics regulation increases safety and helps marketing

Fashion Law Commentary 1-2018



The European Union has one of the safest legal frameworks in the world, thanks mainly to the Cosmetics Regulation (Regulation (EC) No. 1223/2009 of the European Parliament and of the Council of November 30, 2009). The purpose of the Regulation is twofold. Firstly, it aims to increase the safety of these products in order to ensure greater protection for European consumers. Secondly, it intends to remove barriers to intra-community trade by establishing a common framework for the entire EU. With this aim in mind, composition and labelling were unified, traceability requirements were tightened up and obligations were established to report serious undesirable effects.

Royal Decree 85/2018, of February 23, 2018 regulating cosmetics, which was published today in the Official State Gazette, does not alter the framework established by the Regulation at all. Instead, it addresses certain aspects that were not envisaged in the Regulation. By way of summary, the main points that the Royal Decree deals with are the following:

- Determination of which authorities are to monitor the market and receive and transmit reports on serious undesirable effects and serious health risks.
- The powers of these authorities to inspect and adopt health protection measures
- Regulation of procedures to comply with the principle of administrative cooperation and the cosmetics national warning network
- The language to be used in labelling and in cosmetics product information files
- The structure of the control system following the manufacture and import of cosmetics
- The implementation of the Spanish Cosmetovigilance System
- Control of imports in the EU

It is therefore necessary to review the procedures followed by manufacturers and importers of cosmetics in order to ensure that they are in line with the new Royal Decree on Cosmetic Products.

The full text of the Royal Decree on Cosmetic Products published in the Official State Gazette on February 27, 2018 is available at <http://www.boe.es/buscar/doc.php?id=BOE-A-2018-2693>.

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