The Katten
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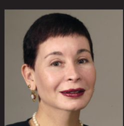
## Letter From the Editor



Welcome to the special summer edition of *Kattwalk*! In this issue, we are very excited to talk with the general counsel of Weight Watchers, Michael Colosi, as he shares insights about fad diets, social media and dieting apps, his path to Weight Watchers, and more.

Our focus in this issue is on technology and includes feature articles about the use of social media influencers in advertising; updates on the Digital Millenium Copyright Act, which criminalizes the bypassing of copyright protection; and a new article about copyrightable decorative elements—which will have a big impact on the fashion industry. Read on to discover all about the new developments!

I hope you enjoy this edition of *Kattwalk* and be sure to check back for our fall issue.

*Karen Artz Ash*

## In This Issue



## Hip, Hip, Hooray for Copyrightable Decorative Elements

by Karen Artz Ash and Floyd A. Mandell

After months of standing on the sidelines of the most closely watched case impacting the fashion industry in recent years, legal practitioners and fashion designers now have a framework for protecting decorative elements of apparel.

In a Supreme Court opinion released March 22, Justice Clarence Thomas articulated the two-part test for copyrightability of a feature incorporated into the design of a useful article (such as a piece of clothing):

1. If the feature "can be perceived as a two- or three-dimensional work of art separate from the useful article" to which it is affixed, and
2. If the feature "would qualify as a protectable pictorial, graphic or sculptural work either on its own or in some other medium if imagined separately from the useful article" into which it is incorporated.[1]

The opinion resolves a years-long dispute between Varsity Brands, Inc. (Varsity), the nation's largest supplier of cheerleading apparel, and freshman Star Athletica, L.L.C. (Star Athletica). Varsity initially sued Star Athletica in 2010, alleging that Star Athletica's uniforms infringed Varsity's copyrighted designs, which included stripes, chevrons, color combinations and other decorative elements incorporated in cheerleading uniforms. Star Athletica argued that such design elements were inseparably intertwined with the function of the underlying uniforms, and therefore were not eligible for copyright protection.

The lower court rooted for Star Athletica, finding that "the colors-and-designs component of a cheerleading uniform cannot be conceptually separated from the utilitarian object itself," otherwise the cheerleading uniform becomes a "blank canvas" and "loses its utilitarian function."[2] The Sixth Circuit booed that decision, holding that Varsity's graphic designs are copyrightable because "the graphic features of Varsity's designs can be

identified separately from, and are capable of existing independently of, the utilitarian aspects of cheerleading uniforms."[3]

The Supreme Court ultimately declared Varsity the victor, but was careful to limit its ruling: the "two-dimensional work of art fixed in the tangible medium of the uniform fabric" is eligible for copyright protection, but Varsity has "no right to prohibit any person from manufacturing a cheerleading uniform of identical shape, cut and dimensions to the ones on which the decorations in this case appear."[4] The Court notably did not express an opinion as to whether Varsity's designs met the threshold level of originality required for copyright protection under *Feist Publications, Inc. v. Rural Telephone Service Co.*, 499 U.S. 340 (1991); it simply held that such designs are separable from the function of a uniform, and thus eligible for protection.

While apparel and accessory designs are still not entirely protectable under US copyright law, this decision may provide a new weapon for designers to combat copycats and counterfeiters. Fashion brands should reevaluate which two- or three-dimensional surface designs in their portfolios may be candidates for copyright filings. Copyrighting such designs may offer an additional enforcement tool, as well as another licensing opportunity.

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[1] *Star Athletica, L.L.C. v. Varsity Brands, Inc., et. al.*, 580 U.S. ___, ___ (2017) (slip op., at 17)

[2] *Varsity Brands, Inc., et. al. v. Star Athletica, L.L.C.*, Case No. 10-2508, 2014 WL 819422 (M.D. Tenn. 2010)

[3] *Star Athletica, L.L.C. v. Varsity Brands, Inc., et. al.*, 799 F.3d 468 (6th Cir. 2015)

[4] *Star Athletica, L.L.C. v. Varsity Brands, Inc., et. al.*, 580 U.S. ___, ___ (2017) (slip op., at 12)

## Copyright Office Rule Changes Require Website Owners To Take Action To Benefit From DMCA Safe Harbor

by **Doron S. Goldstein**, **Michael R. Justus**, **Jessica M. Garrett** and **Joshua A. Druckerman**

On December 1, the US Copyright Office replaced its directory of designated agents for receipt of Digital Millennium Copyright Act (DMCA) notices of claimed infringement with a new electronic system.[1] As part of this process, the Copyright Office is making a number of changes to the rules for these designations, including: (1) requiring website operators and other "service providers"[2] who used the old system to re-designate their agents through the new system before the end of 2017; (2) requiring periodic renewal of agent designations; (3) modifying the types of agents that can be designated; and (4) changing the fee structure to a $6 flat fee per designation, amendment and renewal.

By way of background, the DMCA Safe Harbor protects compliant service providers from liability for copyright infringement committed by third-party users of their services.[3] These protections are relevant to a range of businesses, including websites that allow users to post comments or other material. The DMCA notice-and-takedown system allows copyright holders to send notices to service providers specifying the location of allegedly infringing third-party material on their websites and, so long as the service provider "expeditiously" removes or disables access to such content, protects the service provider from liability for infringement.[4] The DMCA requires each service provider wishing to avail itself of the Safe Harbor's protections to designate an agent to receive these infringement notices,[5] and to provide contact information for these designated agents on their websites as well as to the Copyright Office for inclusion in a searchable online directory.[6]

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As part of the new rule changes, the Copyright Office is transitioning from a paper application system to an electronic system, and is requiring *all* service providers, even those that previously designated agents under the old system, to designate agents under the new system.

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The Copyright Office also revised other aspects of its rules regarding designation. Compliance with each of these changes is mandatory to maintain DMCA Safe Harbor protections.

## Three Things to Know In Order to Preserve Your Safe Harbor Protections

There are three main changes that are critical to service providers.

1) **Service providers that previously designated agents under the old system must re-file under the new system before the end of 2017.** All service providers seeking Safe Harbor protection—even those that previously designated an agent through the old paper system—must register for an electronic account and file a new Designation of Agent To Receive Notification of Claimed Infringement through the new online system, available here.

   Further, service providers who previously designated agents through the old system must re-designate prior to **December 31, 2017**. Failure to do so will result in a lapse of Safe Harbor protection and may result in a loss of liability protection.

2) **Designations now expire, and must be renewed every three years.** Previously, designations were effective until updated or removed by the service provider. Under this new system, however, designations expire after three years unless renewed or otherwise updated during that period of time. Each time a designation is filed, amended or renewed, it restarts the three-year period.

   If a service provider's designation expires or is not updated when the agent's information changes, the organization loses the benefit of the Safe Harbor. While the Copyright Office indicates that the new system will send automated reminders, it falls on the website owner to ensure that designations remain accurate—and that the service provider remains protected.

3) **Service providers will have greater flexibility in designating acceptable agents.** The new rules include options regarding who, or what, can be designated as an agent. With these new additions, service providers can now designate any of the following as an agent for receipt of DMCA notices:

   - a natural person;
   - a specific position or title within an organization (e.g., Copyright Manager);
   - an entire department within an organization (e.g., Compliance Department); or
   - a third-party entity (e.g., a law firm, corporate affiliate or vendor).

Note the liability still falls on the service provider, not the agent, to ensure an expeditious response to any notices of claimed infringement.

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1 Designation of Agent To Receive Notification of Claimed Infringement, 81 Fed. Reg. 75,695 (final rule Nov. 1, 2016) (to be codified at 37 C.F.R. pt. 201), available here.

2 For purposes of the DMCA, a "service provider" is defined as a provider of online services or network access, or the operator of facilities therefor, including an entity offering the transmission, routing, or providing of connections for digital online communications, between or among points specified by a user, of material of the user's choosing, without modification to the content of the material as sent or received. 17 U.S.C. § 512(k)(1).

3 17 U.S.C. § 512(c).

4 17 U.S.C. § 512(c)(1)(C).

5 17 U.S.C. § 512(c)(2).

6 *Id.*


Q&A With

# Michael Colosi

General Counsel,
Weight Watchers International, Inc.

--------------------( insight )--------------------

## Tell us about how your career path led you to Weight Watchers.

I started out as a litigator with no intention of working in-house. But years ago, I was approached by the CEO at Warnaco to come work there. After Warnaco I went to Kenneth Cole Productions, where I served as general counsel for 14 years, until they went private. And now I'm at Weight Watchers.

--------------------( focus )--------------------

## After more than 14 years at your previous company, can you talk about which parts of your background have been most valuable in transitioning to Weight Watchers?

Working as general counsel at an international retail company really taught me a lot about brands and licensing. But, Weight Watchers is different because it also has a scientific foundation, which is new and fun. I have enjoyed adding that aspect to my practice.

--------------------( highlight )--------------------

## What is one highlight so far from your experiences at Weight Watchers?

I'd have to say working on the deal with Oprah Winfrey has been a highlight. We originally approached her to come on as a spokesperson, but she ended up doing so much more: She bought 10 percent of the company and joined our board of directors. Her contributions make a big impact, and having her as a thought-partner has been transformative for the company. Karen Ash and the IP team at Katten advised on this deal, and they were wonderful to work with.

( challenge )

## What do you think are the most significant challenges facing your industry today and in the near future?

Obesity remains a major public health crisis, and fad diets are continuously distracting people from proven solutions like Weight Watchers. Keeping people focused on a sustainable program like ours, where they can adjust their habits and live their best lives, continues to be a challenge.

( integration )

## How do social media and other new technologies impact your industry?

Technology for my industry is complicated. On the one hand, you have free diet apps, which people download thinking they are substitutes for actual behavior change. And, of course, that doesn't work. On the other hand, about half of our subscribers work the Weight Watchers program solely using our online tool and WW app. So, online solutions can work, if there is science and behavior change behind them.

( innovation )

## How is Weight Watchers adapting to these impacts?

We have a massive tech team at Weight Watchers and have made tremendous investments in that area. Technologically, we're really very advanced. I often joke that I work at a tech company that helps people with weight loss and weight management.

( motivation )

## How do you stay inspired and focused?

I'm lucky to work for Weight Watchers because we are a mission-driven business. We have monthly meetings at which we invite members to share their success stories. They are gratifying to hear and inspire our whole team to keep doing what we're doing.

( vision )

## What's in store from Weight Watchers for the rest of 2017 and beyond?

We're all very excited about the arrival of our new CEO, Mindy Grossman, who comes from the Home Shopping Network. We're thrilled for her to join and help us unlock the potential of Weight Watchers.

## Terence Ross Comments on Conan O'Brien $1 Million Joke Theft Lawsuit

Terence Ross, national co-chair of Katten's Intellectual Property Litigation practice, was interviewed for a podcast conducted by Bloomberg Law regarding the recent $1 million lawsuit claiming that television late-night talk show host Conan O'Brien stole jokes for a monologue from a professional joke writer's blog and Twitter feed. While Mr. O'Brien and his staff have denied any wrongdoing, a judge ruled that he will have to go to trial over the allegations that they stole jokes about Caitlyn Jenner, Tom Brady and the Washington Monument from writer Robert Alexander Kaseberg.

Copyright trials over jokes are "very unusual," said Terry. "This sort of comedy theft has been going on since at least the turn of the century, during vaudeville times. During the mid-1900s, the comedy business developed a self-regulatory scheme—if a comedian thought that his or her joke was stolen and used by another comedian, they'd simply tell everybody in the industry. Suddenly those accused joke thieves would find themselves without bookings." With the emergence of comedy on cable in the 1980s, joke theft became a big moneymaker. Now people are taking the problem much more seriously, with the judge in this case entitling the jokes to copyright protection. "I think the problem with this sort of lawsuit is that the damage is really done when you file it and accuse someone of stealing your jokes," said Terry. "It is a real black mark, and you almost force the defendant to go into court to defend themselves and clear their name, which makes a settlement very challenging." ("Writer Says Conan O'Brien Joke Theft No Laughing Matter," May 17, 2017)

## The Laws of Influence

by Michael R. Justus

"Influencers" make money (or get free stuff) by leveraging their popularity on social media networks to endorse third-party products. Influencers can be celebrities, athletes, experts, social media stars or even pets, like the incomparable "Menswear Dog" on Instagram.[1]

Influencers command an increasing role in many companies' marketing strategies—a function of the explosive growth of social media and the ineffectiveness of traditional advertising in the face of ad-blocking, ad-skipping and other technologies. As a result, influencers are also attracting increasing attention from regulators.

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**While the use of social media influencers may be a relatively new advertising technique, the relevant legal principles are actually well-developed and quite clear.**

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An advertiser may lawfully compensate an influencer to endorse its product on social media. But the influencer cannot make any false, misleading or unsubstantiated claims about the product. And the influencer must disclose the "material connection" to the advertiser, i.e., that it received compensation or free stuff in exchange for the endorsement. In social media, this disclosure commonly takes the form of hashtags like "#ad." If an influencer does not play by these rules, the advertiser can be held legally responsible.

### FTC Guidance

Simple legal principles, of course, may not always be greeted with simple fact patterns. Luckily, the Federal Trade Commission (FTC) provides real-world compliance examples in several helpful guides. The FTC's "Endorsement Guides"[2] and corresponding "What People Are Asking" document[3] detail the legal requirements for online and offline endorsements and describe examples of when "material connection" disclosures are required.

Where a disclosure is required, the FTC's ".com Disclosures" guide[4] drills down on the characteristics of effective disclosures, again with real-world examples, including sample social media posts and hashtags. Depending on the overall context of the post, hashtags like "#ad" or "#sponsored" may do the trick, but "#spon" or "#thanks[brand]" may not. In fact, hashtag disclosures may be unnecessary if the content of the post itself makes the material connection clear, e.g., "Found my new favorite [product]! Thanks for the free sample @Brand!" (And disclosure practice gets really interesting in newer technologies, like live streaming video apps—can you anticipate what an influencer will say and when they will say it in a live stream, and do you even have the ability to add disclosures before, during and/or after the stream?)

In addition, the FTC announced several settlements in the past two years that illustrate its enforcement priorities and provide further guidance for advertisers.

In 2014, the FTC entered into a year consent order with home security company ADT, LLC[5] based on allegations that ADT's paid influencers misrepresented their online and offline endorsements as independent product reviews.

For example, the FTC alleged that a prominent blogger known as "The Safety Mom" appeared on NBC's The Today Show to tout ADT's products, but failed to disclose that she is a paid ADT spokeswoman. The settlement requires ADT to disclose any material connections with endorsers in the future in compliance with the FTC's Endorsement Guides, to inform its endorsers of their duty to do the same and to monitor the endorsers for compliance.

In early 2016, the FTC entered into a 20-year consent order with online entertainment network Machinima, Inc.,[6] alleging that Machinima paid "gamer" influencers to post YouTube videos endorsing video game systems without proper disclosures of the material connection.

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**Similar to the ADT settlement, Machinima must not misrepresent in any influencer campaign that the endorser is an independent user of the product, and it must ensure that all of its influencers are aware of their responsibility to make required disclosures and monitor its influencers' representations and disclosures.**

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The settlement also prohibits Machinima from compensating influencers who make misrepresentations or fail to make the required disclosures.

Also in early 2016, the FTC entered into a 20-year consent order with retailer Lord & Taylor[7] (L&T) based on allegations that L&T paid 50 online fashion influencers to post Instagram photographs of themselves wearing a dress from L&T's Design Lab collection, and that the influencers failed to properly disclose that L&T had given each influencer the dress, and in some cases, thousands of dollars, in exchange for their endorsements. L&T contractually required the influencers to include "#DesignLab" and "@lordandtaylor" in their posts, and it reviewed and approved the influencers' posts with respect to the required wording (but not with respect to the FTC's endorsement or native ad requirements). The FTC did not believe the attempted disclosures included in the influencers' social media posts (i.e., "#DesignLab" and "@lordandtaylor") were sufficient to identify the material connection to L&T. The settlement contained terms similar to ADT and Machinima, and included a detailed education, monitoring and compliance program requirement. Among other things, L&T must implement a system to educate its endorsers on their responsibility and to monitor and review endorsers' representations. Each endorser must sign a statement acknowledging their responsibility to disclose any material connection to L&T, and L&T must terminate any endorser that fails to do so. The endorser may receive "one notice of a failure to disclose and an opportunity to cure the disclosure," if L&T reasonably determines the failure was inadvertent. L&T must also maintain reports sufficient to show its compliance with these monitoring requirements.

Most recently, in July 2016, The FTC again addressed "gamer" influencers in a settlement with Warner Bros. Home Entertainment, Inc.,[8] relating to allegations that Warner Bros. paid "gamer" influencers to endorse the video game "Middle Earth: Shadow of Mordor" on YouTube and social media. Of particular note, some influencers included disclosures in the description box below their videos posted on YouTube, but the disclosures were "below the fold," i.e., viewers needed to click the "Show More" link for the disclosures to appear. FTC alleged such "below the fold" disclosures are not sufficiently conspicuous. The proposed 20-year consent order closely tracks the Lord & Taylor consent order terms, and includes a duty to monitor any entity (e.g., agency) hired by Warner Bros. to conduct an influencer campaign on its behalf for compliance with FTC endorsement requirements, and to immediately cease payment to any such entity if Warner Bros reasonably concludes that the entity is not in compliance.

### NAD Guidance

The National Advertising Division of the Council of Better Business Bureaus (NAD) also recently issued an "influencer" decision. In *Goop, Inc.*,[9] NAD held that online lifestyle publication Goop was responsible for claims regarding third-party dietary supplements sold on the Goop website and endorsed by Goop founder and celebrity Gwyneth Paltrow. The products were featured as recipe ingredients in "GP's Morning Smoothie," which Ms. Paltrow allegedly drank every morning. The recipe and purchasing page for the products included efficacy claims regarding the dietary supplements (e.g., "sooth overworked muscles," "combat mental fogginess"). NAD held that Goop's inclusion of such claims and Ms. Paltrow's endorsement on its website rendered Goop responsible for verifying that the products actually provide the claimed benefits. (NAD did not review the claims on the merits, however, because Goop agreed to voluntarily discontinue the claims.) This case is notable in that the influencer (and her company) were the enforcement targets, rather than the manufacturer/source of the products, like the FTC examples above.

### More Regulatory Action on the Horizon?

Additional influencer enforcement actions may be on the way. At the recent NAD annual conference in New York, both FTC and NAD representatives specifically identified influencer campaigns as a priority moving forward.

Further, consumer advocacy groups have been pushing for enforcement action addressing influencers. For example, a September 2016 joint letter[10] sent to the FTC by four consumer advocacy groups alleged that over 100 prominent influencers systemically failed to disclose material connections to advertisers in paid endorsements on Instagram. The complaint named a wide variety of alleged offenders, including celebrities and athletes like the Kardashians, Lindsey Lohan, Dwight Howard, Rihanna, David Beckham and Michael Phelps, and global brands like Puma, Ralph Lauren, Adidas, Chanel, L-Oreal and Nike. Although the FTC is not required to take action in response to the letter, it undoubtedly reviewed the letter with interest given its recent enforcement focus on influencer campaigns. It certainly would not be surprising to see further FTC and NAD action in this area.

### Best Practices

Several best practices emerge from these guides and cases, and in particular the recent FTC consent orders, which could be viewed as roadmaps for what the FTC would like to see from all advertisers. First, and most obviously, follow the rules: tell the truth, don't mislead, confirm that any claims are substantiated, and disclose any material connections between the influencer and advertiser.

Second, advertisers should consider a written agreement with influencers specifically addressing, and requiring compliance with, the FTC guides and other applicable laws. Third, advertisers should consider implementing a system of monitoring and documenting influencers' compliance. Fourth, if advertisers hire agencies to run their influencer campaigns, they should consider including provisions in the agency agreement addressing the issues above, and making clear the agencies' responsibilities with respect to obtaining contracts from, and monitoring, influencers.

### Conclusion

Influencer campaigns are trending with advertisers and regulators. More enforcement actions and resulting guidance are sure to arrive. In the meantime, the significant legal guidance already available should allow for well-designed influencer campaigns to be both legally compliant and effective.

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1 See https://www.instagram.com/mensweardog.

2 Available at https://www.ftc.gov/sites/default/files/attachments/press-releases/ftc-publishes-final-guides-governing-endorsements-testimonials/091005revisedendorsementguides.pdf.

3 Available at https://www.ftc.gov/tips-advice/business-center/guidance/ftcs-endorsement-guides-what-people-are-asking.

4 Available at https://www.ftc.gov/system/files/documents/plain-language/bus41-dot-com-disclosures-information-about-online-advertising.pdf.

5 *In the Matter of ADT LLC*, case documents available at https://www.ftc.gov/enforcement/cases-proceedings/122-3121/adt-llc-matter.

6 *In the Matter of Machinima, Inc.*, case documents available at https://www.ftc.gov/enforcement/cases-proceedings/142-3090/machinima-inc-matter.

7 *In the Matter of Lord & Taylor, LLC*, case documents available at https://www.ftc.gov/enforcement/cases-proceedings/152-3181/lord-taylor-llc-matter.

8 *In the Matter of Warner Bros. Home Entertainment, Inc.*, case documents available at https://www.ftc.gov/enforcement/cases-proceedings/152-3034/warner-bros-home-entertainment-inc-matter.

9 *Goop, Inc. (Moon Juice Action Dust and Brain Dust Dietary Supplements)* Case No. 5977 (July 26, 2016)

10 Available at http://www.citizen.org/documents/Letter-to-FTC-Instagram-Endorsements.pdf.

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