

LAW À LA MODE

Special Edition – INTA 2018

**SOCIAL MEDIA INFLUENCERS AND
EFFECTIVE DISCLOSURES IN THE US:
A DELICATE BALANCE**

**IP AND E-COMMERCE:
YOUR BASIC CHECKLIST FOR THE UAE**

**LONGCHAMP'S HANDBAG COPYRIGHT
SAGA – IS THE CONCLUSION UNFOLDING?**

**IP PROTECTION OF FASHION SHOWS
IN ITALY: A CATWALK THROUGH THE
UNKNOWN**

**SELECTIVE DISTRIBUTION: ARE YOU
PROTECTING YOUR BRAND OR BREAKING
COMPETITION LAW?**



RETAIL SECTOR GROUP



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Editorial

The UK editorial team is delighted to bring you this special edition of *Law à la Mode*, produced by DLA Piper's Retail Sector group for clients and contacts of the firm worldwide and marking the 140th Annual Meeting of INTA in Seattle.

As fashion brands look to capitalize on the ever-growing popularity of social media, our first article explores the need for effective disclosures by social media influencers when promoting products or services via social media platforms.

We also provide an update of the latest developments in relation to Longchamp's ongoing attempts to obtain copyright protection for its Le Pliage handbags.

As more and more designers are putting on immersive, experience-based shows, our Italian colleagues have provided a thought-provoking analysis of whether fashion shows themselves can be protected.

Finally, we look to online sales and e-commerce, examining IP factors to take into consideration when developing your e-commerce website for the UAE and also the operation of the prohibition of certain forms of online sales in selective distribution models and whether this can be reconciled with legislative requirements.

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

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Ruth Hoy, Chloe Forster and Bethan McGrath



SOCIAL MEDIA INFLUENCERS AND EFFECTIVE DISCLOSURES IN THE US: A DELICATE BALANCE

By Ann Ford and James Stewart (Washington, DC)

The immense rise in popularity of social networks has led to the proliferation of social media celebrities—individuals who have amassed a great number of “followers” based on their unique ability to artfully curate content designed to create an idyllic impression of everyday life and along the way present consumer goods designed by others. In the United States, the Federal Trade Commission has taken notice of the increase in the number of brands working with social media influencers to promote their products and services and has taken a more active role in monitoring effective disclosure. The FTC’s recently revised Endorsement Guides provide that if there is a “material connection” between an endorser and the marketer of a product, that connection should be clearly disclosed, unless such connection is clearly apparent from the context of the communication or endorsement. Examples of material connections include, but are not limited to, monetary payment, free or discounted products, or sweepstakes entries.

Under the FTC guidelines, both brands and endorsers are responsible for ensuring that disclosures are “clear and conspicuous,” such that they are easily noticed and understood by consumers. The language should be unambiguous. In social media, these disclosures are commonly accomplished through use of hashtags such as #Sponsored, #Ad, #Paid, or #Promotion.

While seemingly simple, in order to be effective, the disclosure must be made before any text in the post is truncated by the social media platform where the post appears. Additionally, the disclosure should not be buried in a string of hashtags or hidden at the end of a post. The FTC has signaled that influencers thanking a brand and tagging its official account does not constitute an effective disclosure of a material connection. The FTC has also cautioned brands against relying solely on in-platform mechanisms to make disclosures, given that consumers may fail to notice such disclosures. Therefore, even where a platform provides such a mechanism, the best practice is to also require that the endorser make clear a conspicuous disclosure of the material connection within the text of the post.

Non-compliance with the FTC’s guidance may result in a warning letter from the FTC or a law enforcement action, which could result in an order requiring a defendant to give up any money received for violating the FTC Act and requiring defendants to abide by the FTC’s guidance in the future.

Brands should provide influencers with simple, easy-to-understand and implement instructions on how to make effective disclosures. Brands should also include provisions in influencer agreements requiring that all posts made in support of the partnership comply with any disclosure guidelines provided by the brand. Moreover, to ensure compliance, brands should carefully monitor and track all posts made by influencers in support of paid promotions. If the influencer fails to include a disclosure, or fails to make the disclosure in a way that is clear and conspicuous, the brand should promptly contact the influencer to ensure that the appropriate disclosure is included. In this way, brands can avoid penalties and bad press that could erode trust in the brand.





IP AND E-COMMERCE: YOUR BASIC CHECKLIST FOR THE UAE

By Lamiaa Kheir Bek and Paul Allen (Dubai)

Your e-commerce website can play a big part in the success of your business. If you run your website from the UAE or target the UAE market, here are some UAE-specific intellectual property considerations that may be relevant to you.

- **Carefully select your domain name.** Because infringing trademark rights is a criminal offense in the UAE (as is copyright infringement), prudent companies conduct a trademark search before registering domain names.
 - **Register the core IP rights in your website to fight copycats.** The UAE is a civil law jurisdiction and the tort of passing off, which can be relied upon for unregistered rights in common law countries, is not available. Although not mandatory, registration of copyright is available and may assist with enforcement.
 - **Put in place a strategy to register your trademarks.** Carefully consider your trademark registration strategy, taking into account such matters as the high registration fees and the possibility of registering the brand in Arabic to help mitigate the risk of a competitor registering a translation or a transliteration of the relevant brand and using it for their e-commerce business.
 - **Choose which rights you want to own, and make sure these are duly transferred to you under UAE law.** Do not assume that you own the rights in a software or web design that was specially developed for you. Whether your web developer is your employee, a contractor or a freelance web designer, the copyrights in their work will not be transferred to you unless these are duly assigned to you. For UAE law considerations, we would recommend seeking a contractual assignment beforehand and then confirming the assignment after the work is completed. In the meantime, seek a broad license to secure your rights until the assignment is perfected.
 - **Choose which rights you need to use (as opposed to own) and make sure you obtain a sufficiently broad license for such use.** Owning vs. using IP is likely to have budget implications for you. Always consider whether your license is broad enough for you to be able to run and update, or ask another web developer to update, your website without paying additional fees or seeking additional approvals. You may also wish to consider preventing the licensing of the elements used on your website to a competitor.
 - **Seek additional approvals and warranties when using third party IP rights or depicting individuals in a photograph or video used on your website.** Content and privacy of individuals is strictly regulated in the UAE and related violations may involve criminal penalties.
- A variety of other legal considerations may also be relevant, including in relation to data protection, VAT and licensing. For example, in March, the National Media Council established a licensing and compliance framework for online activities, including advertising activities for commercial purposes.



LONGCHAMP'S HANDBAG COPYRIGHT SAGA – IS THE CONCLUSION UNFOLDING?

By Alexis Fierens and Olivier Van de Vorst (Brussels)

Le Pliage, the famous foldable handbag created by Longchamp, was first designed in 1993 and has since been reproduced in many different materials, sizes and hues. Its design has also attracted copycats.

In the February 2015 edition of this publication, we discussed the dispute between Longchamp (Jean Cassegrain S.A.S.) and a Belgian reseller of leather handbags. In October 2014, the Court of Appeal of Ghent denied copyright protection to Le Pliage, determining that the design was a new trend in the market and, as such, could not be copyright protected. The court found that such protection

would create a monopoly on a trend and could constitute a restriction on the freedom of expression of other designers. In denying copyright protection to Le Pliage, the Court of Appeal controversially diverged from earlier case law in Belgium and other jurisdictions.

In June 2015, however, the Court of Appeal of Brussels reached a different conclusion in another copyright-related

case involving Le Pliage. It held that the fact that Le Pliage had started a style or trend was irrelevant and that even when all of the elements of a handbag are banal, because they follow a style or trend, the particular combination of elements may still be found to be original. Moreover, even if a handbag follows a style or trend, it is possible to acknowledge specific original, and thus copyright-protectable, elements.

These two judgments created considerable legal uncertainty regarding the possible copyright protection of Le Pliage.

COURT OF CASSATION

Unsurprisingly, Longchamp appealed to the Belgian Court of Cassation (Belgium's Supreme Court) against the decision of the Court of Appeal of Ghent. However, in its judgment of February 2017 the Court of Cassation upheld the decision of the lower court, underscoring that works can only benefit from copyright protection if they are expressed in a specific and concrete form. The Court of Cassation found that the combination of the elements of Le Pliage is a style or trend which does not constitute a specific and concrete form. Therefore, the handbag design cannot, in itself, benefit from copyright protection. The Court of Appeal of Ghent therefore rightfully did not even have to consider whether the condition of originality was met. This judgment was heavily criticized by legal commentators.

Notably, despite these unfavorable rulings, Longchamp continued to sue companies selling handbags that it believed infringed its copyrights.

A MILITANT HANDBAG

Clearly not discouraged by these unsatisfactory judgments, on April 26, 2017, Longchamp filed suit against Leonidas, a leading Belgian chocolate maker, regarding bags Leonidas was offering as part of a marketing campaign. In its defense, Leonidas relied on the decision of the Court of Appeal of Ghent, arguing that this judgment had the authority of *res judicata* and an *erga omnes* effect and thus bound other courts in other cases. This argument was inspired by Belgian patent law, which states that patent invalidity decisions constitute a final decision in respect of all parties, subject to opposition by third parties.

The Commercial Court rejected this argument, saying that it had no legal authority that the *res judicata* effect of patent invalidity decisions is an exception to the general principle of the relative authority of a court's decision and cannot be extended to decisions rejecting copyright protection. The court rebuked the reasoning and conclusion set out in the judgment of the Court of Appeal of Ghent, referring to the criticisms of that decision and the contrasting June 2017 decision of the Brussels Court of Appeal. The Commercial Court ordered Leonidas to refrain from offering its bags to the public, with fines payable if the company did not comply. Leonidas has appealed this decision, and a judgment from the Brussels Court of Appeal is expected soon.

Finally, in another matter before the Commercial Court of Antwerp in 2017, Longchamp again successfully sued a wholesaler and retailer of similar handbags. The defendants were ordered to pay an *ex aequo et bono* amount of €25 in damages *per each infringing handbag that had been sold*. Oddly, no references were made to either the judgment of the Ghent Court of Appeal or the judgment of the Court of Cassation.

TO BE CONTINUED

Although the only ruling of the Court of Cassation so far has not been in Longchamp's favor and the final battle has not yet been fought, it looks like the tide is turning. Belgian judges, in line with other European judges, do not appear to attach too much weight to the Court of Cassation's ruling. However, it remains to be seen how the saga will further evolve and whether the envelope will continue to unfold for Longchamp.





IP PROTECTION OF FASHION SHOWS IN ITALY: A CATWALK THROUGH THE UNKNOWN

By Elena Varese (Milan)

Fashion shows today are far more than just a couple of models on a catwalk. They include real stories and performances and are significant investments involving many contributors. Examples include Fendi's iconic defile on the water of the Trevi Fountain in Rome or, recently, Gucci's show set in a hospital operating room, with models walking with sculptures of their own severed heads. However, no reported case or article has ever considered whether and how fashion shows, as examples of intellectual property, should be protected.

OBJECTIONS

One objection against copyright protection of fashion shows is that they are a "volatile" creation. Because they are displayed once and are impossible to repeat, they have insufficient unity and definition. However, the fashion shows of today often have a plot – a storyline – that could theoretically be repeated. Under Italian law, fixation is not required for copyright protection, and oral works are also protected. Also, copyright protection in Italy can be granted to creations that vary over time within the lines of a given plot (as is the case for performance arts).

Another objection is that, unlike dramatic works or artistic performances which primarily have a cultural aim, fashion shows primarily have a commercial purpose: supporting the launch and sale of fashion items. However, Italian law imposes no restrictions on the operation of copyright protection for works that have a commercial purpose. Further, other works that have a pre-eminent commercial purpose, such as advertisements, are protected by copyright law.

ARE FASHION SHOWS COPYRIGHTABLE?

Italian law protects many different kinds of artistic works. In contrast to other legal systems, Italian law sets out an open-ended list of possible copyrightable works. Fashion creations are thus capable of copyright protection in Italy and could be viewed as autonomous works of art, provided they meet the originality threshold.

INTERESTING QUESTIONS

If fashion shows were to be granted copyright protection, a number of interesting questions would arise. A key issue would be: who is the author of the work? Furthermore, are the models to be considered performers? In order to protect their works, fashion companies would need to ensure that the rights of any individuals involved in the shows, as authors, co-authors and performers, were transferred to the company. In addition, copyright protection could involve other elements, such as registered or unregistered designs for individual elements of the choreography, or unfair competition, if the look and feel of a former fashion show has been slavishly imitated.

Looking ahead, the future of the copyright protection of fashion shows is uncertain, but certainly interesting.



SELECTIVE DISTRIBUTION ARE YOU PROTECTING YOUR BRAND OR BREAKING COMPETITION LAW?

By Justyna Wilczyńska-Baraniak
(Warsaw)

OWNERS OF HIGH-END BRANDS MAY PROHIBIT DISTRIBUTORS OPERATING IN A SELECTIVE DISTRIBUTION SYSTEM FROM CONDUCTING CERTAIN FORMS OF ONLINE SALES

Selective distribution can be an excellent tool for producers of luxury goods because it allows them to control how they sell their goods in a specified territory. However, selective distribution must comply with competition law, both at national and European Union levels.

On December 6, 2017, the Court of Justice of the European Union (CJEU) issued a judgment in the *Coty Germany* case (C-230/16), considering whether the European Union's competition rules are in conflict with the prohibition imposed on an authorized distributor of luxury goods – operating in a selective distribution system – that prevented it from selling those goods using third-party internet platforms. Such a prohibition is sometimes viewed as necessary to maintain the integrity of a selective distribution system. With regard to luxury products, the purpose of a selective distribution system is to protect the brand image or the perception of the quality of the goods.

Article 101 of the Treaty on the Functioning of the European Union (TFEU) prohibits entering into any agreement or carrying out any practice that may affect trade between EU member states and which has as its objective or effect the prevention,



restriction or distortion of competition within the internal market. The anti-monopoly acts of various EU member states also contain such prohibitions. In principle, an absolute ban imposed by a producer on distributors on the online sale of goods would be inconsistent with competition law.

The judgment in *Coty Germany* is of key significance for the producers of luxury goods who use selective distribution systems, and for distributors as well, because producers may prohibit their distributors from conducting certain forms of online sales. In light of the opinion expressed by the CJEU in *Coty Germany*, a producer of luxury goods may prohibit its authorized distributor, operating in a selective distribution system, from selling those goods via a third-party internet platform. A selective distribution system for luxury goods is designed primarily to preserve the image of luxury goods and the prohibition imposed on an authorized distributor of luxury goods, operating in a selective distribution system, to sell those goods using third-party internet platforms should be proportionate to the goal it serves.

DISTRIBUTORS ARE NOT ALWAYS AUTHORIZED TO SELL GOODS ONLINE IN ALL FORMS

When selling luxury products, it is important to maintain the aura of luxury. However, the imposition of a prohibition on the sale of luxury goods using third-party internet platforms will not be considered to be an absolute prohibition on online sales and, as a result, a major restriction on competition. In trying to establish

whether competition has in fact been restricted, the key factor is whether the restriction is *necessary* for the correct functioning of a selective distribution system. In the context of trademark law, the CJEU stressed that luxury goods are determined as such not only on the basis of their material characteristics but also on the basis that they are perceived in a specific way by consumers, and especially through the prism of the aura of luxury. In this respect, the CJEU referred to a previous judgment in the *Copad* case (C-59/08) where it had ruled that since luxury goods are high-end goods, the aura of luxury surrounding them is one of the principal elements that enable consumers to distinguish them from other, similar goods. Moreover, entities engaged in resale would be chosen on the basis of objective qualitative criteria that are laid down uniformly for all potential resellers and applied in a non-discriminatory fashion. The nature of the goods, including their luxury image, requires selective distribution in order to ensure quality. These principles had already been discussed by the CJEU in previous judgments (case C-439/09, *Pierre Fabre Dermo-Cosmetique*; case C-26/76, *Metro*; case 31/80, *L'oreal*; case T-19/91, *Vichy*).

A selective distribution system for luxury goods is designed primarily to ensure that the luxury image is maintained. Therefore, it is permissible to impose certain restrictions on distributors in their selling of such goods. These restrictions should be analyzed on a case-by-case basis, taking into consideration the existing jurisprudence – including the *Coty* case.

CALENDAR



June
2018

June 2 – 6

NYFW Women's JUNE 2018

June 7 – 10

LONDON Fashion Week Men's

June 15 – 18

MILAN Fashion Week Men's

June 18 – 23

PARIS Fashion Week Men's



July
2018

June 30 – July 4

PARIS Haute Couture

July 3 – 7

BERLIN Fashion Week

July 8 – 10

NEW YORK Fashion Week Men's

July 20 – 25

HELSINKI Fashion Week 2018



August
2018

August 7 – 10

COPENHAGEN Fashion Week

August 28 – 30

STOCKHOLM Fashion Week

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