

FEBRUARY 2023

DEVOTED TO
LEADERS IN THE
INTELLECTUAL
PROPERTY AND
ENTERTAINMENT
COMMUNITY

VOLUME 43 NUMBER 2

THE *Licensing*
Journal®

Edited by Gregory J. Battersby and Charles W. Grimes



Wolters Kluwer



Fashion Licensing

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Great buzz resulted from the World Bank study showing that the fashion industry is responsible for about 10% of annual global carbon emissions—more than international flights and maritime shipping combined.¹ While this news may not come as shocking in principle, the quantification of the impact is powerful. The finding is only going to exacerbate the trend that sees consumers and investors holding fashion companies increasingly accountable for the sector's fast pace of production, labor practices, pollution, and biodiversity impact. Modern consumers want to do business with brands who incorporate ethical practices into their business models and are concerned about their environmental impact.

Intuitively, upcycling may seem like a viable answer to these concerns so why has it been lagging?

Law and Optics

Upcycling is the practice of repurposing an item, namely a used and genuine luxury item, by either improving on it or making an entirely new item—promoting circular fashion and avoiding that “deadstock” luxury items end up with an even higher overall environmental impact due to cost of destruction.

The Conundrum of Law

Upcycled items generally bear the original item's

trademark or distinctive feature that makes the original item identifiable as a luxury item. And just like that, the battle over intellectual property rights is served.

Generally, upcycled items are considered “resold” items—meaning that they are items already in the stream of commerce and that, upon modification, re-enter the market. Goods with these characteristics typically fall within the “first sale” doctrine, a well-established trademark infringement defense that allows the resale of products that bear someone else's intellectual property without the owner's permission as long as the item was lawfully acquired.

Based on this doctrine, a trademark owner's rights do not extend beyond the “first sale” because any subsequent sales do not violate trademark protection as long as there is no misrepresentation as to the original source of the item. Just like trademark infringement, application of the “first sale doctrine” hinges on whether consumers are likely to be confused as to the origin of the item. So, why are upcycled items the center of numerous recent lawsuits?

Because, of course, there is an exception to the “first sale” doctrine. Goods materially different from their original version do not fall within the scope of the doctrine. And upcycled items are, by their very nature, “materially different”.

The Legal Landscape

This exception resulted in a string of cases, starting from the 2017 case between Harley Davidson and Urban Outfitters for upcycled Harley Davidson t-shirts sold as bodysuits. Luxury brands, as well as sportswear companies, have resorted to court in an attempt to curb what they characterize as a tradeoff of their reputation due to the unauthorized use of their famous marks.

Nike, for example, made the news by suing MSCHF over customization of its famous footwear; in the luxury watch industry, both Rolex and Hamilton brought lawsuits against modified watches bearing their marks. Louis Vuitton and Chanel have also joined the fray in fighting customizations and upcycling. Louis Vuitton sued Sandra Ling Designs (SLD) alleging trademark infringement for sale of apparel, handbags, and accessories made from “purportedly authentic pre-owned” Louis Vuitton goods customized with stones, tassels, and beading. In two separate lawsuits, Chanel brought action against What Goes Around Comes Around (WGACA) for selling second hand Chanel bags and “misleading its customers” into believing it has an official relationship with Chanel. Most recently, Chanel sued Shiver & Duke over the sale of customized jewelry products featuring the iconic “CC” monogram on buttons.

Most of the upcycling cases identified above have settled, providing no substantive guidance as to the courts' stance on this phenomenon. However, courts have had the opportunity

to address—at least partially—the interaction between upcycling and the first sale doctrine. Key elements include the state of the resold product (the extent of its material difference), as well as appropriate terms and conditions disclaiming any potential affiliation with the original source of the goods. This will mitigate the risks.

The Question of Optics

From the perspective of consumers who are environmentally conscious, upcycling appears to be an effective way to reduce the environmental impact of the fashion industry in at least a few ways. First, it reduces the impact at the source: production of raw, new materials contributes to air and water pollution, as well as to greenhouse gas emissions. It also reduces the end-cycle impact by reducing landfill waste. Finally, lower circulation of goods means lower carbon emissions related to transport.

In addition to environment-related arguments, there are also non-economic considerations. For example, some consumers believe that limiting upcycling

restricts artists from expressing their creativity and raises freedom of speech concerns.

So why are companies fighting upcycling? Because upcycling means losing control. Allowing upcycling would result in partially yielding control of their trademarks. Trademarks are used to identify the source of a good or service and convey the reputation and value that a company built in the marketplace. For companies, losing control over the use of their trademarks would mean losing control over their reputation and value. Especially for luxury brands, reputation and quality are critical.

Allowing upcycling would also result in a partial loss of control over a company's communication strategy. Non-affiliated entities (other companies, artists, etc.) who significantly alter the original product while maintaining the elements that identify the original source can convey, with these upcycled items, a completely new message that the original source may not endorse. Arguably, this is one of the reasons why Nike initiated a lawsuit against MSCHF—"decisions about what products to put the SWOOSH on belong to Nike,

not to third parties". *Nike, Inc. v. MSCHF Product Studio Inc.*, Case No. 21-cv-1679.

Ultimately, for companies, the balance between appealing to environmentally conscious consumers, fostering creativity, and safeguarding their reputation becomes also a question of optics.

An attorney at Rothwell Figg, Davide Schiavetti specializes in counseling clients from European countries on navigating the legal trademark and copyright aspects of their entry into the North American market. For clients including some of Italy's most well-known global names, such as Valentino, Ferrero, Lavazza, Soremartec, Barilla, and Fiat, he counsels in trademark prosecution in the U.S. Patent and Trademark Office (USPTO) as well as litigation in both federal District Courts and the Trademark Trial and Appeal Board (TTAB). As an advocate, he represents clients in all stages of TTAB litigation (both opposition and cancellation proceedings), as well as in regular district court litigation. This includes drafting pleadings, assistance with discovery, and providing counsel through every phase of trial.

1. The World Bank, How Much Do Our Wardrobes Cost to the Environment?, September 23, 2019, <https://www.worldbank.org/en/news/feature/2019/09/23/costo-moda-medio-ambiente>.

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