KATTISON AVENUE & The Katten Kattwalk®

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Letter From the Editors

We've joined forces in the New Year to bring you a *Katten Kattwalk/ Kattison Avenue* crossover issue. In this inaugural combined winter issue, we explore the latest legal issues impacting the worlds of fashion, retail and advertising.

We review implications of New York's proposed 'Fashion Sustainability and Social Accountability Act,' and how tech trends are affecting retailers, from cookies to the Wild West of the metaverse. Next, we consider the potential hazards of depicting street art in ad campaigns. We cover the National Advertising Division's interpretation of disparaging emojis ☹ and the pitfalls of sampling popular music in social media marketing. Finally, we review a UK court ruling on flagrant infringement and note important NY employment law changes effective this year.

We've enjoyed this collaboration and invite you to share your feedback by reaching out to either of us or in person when next we meet. Until then, we wish you good health and happy reading.

Karen Artz Ash and **Jessica G. Kraver**

In This Issue

New York Proposes Significant Regulation for Fashion Industry: The 'Fashion Sustainability and Social Accountability Act'

By Jessica G. Kraver

On January 7, New York State Senator Alessandra Biaggi and Assemblywoman Anna R. Kelles introduced the Fashion Sustainability and Social Accountability Act (the Fashion Act).[1] If the Fashion Act ultimately passes the State Senate and State Assembly, and is signed by the Governor of New York, it will make New York the first state to hold fashion retailers and manufacturers accountable for their sustainability practices.

The Fashion Act will apply to global apparel and footwear companies with more than $100 million in annual worldwide revenues that do business in the State of New York. Among other things, the Fashion Act will require such companies to:

- map at least 50 percent of their supply chain, end-to-end;
- publish an impact and due diligence disclosure, "including a social and environmental sustainability report, to include externally relevant information on due diligence policies, processes and activities conducted to identify, prevent, mitigate and account for potential adverse impacts," which shall include information on measures the company has taken to embed responsible business conduct into its policies and management systems, along with a link on the company's website to such policies[2];
- release an impact disclosure on prioritized environmental and social impacts, including (a) reduction targets on energy and greenhouse gas emissions, water, and chemical manage-

New York Proposes Significant Regulation for Fashion Industry: The 'Fashion Sustainability and Social Accountability Act' (cont.)

ment, (b) annual volume of material produced, including a breakdown by material type (e.g., cotton, wool, polyester, leather, etc.), (c) how much production has been displaced with recycled materials, (d) fair wage and labor standards, and (e) the company's approach for incentivizing supplier performance on workers' rights and other priorities (e.g., contract renewals, price premiums, etc.); and

- disclose the targets such company has for its impact reduction, including strategies for tracking its own due diligence, implementation efforts and results.

Companies subject to the Fashion Act will have 12 months to comply with the mapping requirement and 18 months to comply with the impact disclosure requirements. Failure to comply with the requirements of the Fashion Act may result in a fine of up to 2 percent of annual revenues of $450 million or more, which will be deposited into a community benefit fund administered for environmental justice projects. In addition, the New York Attorney General will publish an annual list of non-compliant companies and the status of the Attorney General's monitoring of such compliance.

Large multinational retailers and manufacturers should begin to evaluate their own practices and policies in anticipation of passage of the Fashion Act, which has strong support from numerous constituencies, including environmental and labor activists, as well as industry participants.

(1) https://legislation.nysenate.gov/pdf/bills/2021/a8352

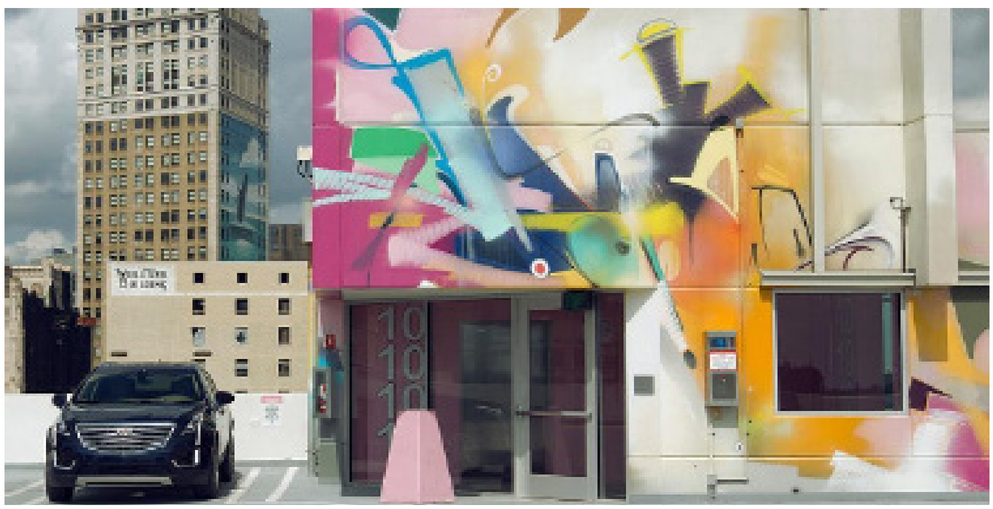
(2) Id. at Section 4(b).

Life in The Fast Lane: How Urban Car Ads Depicting ‘Street Art’ Can Backfire

By David Halberstadter

Vehicle manufactures and their ad agencies really love to show off their driving machines in action. Television commercials depict sturdy, reliable trucks hauling tons of cargo; four-wheel drive SUVs navigating perilous terrain in extreme weather conditions; and sleek sedans cruising through cityscapes of gleaming skyscrapers and funky urban streets.

It is on the funky urban streets where car manufacturers can sometimes steer in the wrong direction. Their commercials often feature street scenes that may include recognizable landmarks, historic buildings, public art installations like sculptures and wall murals, and even distinctive graffiti. Carmakers aren’t the only retailers entranced by “street art.” Makers of athletic shoes and apparel like to incorporate graffiti-like designs into their fashions and ads, as well. Filming other people’s art, even when in public view, can result in copyright claims, litigation and attorneys’ fees, not to mention potential damages. This article offers a brief roadmap for avoiding such claims.



Over the last decade, at least four automobile manufacturers have found themselves embroiled in copyright litigation as a result of having incorporated public art into their advertisements. (A word of caution to other retailers: American Eagle Outfitters, Coach, H&M, Marriott International, McDonald’s, Moschino, North Face and Roberto Cavali, among others, also have found themselves navigating lawsuits over the alleged appropriation of street art.)

In 2011, Fiat released a television commercial featuring Jennifer Lopez, seemingly driving through her old Bronx neighborhood, where she grew up. “Here, this is my world,” she says in voice over, as stereotypical Bronx scenes pass by. One of those scenes included an intersection splashed with murals created by the group that calls itself “TATS Cru,” which then asserted a claim of copyright infringement. Soon after the car company became aware of the issue, the claim was quickly settled out of court. (Incidentally, the commercial was also controversial for reasons unrelated to the infringed-upon mural: JLo wasn’t actually driving the car around her old neighborhood; rather, it was driven by a double, and JLo did the voice over from Los Angeles.)

In 2018, General Motors launched an advertising campaign for its Cadillac line. Labeled “The Art of the Drive,” the campaign featured images of Cadillac vehicles with scenes from Detroit in the background. One of those images included a large mural by a Swiss graffiti artist professionally known as “Smash 137,” who had been commissioned by a Detroit art gallery to create an outdoor mural on the outdoor elevator shed of a 10-story parking garage. He sued G.M. for copyright infringement.

The company argued that the lawsuit should be dismissed on the grounds that the parking garage was an “architectural work,” the mural was incorporated into that structure and, therefore, it was permissible to use a photograph of the structure in its ads. After the court rejected this argument and it was clear the lawsuit was headed for a jury trial, the lawsuit settled.

And in 2019, Mercedes-Benz USA, LLC was threatened with lawsuits by several artists who claimed that Instagram photos posted by Mercedes-Benz of its G 500 luxury truck in the foreground of colorful Detroit murals infringed upon their copyright rights. Rather than wait to be sued, the automobile company took the initiative and filed federal lawsuits in which it asked the court for a determination of non-infringement. As G.M. had done, Mercedes-Benz argued that the 1990 federal law that extended copyright protection to architectural designs (the Architectural Works Copyright Protection Act, or AWCPA) allowed the company to post photographs of the exteriors of buildings visible from public spaces, notwithstanding the artwork painted on them.

The muralists filed a motion seeking the summary dismissal of the car company's lawsuits on several grounds, including that the AWCPA did not permit the company's copying of their artwork. Soon after the court denied that motion, the parties reached a settlement and the lawsuits were dropped.

Most recently, Volkswagen Group of America, Inc. finds itself in the litigation fast lane. On November 11, another artist who is supposedly known for her work in a variety of media, including murals and street art, sued the car manufacturer, as well as Marvel Entertainment, over a 2018 cross-promotional commercial for Audi vehicles and the motion picture *Avengers: Endgame*. (*Korsen v. Volkswagen Group of America, Inc.*, Case No. 21-cv-08893 (C.D.Cal. 2021).) The plaintiff alleges that her works have been displayed in Los Angeles-area galleries and public spaces and that she has worked with major clients like Red Bull, Whole Foods and the City of Los Angeles. According to her complaint, Korsen created an original mural on 7th and Mateo Streets in downtown Los Angeles (i.e. one of those gritty urban landscapes mentioned at the start of this article). The mural can be seen prominently in the Audi/Marvel commercial, which apparently was featured widely on Audi's official YouTube channel, Facebook Live and at the Los Angeles Auto Show, among other places.

To be sure, this plaintiff's claim may be subject to numerous challenges and defenses. For one thing, the advertisement ran in 2018, and the plaintiff's claim is subject to a three-year statute of limitations. So even if the commercial continued to air within three years of the filing date of the complaint, a substantial portion of any profits that might be attributed to the marketing campaign could well be out of the plaintiff's reach. In addition, it appears that the plaintiff did not actually register her work with the US Copyright Office until November 2019, long after the alleged infringement commenced in 2018. This would mean that the plaintiff may be ineligible for an award of statutory damages (which plaintiffs often elect when their actual damages or the defendant's profits are difficult to establish) and, importantly, the recovery of attorneys' fees. And, even if the plaintiff still might be eligible for statutory damages, she would not be entitled to an award of up to $150,000 for each allegedly infringing photograph of her mural, as she demands. The Copyright Act makes clear that a copyright plaintiff may seek only one award of statutory damages for each *infringed work*, regardless of the number of *infringing works*.

Whether Volkswagen wins, loses or settles this dispute, one thing is certain: It will have to spend time, effort and attorneys' fees to achieve a resolution of this plaintiff's claims. It may also find itself the subject of negative publicity. Automobile manufacturers and other retailers would be prudent to follow some basic steps before releasing this type of advertisement to the public, thereby potentially sparing themselves such costs.

First, a proposed advertisement should be reviewed at the concept and/or script stage for potential third party intellectual property issues. Second, all of the proposed locations for photography or filming should be vetted properly for the presence of copyright-protected artwork, third-party trademarks and the like. Third, the creators of the marketing campaign should discuss with qualified counsel the risks associated with filming or photographing publicly-viewable art and business signage, including: (1) how visible the artwork/signage will be and for what duration; (2) whether the artwork/signage can or should be covered over and/or replaced with approved content prior to filming, or blurred in post-production; (3) whether there is any conceivable fair use or other defense to a potential claim of infringement; and (4) whether it would be prudent to contact the content/signage owner and obtain permission for the proposed use.

Latest Retailer Tech Trends Go Beyond Cookies to Include The Fast-Growing Metaverse

By Dagatha L. Delgado

Throughout the pandemic, retailers had to act swiftly to adapt to stay-at-home orders and social distancing guidelines. This meant making the most of the technologies available and experimenting with new technologies — both online and in-store — to engage with customers and maintain customer satisfaction (and safety!). As we continue to figure out how to navigate the new normal, it would be wise for retailers to keep on top of technological trends.

Still Reaching For The 'Cookie' Jar?

The economic toll of stay-at-home orders left businesses relying on e-Commerce sales and promoting their digital presence. Cookies and similar tracking technologies[1] have been instrumental to advertising and marketing initiatives. Concerns about privacy intrusive tactics led data protection authorities (DPAs) to increasingly focus their attention on cookie compliance. Not only have DPAs issued new or updated guidelines regarding the use of cookies, but certain DPAs have prioritized enforcement efforts on cookie compliance. For example, in 2021 the Commission Nationale de l'Informatique et des Libertés (CNIL or the French DPA) issued orders to nearly 90 players, including companies in the clothing and retail sectors, on the subject.

We have also seen an increase in class-action lawsuits for cookie violations, such as those against Oracle and Salesforce[2].

In light of recent regulatory attention, big tech companies have started making changes that suggest we are moving towards a cookie-less future. In 2019 and 2020, Mozilla's Firefox and Apple's Safari browsers, respectively, blocked third-party cookies by default. Apple's App Tracking Transparency (ATT) framework brought about changes to tracking within apps, now requiring brands and marketers to obtain user permission before tracking. Google also announced plans to disable third-party cookies by 2023.

There does appear to be some hope for cookies. Post-Brexit, the United Kingdom is considering re-working rules governing the use of cookies, including making compliance with cookie consent requirements less burdensome.[3] In the European Union, the EU Council's draft of the ePrivacy Regulation — the law that will replace the ePrivacy Directive, which currently governs cookies — would allow users to whitelist cookie providers to minimize the number of consent requests.[4] However, retailers should keep in mind that restrictions on certain targeted advertising may be incorporated into the EU's upcoming Digital Services Act (DSA)[5] — which would regulate illegal content, transparent advertising, and disinformation online — and Digital Markets Act (DMA)[6], an anti-competition law intended to address distortions in digital marketplaces.

With heightened regulatory attention and changes by big tech companies, and not to mention increased digital ad costs, retailers are now looking to third-party cookie alternatives. One promising alternative seems to be retail media, which allows brands to advertise their products on a retail website or app and access retailers' first-party data for ad targeting.

Escaping 'Reality' With AI

As stay-at-home orders lifted, consumers were eager to leave their homes, and in-store shopping became an entertaining, social experience and a way to escape the routine of staying at home. At the same time, social distancing guidelines left businesses rethinking their in-store practices.

In previous editions, we discussed how retailers have shifted their attention to augmented reality (AR), through virtual try-ons and smart mirrors and fitting rooms, in an attempt to offset losses due to forced store closures, and as a way to maintain customer safety.[7] However, extended reality (XR), including AR and virtual reality (VR), will be core components of the "metaverse." Brands should start considering marketing and advertising strategies to rollout in the post-COVID-19 virtual world. Some brands have already started preparing for the metaverse by establishing a new genre of marketing: direct-to-avatar (D2A). For instance, Gucci sold a virtual bag in Roblox for more than its retail value, and Nike dropped virtual Jordans in Fortnite.[8]

In the digital space, retailers are turning to artificial intelligence (AI) to facilitate customer interactions through chatbots and conversational marketing, drive personalization through product recommendations based on previous customer activity, and understand brand sentiment and customer preferences. For example, AI allows brands to "identify social media photos in which people wear or use their products, even when the brand or product isn't tagged," offering insights into customer demographics in return.[9]

Retailers should keep in mind that regulators, private companies, non-profits, self-regulatory bodies, and the like, are racing to publish the latest guidance, frameworks, and guidelines on the use of AI. In June 2021, the Biden Administration launched the new National Artificial Intelligence Research Resource Task Force, which will "help develop a roadmap to democratize access to research tools that will promote AI innovation and fuel economic prosperity." In October 2021, the White House Office of Science and Technology Policy announced that it will be developing a bill of rights to guard against the harms of AI technologies. The Federal Trade Commission (FTC) also issued AI guidelines in 2020 and 2021, and more recently, filed an Advanced Notice of Proposed Rulemaking to issue rules on privacy and AI.

In April 2021, the European Commission released its proposal for an AI legal framework, the Artificial Intelligence Act, to address "risks generated by specific uses of AI through a set of complementary, proportionate and flexible rules."[10] The UK Information Commissioner's Office (ICO) has also published guidance on AI and data protection and developed an AI Auditing Framework.

Common themes across various documented AI principles include, unsurprisingly, privacy, accountability, safety and security, and transparency and explainability.[11]

Integrating technology into the retail shopping experience isn't slowing down anytime soon. As with any technology, retailers should ensure they are responsibly deploying AI-based technology, addressing existing privacy and data protection requirements, and staying on top of legal developments.

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(1) For purposes of this article, we refer to cookies, though the same holds for similar tracking technologies.

(2) *See* CNIL, *Refusing cookies should be as easy as accepting them: the CNIL continues its action and issues new orders* (December 14, 2021).

(3) *See* Department for Digital, Culture Media & Sport, *Data: A New Direction* (September 10, 2021).

(4) *See* Proposal for a Regulation of the European Parliament and of the Council concerning the respect for private life and the protection of personal data in electronic communications and repealing Directive 2002/58/EC (Regulation on Privacy and Electronic Communications).

(5) *See* European Commission, *The Digital Services Act: Ensuring a Safe and Accountable Online Environment*.

(6) *See* European Parliament, *Digital Markets Act: Ending Unfair Practices of Big Online Platforms*.

(7) *See* Katherine Motsinger, *I Want You to Want Me: Augmented Reality Edition*, *Kattison Avenue* (Spring 2020); Katherine Motsinger, *Augmented Reality Marketing Campaigns and the California Consumer Privacy Act*, *Kattison Avenue* (Summer 2020); Dagatha Delgado and Kate Motsinger, *Mirror, Mirror on the Wall, Who's the Fairest of Them All? AR Retailing in the 21st Century*, *Kattison Avenue* (Fall 2020).

(8) *See* Nick Pringle, *Why the 'Metaverse' Will Prove to be More than a Buzzword*, *Fast Company* (September 6, 2021).

(9) "Artificial Intelligence Report, 2021 Edition" ANA, 2021.

(10) *See* European Commission, *A European Approach to Artificial Intelligence*.

(11) *See* Jessica Fjeld, et. al., *Principled Artificial Intelligence: Mapping Consensus in Ethical and Rights-based Approaches to Principles for AI*, Berkman Klein Center for Internet & Society at Harvard University (January 15, 2020).

NAD Finds Emojis Communicate Clear Messages in Advertising

By Rachel Schaub

In a pair of recent decisions, the National Advertising Division (NAD) of BBB National Programs examined the use of emojis in advertising and found in at least one case that emojis can make expressly disparaging statements.

A [global study of 7,000 emoji users conducted by Adobe in 2021] revealed that more than half of those surveyed are likely to open a brand's emails or push notifications if they contain emojis. Over 40 percent of the sample said they were more likely to purchase products advertised using emojis. Younger consumers also prefer customer support teams that use emojis in chat or email, according to *Inc Magazine*. But the NAD's recent decisions show that brands should be judicious with their emoji use — or, at least stop to consider what statement those emojis may be making on their behalf.

In a case of first impression, the NAD examined a social media video from BA Sports Nutrition, which produces the sports drink BodyArmor. It was shared by BA Sports Nutrition and by Baker Mayfield, Cleveland Browns quarterback and BodyArmor endorser. In a "blind taste test" video, Mayfield tastes and recognizes three BodyArmor flavors before he is handed an orange drink that the NAD said was "clearly" Gatorade's Orange Thirst Quencher. When Mayfield tastes the Gatorade, the "Nauseated Face" and "Face with Tears of Joy" emojis appear on the video while he says the drink is "awful."

The NAD found that the video falsely disparaged Gatorade. Considering and rejecting BA Sports Nutrition's arguments in turn, the NAD said that emojis are not merely subjective; they can communicate "clear messages" in some contexts. In the Baker Mayfield video, given that the Gatorade is identifiable, the pair of emojis contributed to a "harshly negative statement" which called Gatorade (among other things) nauseating.

Next, the NAD said the video went beyond mere puffery. Although the Baker Mayfield video was intended to be humorous, it still reasonably conveyed an express message about a competitor. Because the express claim was provable, it required substantiation that BA Sports Nutrition did not provide. The NAD recommended the discontinuance of four express claims: 1) Gatorade is "awful," 2) drinking it is "not cool," 3) it is nauseating, and 4) people spit it out after they drink it. The third claim, a statement that Gatorade is nauseating, comes solely from BA Sports Nutrition's emoji use. This case is the first in which emoji use gives rise to an express claim of false disparagement.

The decision puts advertisers on notice that emojis are more than just suggestive; they are statements, which can be characterized as false claims.

The NAD announced its BodyArmor decision in a press release that addressed another case involving the use of emojis in videos posted on a brand owner's social media page. But that case, brought by The Procter & Gamble Company against Art of Sport Group, Inc., ended before it began. Art of Sport "voluntarily" and "permanently" discontinued its use of a pair of short cartoon videos in which two deodorant canisters compete against each other in Olympic events. In the videos, a deodorant canister with Art of Sport's trade dress outperforms another deodorant canister, which Procter & Gamble said "undoubtedly" represented its Old Spice deodorant.

Even though the NAD did not consider the merits of Procter & Gamble's complaint, for compliance purposes it noted that it would treat the claim as though it recommended Art of Sport's discontinuance of the claims and Art of Sport complied. Though the NAD did not actually rule on the Art of Sport claim, its emoji decisions are instructive nonetheless.

The NAD rendered both decisions using its SWIFT (Single Well-defined Issue Fast-Track) program, under which challengers may bring advertising disputes that do not require review of complex evidence or substantiation. The benefit of this program — quick resolution of disputes — can also pose challenges for advertisers. Decision makers in the program limit their analysis to a single issue and consider only one substantive submission from each party.

More analysis of emojis in advertising is likely to follow in other cases, but the NAD has made clear in these recent decisions that context matters in determining whether emoji use is sufficient to make a claim. Advertisers seeking to use emojis in new or innovative ways must be careful about making verifiable, substantiated claims when doing so.

Potential Pitfalls When Using Music in Social Media Marketing

By Leah E.A. Solomon

Harnessing the power of social media to market products and services is now commonplace, and can take a number of forms, including paying social media "influencers" to create content promoting products, reposting content created by unpaid consumers (known as "user-generated content"), and posting original content on a business's own social media account. In the age of TikTok and Instagram Reels, such content often consists of video synched to music.

Companies capitalizing on popular trends by using music in this manner may be vulnerable to claims of copyright infringement if they do not first obtain a license from music copyright owners. A common misconception is that the use of popular music is authorized by social media platforms themselves, such as TikTok, which enables users to search for music and easily add it to videos. Indeed, many of the most popular social media sites have in recent years entered into licensing agreements with many of the major record labels and music publishers that permit the platforms' users to synch copyrighted music to their videos.[1]

However, and although the terms of these agreements are closely guarded secrets, these licenses generally do not extend to commercial uses. Indeed, Facebook and Instagram make this clear in their terms and conditions.[2] And, in May of 2020, TikTok introduced their Commercial Audio Library, a royalty-free library of music pre-cleared for commercial use, "so businesses don't have to go through the lengthy process of obtaining licenses on their own."[3] However, because the platforms in most cases do not prevent commercial accounts from uploading or reposting videos containing popular music, the onus is on the account holders to ensure any such use is properly licensed.

Generally, that means obtaining — and paying for — two separate licenses for each piece of music used: one from the owners of the copyright in the musical composition and one from the owners of the copyright in the sound recording. While this can quickly become expensive, especially for a company with a robust social media presence, businesses that neglect to obtain the necessary licenses may find themselves facing considerably more costly claims for copyright infringement. For businesses unwilling to pay to license popular music, the most prudent course would be to stick to using (albeit less recognizable) royalty-free music available through libraries such as TikTok's Commercial Audio Library.

Once a claim for music copyright infringement is asserted, a business using unlicensed music on social media would be wise to promptly take down or remove the audio from allegedly infringing content, mindful of any obligation to preserve the infringing content under state and federal rules that may require preservation of evidence. Failure to preserve the content may subject litigants to sanctions, potentially including adverse inferences that could harm the party's chance of defeating the claims, limiting damages, or negotiating a favorable settlement.[4]

Even in clear-cut cases of infringement, determining the appropriate amount of damages can be a nebulous proposition. Under the Copyright Act, a plaintiff may elect between (1) statutory damages, capped at a maximum of $30,000 per work infringed, or $150,000 per work in the case of willful infringement, and (2) actual damages, plus any profits of the infringer attributable to the infringement.[5] One method of determining actual damages in cases of music copyright infringement is to evaluate what a willing buyer would have paid a willing seller to license the work for the use made.[6] At least one court has held that such a determination must be based on the actual use made of the copyrighted work, even if the copyright owner would not have licensed it for that particular type of use.[7] Thus, where the copyright holder seeks actual damages, fixing the amount of a hypothetical license fee is necessarily a fact-specific inquiry that must take into account, among other things, the length of the audio clip used, the length of time the post was available to the public, and the degree to which the visual and audio components were intertwined (for example, music merely playing in the background versus a video of someone lip synching song lyrics).

In the absence of comparable licenses to serve as an appropriate benchmark, determining the fair market value of the use made can be challenging. By seeking a license in the first instance, the potential licensee can determine whether there is a license fee the copyright holder would accept that the licensee would be willing to pay, while avoiding the pitfalls that may arise from an unlicensed use.

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(1) *See, e.g.*, J. Clara Chan, Snap Strikes Licensing Deal With Universal Music Group to Bring Entire Catalogue to Snapchat, *Hollywood Reporter*, June 24, 2021; Caleb Triscari, Universal Music Group strikes licensing deal with TikTok, *The Music Network*, February 9, 2021; Ethan Millman, TikTok Has a New Deal With Sony Music to Promote More Sony Artists, *Rolling Stone*, November 2, 2020; Facebook Signs "Holistic" Licensing Deal with Warner Music Group, Music Business Worldwide, March 9, 2018.

(2) *See Music Guidelines*, FACEBOOK, https://www.facebook.com/legal/music_guidelines (last visited Jan. 13, 2022) ("Use of music for commercial or non-personal purposes in particular is prohibited unless you have obtained appropriate licenses.").

(3) Explore royalty-free music in our new Audio Library, *TikTok for Business*, December 16, 2021.

(4) *See* Fed. R. Civ. P. 37(e).

(5) 17 U.S.C. § 504.

(6) *See Dash v. Mayweather, 731 F.3d 303, 313 (4th Cir. 2013); Davis v. The Gap, Inc., 246 F.3d 152, 166, 171-72 (2d Cir. 2001).*

(7) *See Country Road Music, Inc. v. MP3.com, Inc.*, 279 F. Supp. 2d 325 (S.D.N.Y. 2003); *see also Davis*, 246 F.3d at 166, n.5 (noting that "the fair market value to be determined is not of the highest use for which plaintiff might license but the use the infringer made").

Flagrant Infringement of Unregistered Design Rights of Fashion Brand Penalized by UK High Court

By Tegan Miller-McCormack

Both IP practitioners and fashion brands will be interested in the recent string of judgments in relation to the infringement of dresses designed and sold by House of CB and Mistress Rocks. Oh Polly brand was found to have 'flagrantly' infringed a number of the Claimant's UK and EU unregistered designs and was ordered by the court to pay substantial damages.

Background

Original Beauty Technology under its brands House of CB and Mistress Rocks (the Claimant) and G4K Fashion (the Defendant) under its Oh Polly brand are competitors operating very similar businesses selling fashion items aimed at young women, particularly bandage and bodycon dresses, to be worn on a night out.

In February 2021, His Honour Judge David Stone considered the possible infringement by the Defendant of 20 selected garments out of 91 garments. He found that seven of the garments infringed the Claimant's UK unregistered design rights (UKUDR) and Community unregistered design rights (CUDR). It was found that the Defendant had been taking images of the Claimant's garments and sending them to its factories to be reproduced. A claim for passing off was dismissed.

The December 20, 2021 judgment on damages, which is the focus of this article, was the ninth judgment handed down in what has been a long-running dispute between the parties.

What Damages Were Awarded?

The parties and Stone agreed the law to be applied in respect of standard damages was as summarized in *Ultraframe*.[1] Stone said he had particularly kept in mind that that (i) damages are to be assessed liberally, (ii) with the object to compensate the claimant and *not* punish the defendant, and (iii) where damages are difficult to assess, the court should make the best decision it can, having regard to 'all the circumstances of the case and dealing with the matter broadly, with common sense and fairness.'

Stone broke down his calculation of the damages under the following three categories.

1. Lost profit damages

The Claimant put forward the following calculation for lost profit damages:

> "Lost profit = number of lost sales of the Infringing Garment (Lost Sales) x total per-unit profit for the Claimant's garments incorporating the respective Infringed Design (Per Unit Profit)
>
> Lost Sales = total number of Defendant's sales of Infringing Garment x P
>
> P = the probability that a sale in fact made by the Defendant of an Infringing Garment was to a customer who would have purchased the respective Claimant's Garment had the Infringing Garment not been available."

The Claimant's pleadings valued P at 1, i.e. every infringing sale made by the Defendant was a sale lost by the Claimant, later changing its plea to P = 0.25.

While the Defendant agreed with the calculation, it disputed the value of P, maintaining P = 0.

Stone held there was 'no doubt' that at least one of the infringing sales was a sale lost by the Claimant. On the basis of the available evidence, he concluded that P = 0.2.

The Claimant was awarded £74,847.92 ($101,453.59) in lost profits.

2. Reasonable royalty

Damages based on reasonable royalty can apply only to any sales which have not been compensated for as lost sales. A reasonable royalty is to be assessed by considering what a willing licensor and a willing licensee would have agreed in a hypothetical negotiation.

It was taken into account (among other reasons): (i) the Defendant had no in-house designer at the time of the infringements, (ii) the Defendant had no other source of on-trend designs, which was required to maintain the success of the business, (iii) the parties were competitors, and (iv) the Claimant was not running a licensing business, so would therefore require an income worth the administrative effort for entering into a license agreement.

Stone estimated the Defendant would have been prepared to pay a royalty rate of 10 percent with a minimum royalty of £4,000 for each design, whether whole or part.

In total, the reasonable royalty was assessed at £75,276.64 ($102,034.85).

3. Additional damages

Stone held the Claimant was entitled to additional damages as a result of the flagrancy of the Defendant's infringement, particularly taking into account his finding that the Defendant's key witness was dishonest and untrustworthy. Further, despite being put on notice of the Claimant's rights in 2016 and after the Claim form was issued to the Defendant in 2020, the Defendant still continued to offer for sale the infringing items until December 2020.

Taking into account the serious, flagrant and large scale infringement of the Defendant (being the sale of 15,393 infringing garments), the conduct of the Defendant, and the need to deter both the Defendant and other future copyists, Stone awarded £300,000 ($406,639.50) in additional damages.

He noted this represents an uplift of 200 percent on the standard damages and amounts to £19.50 per garment. He finally noted the total award was more than the gross profit the Defendant made from the infringement (leaving the Defendant out of pocket), which was required to punish and deter from future infringement.

The total damages payable by the Defendant was £450,124.56 ($610,168.60).

Why is this judgment notable?

"*Damages enquiries are rare in intellectual property cases*" began Stone at the start of his ruling. There is no doubt therefore that this judgment will be referred to and relied on in cases of infringement of design rights going forward. For fashion brands that frequently

see their designs ripped off by fast fashion companies, this case is likely to bring assurance that flagrant copying — of registered and unregistered designs — will be compensated appropriately by the UK courts.

(1) Ultraframe (UK) Limited v Eurocell Building Plastics Limited and Anor [2006] EWHC 1344 (Pat)

New Year, New Requirements for New York Employers

By Michelle A. Gyves

Employers in New York should be aware of the following key legal requirements and employee protections coming into effect in 2022:

- **Workplace Vaccine Mandate:** All workers in New York City who perform in-person work or interact with the public must show proof that they have received at least one dose of a COVID-19 vaccine by December 27, 2021 and must show proof of a second dose (if applicable) within 45 days of submitting proof of the first dose (i.e., by no later February 10, 2022). Employers are required to provide accommodations for medical or religious reasons and should develop a procedure for processing requests for accommodation. The New York City Commission on Human Rights has provided guidance on accommodations available here.

- **Salary Disclosures in Job Postings:** As of May 15, 2022, employers in New York City with four or more employees (and all employers of domestic workers, regardless of employer size, as discussed below) will be required to include in all job postings (including those for internal promotion or transfer opportunities) the minimum and maximum salary for the applicable position. The law clarifies that "[i]n stating the minimum and maximum salary for a position, the range may extend from the lowest to the highest salary the employer in good faith believes at the time of the posting it would pay for the advertised job, promotion or transfer opportunity." The protections of the law apply to interns, freelancers and independent contractors, as well as employees. Temporary help firms (i.e., temp agencies) are not required to comply with the law's requirements, although they do have wage disclosure requirements under other laws including the New York State Wage Theft Prevention Act.

- **Whistleblower Protections:** As of January 26, 2022, employees, former employees and independent contractors throughout New York State have expanded protections from adverse employment actions in retaliation for whistleblower activities. Specifically, an individual is protected from retaliatory action because he or she "discloses, or threatens to disclose to a supervisor or to a public body an activity, policy or practice of the employer that the employee reasonably believes is in violation of law, rule or regulation or that the employee reasonably believes poses a substantial and specific danger to the public health or safety." Previously, the protections of the law applied only to current employees and only to reporting actual violations of law that created a danger to public health or safety or that constituted health care fraud. Employers will be required to post a notice in the workplace informing employees of their rights under the law.

- **Notice of Workplace Monitoring:** Effective as of May 7, 2022, all employers in New York State must provide to all employees at the time of hire (and must post in a conspicuous place within the workplace) a written notice if the employer monitors or otherwise intercepts telephone or email conversations or transmissions or internet access or use using any electronic device or system. Employees must acknowledge this notice electronically or in writing.

- **Minimum Wage and Exempt Salary Increases:** As of December 31, 2021, the minimum wage throughout New York State (except New York City and Nassau, Suffolk and Westchester counties) increased to $13.20 per hour and the minimum salary to be classified as exempt under the executive or administrative exemptions increased to $990 per week (or $51,480 per year). The minimum wage for Nassau, Suffolk and Westchester Counties increased to $15 per hour and the minimum salary to be classified as exempt increased to $1,125 per week ($58,500 per year). (These rates have been in effect for all employers in New York City since December 31, 2019.)

- **Protections for Domestic Workers:** Effective as of March 12, 2022, the employment protections of the New York City Human Rights Law will apply to all domestic workers (such as nannies, housekeepers, and home care workers) regardless of the size of the employer. Previously, the employment protections of the NYCHRL applied only to employers of four or more employees, meaning that most household employees were not covered. Among other impacts, this means that domestic employers will be subject to new requirements and restrictions with respect to conducting background checks on employees and candidates for employment.

Save the Date

27th Annual Conference on the Forum on Communications Law

February 24-26, Santa Barbara

Learn more about the conference.

INTA 2022 Annual Meeting Live+

April 30 to May 4

Learn more about the INTA Annual Meeting.

Recognitions/Events

Katten Excels on "Best Law Firms" 2022 List by *U.S. News – Best Lawyers®*

Katten's Trademark, Intellectual Property Litigation and Music practices were among 26 practice areas recognized nationally in the 2022 edition of *U.S. News – Best Lawyers®* "Best Law Firms." Based on ratings from clients and peers, achieving a ranking signals an exceptional combination of quality work and breadth of legal knowledge in a particular practice area.

See the complete list of Katten practice areas recognized.

Association of National Advertisers Brand Activation Legal Committee Presentation

Intellectual Property partners **Michael Justus** and **Sean Wooden**, and associates **Dagatha Delgado**, **Matthew Hartzler** and **Jeremy Merkel**, presented at the ANA Brand Activation Legal Committee Meeting on December 16. They provided updates on recent NAD decisions, class action and Lanham Act case updates, and updates on Privacy Law and FTC Enforcement Actions.

Learn more about the ANA Brand Activation Legal Committee Meeting.

Media Law Resource Center Quarterly Meeting Presentation

Intellectual Property partner **Jessica Kraver** presented on the topic of non-fungible tokens (NFTs) during the MLRC Cal Chapter Quarterly Meeting on December 9. The meeting covered what the fallout from Britney Spears' viral court testimony says about the state of public access to California courts a year and a half into the pandemic, and a primer on NFTs and what legal issues to be aware of when counseling clients.

Learn more about the Media Law Resource Center.

INTA Annual Meeting

Intellectual Property partner **Michael Justus** hosted the INTA Annual Meeting New York Mini-Conference on November 16, the first in-person INTA Annual Meeting event in two years. The conference included topics such as sustainability and DEI, and provided strategies to help attendees stay ahead of trends and changes in the field. He also moderated "The Holistic Brand Lawyer: Stretching Your Practice Beyond Trademarks," a virtual session that touched upon significant recent developments in advertising and privacy law and other trademark-adjacent areas in the United States and South America.

Learn more about the 2021 INTA Annual Meeting.

2021 WWD Beauty CEO Summit: A World Changing, A Business Transforming

Intellectual Property partner **Karen Artz Ash** and associate **Alexandra Caleca** attended the 2021 WWD Beauty CEO Summit November 17-18 in New York City. The event, sponsored by Katten, was in-person for the first time since 2019 and featured 25 speakers, including Keys Soulcare founder Alicia Keys.

Learn more about the summit.

Katten Attorneys Lauded for Pro Bono Service

Four Intellectual Property attorneys were recognized by the firm for their exceptional commitment to pro bono in 2021. Recognized as "advocates for the powerless, voices for the unheard and champions for society's most vulnerable" were New York partner **Trisha Sircar**, London senior associate **Sarah Simpson**, and Washington, DC, and Chicago associates **Kristin Lockhart** and **Catherine E. O'Brien**.

Learn more about select projects and about Katten's commitment to pro bono.

In the News

'Tiger King' Accused of Swiping Movie Clips

Intellectual Property partner **Terence Ross** appeared as a guest on June Grasso's daily radio show "Bloomberg Law" to discuss the copyright infringement lawsuit involving the use of "Ace Ventura 2" clips in the hit Netflix series "Tiger King." Terry explained an alternative to the common fair use defense, namely the *de minimus* use defense.

Listen to the podcast version of the show.

Difficult path ahead for new ICO head John Edwards

London associate **Tegan Miller-McCormack** spoke to *Compliance Week* about possible pitfalls facing the United Kingdom's new information commissioner, John Edwards. Tegan discussed the potential tension between the country's efforts to reform data protection laws and its adequacy agreement with the European Union.

Read the article.

Copyright Cases To Watch In 2022

Katten partners **Tami Kameda Sims** and **Floyd Mandell** spoke to *Law360* about the major copyright cases to look out for this year.

Read the article.

Advisory: Spotlight on Requirement to Appoint an EU Data Protection Representative

Privacy, Data and Cybersecurity attorneys in New York and London published a client alert on November 30 covering the EU GDPR consequences for failing to appoint a Data Protection Representative based in an EU member state and/or in the UK.

Read the advisory.

Trademark Lawyers Have Become a Key Backstop for Identifying Legal Issues

Michael Justus spoke with *INTA Daily News* about the opportunities and risks that tech adoption and a social media culture have opened for advertising campaigns.

Read more.

Advisory: Key Data Protection Considerations for Companies Doing Business in the UK/EU

London lawyers published a Privacy, Data and Cybersecurity advisory on November 5 covering the ways Katten helps clients comply with GDPR obligations.

Read the advisory.

Katten

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