

NOTE

CURTAILING COPYCAT COUTURE: THE MERITS OF THE INNOVATIVE DESIGN PROTECTION AND PIRACY PREVENTION ACT AND A LICENSING SCHEME FOR THE FASHION INDUSTRY

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INTRODUCTION

Forever 21, a “cheap-chic” fashion retailer that sells trendy clothing at affordable prices, currently operates more than 450 stores in nearly twenty countries,¹ including a four-level, 90,000-square-foot building equipped with 151 fitting rooms in New York City’s Times Square.² Started in 1984 as a husband-and-wife operation in a low-rent area of Los Angeles, the company reached \$1 billion in revenues in 2006, catapulting itself into the ranks of the top 500 privately held companies in the United States.³ The interesting twist in Forever 21’s success story, however, is that this fashion megaretailer has no design team of its own.⁴ Instead, it functions through “savvy designer merchants” who attend runway shows and take note of the latest “runway hits” that they can duplicate.⁵ These duplicated designs then arrive on Forever 21’s shelves in weeks, sometimes even before the originals hit their own markets. Not only do these designs appear in market-shattering time, but they are often direct copies of the originals—identical in color and pattern and even in fabric type and garment measurements.⁶

While some designers have brought lawsuits against Forever 21,⁷ this copying of couture fashion has left most designers with few legal

¹ *America’s Largest Private Companies, #196: Forever 21*, FORBES.COM, http://www.forbes.com/lists/2010/21/private-companies-10_Forever-21_SI70.html (last visited Oct. 3, 2011).

² Mary Billard, *Park As Long As You Like*, N.Y. TIMES, June 24, 2010, at E6.

³ Jeff Koyen, *Steal This Look: Will a Wave of Piracy Lawsuits Bring Down Forever 21?*, RADAR MAGAZINE (Feb. 26, 2008), available at <http://sit-back-relax.tressugar.com/interesting-story-Forever-21-1074976>.

⁴ See Liza Casabona, *Retailer Forever 21 Facing a Slew of Design Lawsuits*, WOMEN’S WEAR DAILY, July 23, 2007, at 12 (“Forever 21 does not have its own design team, and in litigation has said it is simply purchasing the designs created by its vendors.”). In a recent interview, a Forever 21 executive noted that the company has “gotten much better at [its] processes” and is attempting to put together its own design team, but the specifics of this development have been concealed as “a trade secret.” See Susan Berfield, *Steal This Look!*, BLOOMBERG BUSINESSWEEK, Jan. 24–30, 2011, at 90.

⁵ Ruth La Ferla, *Faster Fashion, Cheaper Chic*, N.Y. TIMES, May 10, 2007, at G1.

⁶ *Is Forever 21 the Fashion Industry’s Napster?*, PW STYLE (Apr. 13, 2009, 1:09 PM), <http://blogs.philadelphiaweekly.com/style/2009/04/13/is-forever-21-the-fashion-industrys-napster/>.

⁷ Parties including Diane von Furstenburg, Anna Sui, Anthropologie, and Gwen Stefani have filed over fifty lawsuits against Forever 21 for copyright infringement. Forever 21 settled most of these cases out of court. See David Lipke, *Trovata, Forever 21 Suit Heading to Trial*, WOMEN’S WEAR DAILY, Apr. 13, 2009, at 2 (“Barring a last-minute settlement, law-

remedies. This is because U.S. intellectual property (IP) law, while protecting the logos and brand names of fashion houses as well as the fabric prints used on garments, currently does not provide protection for the actual fashion *design* itself.⁸ As a result, it is usually permissible to copy the precise construction and design of a garment even if the copy is virtually indistinguishable from the original.⁹ Ironically, this lack of protection for fashion designs stems from U.S. copyright law itself, which states that copyright protection does not extend to “useful articles.”¹⁰ Because the expressive and innovative components of fashion designs are most often not separable from their functional aspects, the law has left such designs without any copyright protection in the domestic market. Thus, one of the most creative aspects of the fashion industry—the actual design of the garments—receives no effective legal protection under the current U.S. legal system.¹¹

In an effort to restrain the copying of fashion designs, Representative Robert Goodlatte introduced the Innovative Design Protection and Piracy Prevention Act (IDPPPA) on July 13, 2011, which proposes to amend Title 17 of the U.S. Code and extend copyright protection to new and original designs for apparel and accessories.¹² This bill follows another introduced last year under the same name,¹³ which passed the Senate Committee of the Judiciary with unanimous approval before the congressional session ended in December 2010.¹⁴

yers familiar with Forever 21’s extensive litigation history said [the Trovata suit] would be the first time the rapidly expanding retailer faces a jury that will determine whether it illegally clones other companies’ designs.”).

⁸ George Gottlieb et al., *An Introduction to Intellectual Property Protection in Fashion*, in *Fashion Law: A GUIDE FOR DESIGNERS, FASHION EXECUTIVES, AND ATTORNEYS* 35, 39 (Guillermo C. Jimenez & Barbara Kolsun eds., 2010).

⁹ *Id.*

¹⁰ 17 U.S.C. § 101 (2006) (“[T]he design of a useful article . . . shall be considered a [copyrightable] work only if, and only to the extent that, such design incorporates pictorial, graphic, or sculptural features that can be identified separately from, and are capable of existing independently of, the utilitarian aspects of the article.”). One exception to this useful article provision is vessel hull designs; the Vessel Hull Design Protection Act of 1998 grants *sui generis* protection for such designs without requiring form and function separation. See *id.* §§ 1301–32.

¹¹ See Gottlieb, *supra* note 8, at 39 (“It is surprising to many fashion professionals that one of the most creative aspects of their industry, that is, fashion design for garments, does not receive legal protection . . .”).

¹² Innovative Design Protection and Piracy Prevention Act, H.R. 2511, 112th Cong. (2011).

¹³ Innovative Design Protection and Piracy Prevention Act, S. 3728, 111th Cong. (2010).

¹⁴ The Senate Committee of the Judiciary unanimously approved Senate Bill 3728 on Dec. 6, 2010, but the 111th Congress adjourned before passing the bill. See BRIAN T. YEH, CONG. RESEARCH SERV., RS 22685, COPYRIGHT PROTECTION FOR FASHION DESIGN: A LEGAL ANALYSIS OF LEGISLATIVE PROPOSALS 1, 3 (2011) (summarizing the legislative history of S. 3728). Legal experts have noted the significance of S. 3728 and the Committee’s unanimous approval. See, e.g., *IP Update - The 2010 Fashion Bill: Inching Towards Protection*, FINNEGAN (Dec. 6, 2010) [hereinafter *IP Update*], <http://www.finnegan.com/publications/>

In order to address the conflicting interests of designers, retailers, and the consumer public, the IDPPPA provides limited protection for designs that are “unique, distinguishable, non-trivial and non-utilitarian variation[s] over prior designs.”¹⁵ If passed, this bill would create the first statutory right for fashion-design protection in U.S. history.

This Note argues that the IDPPPA is a beneficial step toward achieving a balance between protection and innovation in the fashion industry. If enacted, it would properly protect the most creative designs while maintaining the industry’s flexibility to build upon trends through permissible use of previous designs. Part I of this Note outlines the current state of protection for fashion designs, not only in the realm of copyright law but also in trademark and patent law, and provides some background information on the history of fashion-design protection in the United States. It then discusses the “piracy paradox” doctrine and offers insight as to why copying is still prevalent in the industry. This Part ends with a discussion of the fashion industry’s need for design protection in light of the changing face of the global fashion market. Part II of this Note begins with a highlight of past legislative attempts to confer protection for fashion designs and clarifies how the IDPPPA will address some of the shortcomings of past legislative efforts. This section explains how the current bill strikes a balance between protecting designers and promoting the emergence and spread of new trends. Finally, Part III suggests coupling the IDPPPA copyright protection with a licensing business model to address some remaining shortcomings of the IDPPPA. This Part describes how a licensing scheme in collaboration with the IDPPPA would foster productive relationships among designers, manufacturers, and retailers, even beyond the three-year copyright term granted by the bill’s provisions.

I

THE DEBATE: THE U.S. FASHION INDUSTRY AND ITS NEED FOR FASHION-DESIGN PROTECTION

A. History of U.S. Fashion-Design Protection

The debate surrounding the need for design protection has been an ongoing topic on the U.S. legislative table for several decades and

updatenewsletters/pubdetail.aspx?pub=1dd6e2cb-4877-4d4c-a03d-2cbb3869255b (“The decision to send the IDPPPA for a full Senate vote not only suggests a forthcoming change in U.S. [c]opyright law bringing it closer to protection already provided in the European Union and Japan, but also marks a significant advancement for the long-overlooked proponents of intellectual property protection for fashion design.”).

¹⁵ H.R. 2511 § 2(a)(2)(B). This provision defines what articles should receive protection as “fashion designs,” including original elements of the apparel as well as original arrangements of such elements incorporated in the overall appearance of the apparel. *Id.*

dates back to the early 1900s.¹⁶ While copying has long been a widespread practice throughout the world, it has had a particularly strong hold with the U.S. fashion industry, which has had a “rich tradition of knocking off European designs” from as early as the inter-world war periods.¹⁷ During this time, a small selection of American producers attended Paris runway shows under strict invitation; designers gave out these invitations in exchange for “caution fees” and a promise to adhere to certain rules that, for example, prohibited publishing photos and sketches of the shows for a stated period of time.¹⁸ Although the process of making copies was quite arduous—requiring manufacturers to travel to France, measure each seam of the original design, and return to the United States to manufacture copies from their notes—it did not stop the U.S. manufacturers from imitating the designs.¹⁹ As this practice of copying designs spread and knockoffs began to fill the U.S. retail market, manufacturers decided to take action by setting up the Fashion Originators’ Guild of America. Established in 1932, the Guild monitored retailers by “red-carding” those who sold knockoffs and keeping a registry of original designs.²⁰

The Supreme Court’s first fashion-protection related case arose in 1941 as an antitrust claim against this Fashion Originators’ Guild.²¹ The Court ruled that the Guild’s requirement that designers register their original sketches was an unreasonable restraint of trade;²² in so doing, the Court effectively ended the first—and perhaps only—design protection scheme that this country has witnessed. The end of the Guild is said to have marked the beginning of the unrestrained

¹⁶ See, e.g., *Design Piracy Prohibition Act: Hearing on H.R. 5055 Before the Subcomm. on Courts, the Internet, and Intellectual Prop. of the H. Comm. on the Judiciary*, 109th Cong. 1 (2006) (opening statement of Rep. Lamar Smith, Chairman, Subcomm. on Courts, the Internet, and Intellectual Prop.) (“Design protection legislation has been introduced in Congress since 1914.”).

¹⁷ See Teri Agins, *Copy Shops: Fashion Knockoffs Hit Stores Before Originals as Designers Seethe*, WALL ST. J., Aug. 8, 1994, at A1 (noting that during the 1930s U.S. dress manufacturers would mimic fashion designs they saw while attending Parisian fashion shows).

¹⁸ TERI AGINS, *THE END OF FASHION: HOW MARKETING CHANGED THE CLOTHING BUSINESS FOREVER* 23–24 (2000).

¹⁹ See *id.* at 175 (“The manufacturers flew in from New York, laid the (couture) clothes out on a table, and measured each seem. They went back to New York to copy the dresses and then [the retailer] bought the copies.” (internal quotation marks omitted)); Kal Raustiala & Christopher Sprigman, *The Piracy Paradox: Innovation and Intellectual Property in Fashion Design*, 92 VA. L. REV. 1687, 1696 (2006) (“The technology [during the interwar and postwar periods] limited the swiftness with which copies could be made and marketed, but did not prevent copying.”).

²⁰ See James Surowiecki, *The Piracy Paradox*, NEW YORKER, Sept. 24, 2007, at 90 (“[American fashion manufacturers] set up the Fashion Originators['] Guild of America to monitor retailers and keep track of original designs . . .”).

²¹ *Fashion Originators’ Guild v. FTC*, 312 U.S. 457 (1941).

²² See *id.* at 465 (noting that the Guild violated Section 1 of the Sherman Act, which “makes illegal every contract, combination or conspiracy in restraint of trade or commerce among the several states”).

copying culture that still prevails today. That is, while fashion-industry firms have occasionally lobbied for expanded legal protection, they have met with little success, and the IP framework governing fashion designs today is essentially the same as that which existed in the 1930s during the era of the Fashion Originators' Guild.²³

B. Current State of U.S. Fashion-Design Protection

The United States is somewhat of an anomaly in the global fashion market in that it has yet to develop any IP regime that explicitly protects fashion designs. Both the European Union and Japan—two markets that, along with the United States, lead the fashion industry—have already adopted laws that protect fashion designs, making the United States one of the few remaining markets with a tolerant stance toward the “copy-and-sell” scheme.²⁴ For example, the European Union passed the European Community Design Protection Regulation in 2002, providing designers “with exclusive rights to use their designs in commerce, to enforce those rights against infringers, and to claim damages.”²⁵ While the success of the scheme is difficult to measure quantitatively, precedential European cases like *J Choo (Jersey) Ltd. v. Towerstone Ltd.*—in which an English court ruled in favor of Jimmy Choo and held that a retailer had infringed the company’s registered and unregistered design rights in a handbag²⁶—suggest the effectiveness of the European regime, particularly in protecting high-end fashion designers.²⁷ The United States’ divergence from these other countries in not granting fashion-design protection stems from the fact that the short life expectancy of fashion designs, as well as their functional purpose as clothing, pose significant obstacles in applying the various tenants of U.S. IP law—namely, trademark, patent, and copyright—to the fashion industry.²⁸ A simple overview of the shortcomings of each area of the law follows.

²³ See Raustiala & Sprigman, *supra* note 19, at 1698–99 (“In the more than six decades since *Fashion Originators’ Guild*, copying has continued apace.”).

²⁴ Lisa J. Hedrick, Note, *Tearing Fashion Design Protection Apart at the Seams*, 65 WASH. & LEE L. REV. 215, 242–52 (2008) (explaining the different fashion-design protection schemes implemented in Europe and Japan).

²⁵ Guillermo Jimenez et al., *Should the United States Protect Fashion Design? The Proposed Design Piracy Prohibition Act*, 19 N.Y. ST. B.A. BRIGHT IDEAS 11, 11 (Fall 2010).

²⁶ *J Choo (Jersey) Ltd. v. Towerstone Ltd.*, [2008] EWHC (Ch) 346, [21] (Eng.), available at <http://www.bailii.org/ew/cases/EWHC/Ch/2008/346.html>.

²⁷ Jimenez et al., *supra* note 25, at 12.

²⁸ Laura C. Marshall, Note, *Catwalk Copycats: Why Congress Should Adopt a Modified Version of the Design Piracy Prohibition Act*, 14 J. INTELL. PROP. L. 305, 309 (2007) (“For decades, designers have sought shelter for their work in nearly all areas of intellectual property law, including design patent, trademark, trade dress, and copyright. However, none of these fields of law has provided complete protection for fashion designs.”).

1. *Trademark Law*

While current trademark law can adequately protect logos, names, and other symbols placed on apparel, it does not extend to entire articles of clothing.²⁹ The Lanham Act, which governs federal trademark law, defines a trademark as a word or symbol used by a manufacturer to “identify and distinguish his or her goods . . . from those manufactured or sold by others.”³⁰ The primary objective of trademark law is to prevent customer confusion as to the source or quality of certain goods; hence, trademark law can protect the integrity of a designer’s brand name but does not provide enough rights of exclusivity over the goods to prevent the copying of their actual designs.³¹ This is not to say that trademark law completely denies protection for all design elements: if a design element is consistently produced over a period of time to an extent that it becomes associated with a particular designer, it can obtain trademark protection.³² However, in *Wal-Mart Stores, Inc. v. Samarra Bros.*, the Supreme Court set the evidentiary standard to establish trademark protection for fashion-design elements very high,³³ confirming the notion that fashion-design protection through trademark law is still an extremely difficult path to take in the U.S. market.

2. *Patent Law*

Alternatively, designers can turn to U.S. patent law, which provides the most robust form of IP protection for useful inventions and original designs through the issuance of utility and design patents.³⁴

²⁹ Kamal Preet, *Why America Needs a European Fashion Police*, 3 J. INTEL. PROP. L. & PRAC. 386, 388 (2008).

³⁰ 15 U.S.C. § 1127 (2006).

³¹ See Julie P. Tsai, Note, *Fashioning Protection: A Note on the Protection of Fashion Designs in the United States*, 9 LEWIS & CLARK L. REV. 447, 453 (2005) (“Trademarks serve as an indicator of source.”).

³² Two prominent examples of a design element receiving trademark protection are the Louis Vuitton “LV” logo and the Burberry tartan pattern. See *Louis Vuitton Malletier v. Dooney & Bourke, Inc.*, 454 F.3d 108, 116 (2d Cir. 2006) (“[Louis Vuitton’s logo] is protectable [under trademark law] both because it is inherently distinctive and because it has acquired secondary meaning.”); *Burberry Ltd. v. Euro Moda, Inc.*, No. 08 Civ. 05781, 2009 WL 1675080, at *5 (S.D.N.Y. June 10, 2009) (“Burberry has used its marks continuously for the past five years, making its own right to use the marks incontestable.” (internal citation omitted)).

³³ 529 U.S. 205, 211–16 (2000) (holding that trade-dress provisions cannot protect fashion designs unless they have “secondary meaning” or meaning acquired through association with the product’s maker). Fashion designs usually do not remain unique in the market long enough to acquire secondary meaning, however, making the application of trade-dress protection extremely difficult. See Marshall, *supra* note 28, at 312–14; *infra* notes 59–63 and accompanying text.

³⁴ Cf. RAYMOND T. NIMMER, *THE LAW OF COMPUTER TECHNOLOGY* § 2.01 (1985) (“[P]atent law protections are substantially more robust and pertinent to industrial concerns than are any potential applications of copyright law.”); Ruth L. Okediji, *The Interna-*

Design patents in particular protect the “configuration or shape of an article, to the surface ornamentation applied to an article, or to the combination of configuration and surface ornamentation”³⁵ and would seem to be a promising means to protect fashion designs. However, while design patents may protect the “ornamental” design of any product or component of a product—such as the ornamentation on a belt buckle or an eyeglass frame³⁶—the rigid criteria for patent qualification have averted designers from seeking this option for fashion designs. To be eligible for a patent, a work must be a new invention³⁷ and must present a nonobvious improvement over prior art.³⁸ Courts have generally considered fashion designs to fail these criteria, noting that a new fashion design is not substantially different enough from prior designs to be termed an “invention.”³⁹ Because many fashion items have fixed parameters—a shirt must have sleeves, a bag must have handles—there are substantial limits on the novelty and obviousness arguments that designers can make to obtain patent protection.

Moreover, considering that designers produce several different lines for each three- to six-month season, the length of time required to acquire a patent is prohibitively long and the costs prohibitively expensive.⁴⁰ The U.S. Patent and Trademark Office takes an average of over twenty-five months from filing to reach an initial determina-

tional Intellectual Property Roots of Geographical Indications, 82 CHI.-KENT L. REV. 1329, 1356 n.144 (“Exclusivity in trademark law is, of course, not as robust as it is in patent law.”).

³⁵ U.S. PATENT AND TRADEMARK OFFICE, A GUIDE TO FILING A DESIGN PATENT APPLICATION 1 (2005), available at http://www.uspto.gov/web/offices/com/iip/pdf/brochure_05.pdf; see 35 U.S.C. § 171 (2006) (“Whoever invents any new, original and ornamental design for an article of manufacture may obtain a patent therefor . . .”).

³⁶ Gottlieb et al., *supra* note 8, at 60.

³⁷ 35 U.S.C. § 102(a) (“A person shall be entitled to a patent unless . . . the invention was known or used by others in this country, or patented or described in a printed publication in this or a foreign country, before the invention thereof by the applicant for patent . . .”).

³⁸ *Id.* § 103(a) (“A patent may not be obtained . . . if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains.”); see *Graham v. John Deere Co.*, 383 U.S. 1, 17–18 (1966) (holding that nonobviousness can be determined through basic factual inquiries into the scope and content of the prior art, the differences between the prior art and the claims at issue, and the level of skill possessed by a practitioner of the relevant art).

³⁹ See, e.g., *Vanity Fair Mills, Inc. v. Olga Co.*, 510 F.2d 336, 340 (2d Cir. 1975) (reversing the lower court’s grant of design-patent protection on women’s briefs that provided sufficient elastic strength to flatten the abdomen without causing discomfort because the design failed to present a new “invention”).

⁴⁰ See Biana Borukhovich, Note, *Fashion Design: The Work of Art That Is Still Unrecognized in the United States*, 9 WAKE FOREST INTEL. PROP. L.J. 155, 163–64 (2009) (noting that due to the delay and costs associated with obtaining a patent, “the world of fashion cannot make effective use of the patent system”).

tion on the patentability of an invention,⁴¹ and designers cannot risk waiting over two years to release their fashion designs on the market.⁴² Because of all these obstacles that patent law presents when applied to fashion pieces, designers normally opt out of seeking patent protection for their work.⁴³

3. Copyright Law

The final and most logical option for the protection of fashion designs is U.S. copyright law, which protects “original works of authorship fixed in any tangible medium of expression.”⁴⁴ Compared to trademark and patent protection, copyright protection is quick and convenient to obtain, as it is acquired as soon as the design is fixed into concrete form; thus designs obtain constructive legal protection at the instant they are drawn on paper.⁴⁵ However, while copyright law protects “original expressions,” which include graphics and text, it excludes “useful articles” that have intrinsic utilitarian functions.⁴⁶ This exclusion reflects Congress’s desire to prohibit manufacturers from monopolizing designs dictated solely by the article’s function.⁴⁷ Fashion accessories are considered decorative items—hence nonfunctional—and are eligible for copyright protection, but the shape and design of the apparel are considered to be “utilitarian” and not eligible for protection.⁴⁸ As a result, copyright protection extends only to the completely decorative elements of the garment, like the patterns or images on the fabric, and not to the design itself.

⁴¹ U.S. PATENT AND TRADEMARK OFFICE, PERFORMANCE AND ACCOUNTABILITY REPORT: FISCAL YEAR 2010, at 18 (2010), available at <http://www.uspto.gov/about/stratplan/ar/2010/USPTOFY2010PAR.pdf>.

⁴² See Borukhovich, *supra* note 40, at 164 (“Since designs and patterns are usually short-lived, obtaining a patent for a design becomes pointless because by the time a manufacturer receives a patent for the manufacturer’s item, there is a high likelihood that the item has already been imitated.”).

⁴³ See *id.*

⁴⁴ 17 U.S.C. § 102(a) (2006).

⁴⁵ Gottlieb et al., *supra* note 8, at 54.

⁴⁶ Under the Copyright Act, the design of a useful article is considered copyrightable “insofar as the design incorporates pictorial, graphic, or sculptural features that can be identified separately from, and are capable of existing independently of, the utilitarian aspect of the article.” Victoria Elman, Note, *From the Runway to the Courtroom: How Substantial Similarity Is Unfit for Fashion*, 30 CARDOZO L. REV. 683, 689 (2008) (citing 17 U.S.C. § 102).

⁴⁷ *Id.*

⁴⁸ Cf. *Chosun Int’l, Inc. v. Chrisha Creations, Ltd.*, 413 F.3d 324, 329 (2d Cir. 2005) (holding that elements of a sculpted animal Halloween costume could be separable from the overall design of the costume and therefore eligible for copyright protection); *Masquerade Novelty, Inc. v. Unique Indus., Inc.*, 912 F.2d 663, 670–71 (3d Cir. 1990) (holding that animal nose masks are nonuseful articles and protectable as sculptural works under the Copyright Act).

C. The Piracy Paradox and the Persistence of Copying in the U.S. Market

In considering the lack of protection for fashion designs, a natural question arises as to why U.S. IP law has been so restrictive in granting protection specifically to this area of work. Compared to the fashion industry, the movie, music, and publishing industries are more concentrated—meaning they are characterized by a small number of firms that produce a large share of total industry output—and, according to economic theory, are in need of less IP protection.⁴⁹ However, while these other industries have pushed for broad IP protection, the fashion industry, which is more decentralized and in more need of such protection, enjoys far less of it.⁵⁰ Scholars have argued that one likely reason for this discrepancy is that the fashion industry actually benefits from copying: copying fuels the creation of trends, which in turn, spurs the growth of the entire market.⁵¹ Because the average fashion consumer is fickle and may refuse to buy a new offering, fashion companies work with each other to exploit trends in a mutual manner, allowing for a greater chance of success in winning the consumer's approval over each newly released design.⁵² In this scheme, the “guilty copyists” actually become the grease on the wheels, rapidly delivering *haute couture* designs to the average consumer and spreading new trends to the greater populace in the process.

Moreover, fashion, at its core, is a highly imitative field, in which designers are often influenced by the same sources as well as by each other.⁵³ Designers continually recycle ideas in their designs, and these ideas themselves are made up from a standard repertoire of “parts”—sleeves, hems, pockets, and panels. Drawing the line between those designs that are original and those that have been derived from some other source is a fairly complex task. The industry thus seems to have accepted the norm of copying as part of its culture. Just as Coco Chanel once said that “being copied is the ransom of success,” it is well known that “knocking-off” is an extremely common part of

⁴⁹ See Raustiala & Sprigman, *supra* note 19, at 1695 (“Economic theory suggests that firms operating in concentrated markets often need IP protection less, especially when they possess non-IP forms of market power (preferred access to distributors, for example) that enable them to prevent free-riding and capture the benefits of their innovations.”).

⁵⁰ See *id.*

⁵¹ See *id.*

⁵² See Guillermo C. Jimenez, *Fashion Law: Overview of a New Legal Discipline*, in *FASHION LAW: A GUIDE FOR DESIGNERS, FASHION EXECUTIVES, AND ATTORNEYS*, *supra* note 8, at 3, 16 (“For example, if one season short skirts are in style, all manufacturers are soon producing short skirts. This communal following of trends reduces the risk of a fashion failure for any one firm, but also means that many fashion companies are doing the same thing at the same time.”).

⁵³ See *id.*

the fashion business.⁵⁴ For example, Ulla Vad Lane-Rowley notes that copying and “design interpretations” are common themes throughout her conversations with individuals in the fashion industry:

[I]t appeared that already within the first year spent in the fashion industry it was the rule rather than the exception to have experienced some form of contact with direct copying and design interpretations—more commonly referred to as the ‘rip-off’—from a competitor’s design. The reasons behind copying varied from increasing market share in a competitive business to a cost-cutting exercise to reduce the cost of research and development stages for products.⁵⁵

Some scholars have gone as far as to say that fashion firms have accepted appropriation of designs as a “fact of life,” noting that this diffidence stands in striking contrast to the heated condemnation of piracy in other creative industries.⁵⁶

One of the strongest arguments that supporters of the copying culture raise is that the unhindered, free exchange of designs has been the greatest driver of fashion innovation. As a *New York Times* reporter noted over fifty years ago, some believe that “[t]he life-force of the fashion industry is the circulation of style inspiration . . . If the rules were enforced against piracy, the fashion world would plunge into chaos and lose continuity.”⁵⁷ Professors Kal Raustiala and Christopher Sprigman have coined this phenomenon as the “piracy paradox” and have argued that weak IP rules, far from hurting the fashion industry, have been integral to its success. They claim that, while copying seemingly hurts the fashion industry by lowering incentives for designers, it actually promotes greater industry-wide sales and spurs innovation by creating a shorter lifespan for design trends.⁵⁸

The paradox arises from the concept of “induced obsolescence.” Under this theory, the basic dilemma underpinning the economics of fashion is that the industry not only depends on consumers liking a certain year’s designs but also relies on them becoming dissatisfied with these same designs so that they purchase the next year’s designs.⁵⁹ Clothing is a status-conferring good whose value is tied to the

⁵⁴ See Gioia Diliberto, *Vive le Knockoff*, L.A. TIMES, Oct. 10, 2007, at A21.

⁵⁵ ULLA VAD LANE-ROWLEY, USING DESIGN PROTECTION IN THE FASHION AND TEXTILE INDUSTRY 15 (1997).

⁵⁶ Raustiala & Sprigman, *supra* note 19, at 1691.

⁵⁷ Nan Robertson, *Fashion Piracy Extends from Paris to 7th Ave.*, N.Y. TIMES, Aug. 27, 1958, at 24.

⁵⁸ See David Jacoby & Judith S. Roth, “Wait ‘Til Next Year,” 5 BLOOMBERG LAW REPORTS—INTELLECTUAL PROPERTY (2011), available at http://www.schiffhardin.com/binary/jacoby-roth_bloomberg_jan2011.pdf.

⁵⁹ Surowiecki, *supra* note 20.

perception that others find value in it.⁶⁰ As a design begins to spread, its status-conferring value grows; however, at a certain point the design becomes so widespread that its status-conferring value is exhausted, and the consumer begins looking for new designs.⁶¹ Raustiala and Sprigman argue that the industry's goal is to quickly exhaust this status-conferring value so that consumers are induced to chase new designs. Copying is thus invaluable because it speeds up this process;⁶² designers must continue creating new designs in order to keep up with this rapid turnover in the market. The result, Raustiala and Sprigman claim, is a fashion industry in which there is more competition and innovation.⁶³

However, as argued in the next sections, this “induced obsolescence” model worked best in the fashion industry’s “older” era, when copying was a slower process that allowed an original designer to make use of a first-to-market advantage—even if this advantage lasted for only a short amount of time. As new technologies emerge and the copying process becomes drastically quicker and more efficient, a designer’s incentive to innovate will slowly wither, and the piracy paradox argument will become harder to defend. In light of such changes, the fashion industry will need more stringent IP protection to defend itself against a culture of copying that could eventually become a significant obstacle to its growth.

D. The Bottom Line: Why Fashion Designs Require Appropriate Protection

Advocates for copyright protection claim that the ability of designers to guard their designs from infringement and profit from them is the greatest driver of fashion innovation. Even Coco Chanel, who accepted that imitation is a form of flattery, drew the line with the overt theft of her designs and joined fellow designer Madeleine Vionnet in suing a copyist who was caught with forty-eight Chanel and Vionnet knockoffs.⁶⁴ Despite the reasons for supporting an IP-free copying culture, such as the piracy paradox, the lack of proper legal

⁶⁰ See Raustiala & Sprigman, *supra* note 19, at 1718–19 (“Particular clothing styles and brands confer prestige. A particular dress or handbag from Gucci or Prada has value, in part, because fashionable people have it and unfashionable ones do not.”).

⁶¹ See *id.* at 1720 (“To even a casual follower of fashion, the key point is obvious: what is initially chic rapidly becomes tacky as it diffuses into the broader public, and for true fashion junkies, nothing is less attractive than last year’s hot item.”).

⁶² See *id.* at 1722 (“As Miucci Prada put it recently, ‘We let others copy us. And when they do, we drop it.’” (citation omitted)).

⁶³ *Id.* at 1723–24.

⁶⁴ See Diliberto, *supra* note 54. The French court found the copyist guilty, establishing one of the first instances in which a court recognized that fashion designs as “real works of art . . . entitled to the same protection accorded authors and copyright holders.” *Id.* (omission in original).

protection for fashion designs hurts the industry in the long run: it curbs designers' incentives to innovate and hinders a new generation of designers from emerging. The fashion industry thus needs to adopt an IP regime that properly considers the changing nature of the industry and provides the appropriate balance of protection for fashion designs.

One reason why these copying schemes worked in the past is that they functioned on a tiered time frame: the original designers conceived the designs, delivered them to the market, and only then did the "copyists" begin their widespread imitations. In this scheme, the original designers maintained their competitive advantage. They maintained the position as "innovators" of new trends, receiving the recognition for which they worked. As a former designer for ready-to-wear apparel noted—"[j]ust keep ahead of the knockoffs and you'll be fine"⁶⁵—a delicate equilibrium could be maintained as long as the designers were one step ahead in delivering their designs to the market.

With the advent of digital technologies, the Internet, and a globalized outsourcing economy, however, this equilibrium has shifted, making the debate around design protection even more pertinent than before. Fashion copycats can now take digital photographs of new fashion items, transmit them to overseas factories for reproduction, and place these designs on the market before the company that originated the style can.⁶⁶ Because of these new technologies, an original designer no longer has a competitive advantage. As industry expert Gioia Diliberto notes, "[a] designer's success depends on the power of her clothes to command attention. If knockoffs—even poor imitations—show up first, the power is lost."⁶⁷

This issue is even more critical for independent designers and small- and medium-sized enterprises (SMEs), who do not have the manufacturing and production capabilities of major fashion houses and retailers. When copyists imitate their designs, the damages they suffer are significant⁶⁸ since these designers and SMEs do not have the

⁶⁵ See *id.*

⁶⁶ See Catherine S. Gratton, *The Necessity of Protecting Fashion Designs in the Internet Age*, LEXISNEXIS COMMUNITIES HUB FOR NEW ATTORNEYS BLOG (Jan. 20, 2011, 10:55 PM), <http://www.lexisnexis.com/community/lexishub/blogs/practiceareacommentary/archive/2011/01/20/the-necessity-of-protecting-fashion-designs-in-the-internet-age.aspx> ("[C]opiers instantly send digital photographs from fashion shows in New York or red carpet events in Los Angeles to low-cost manufacturers for copying and the copied designs are available within days for worldwide distribution through Internet auctioneers and brokers.").

⁶⁷ See Diliberto, *supra* note 54.

⁶⁸ See *Design Piracy Prohibition Act: Hearing on H.R. 5055 Before the Subcomm. on Courts, the Internet, and Intellectual Prop. of the H. Comm. on the Judiciary*, 109th Cong. 78 (2006) (statement of Susan Scafidi, Visiting Professor, Fordham Law School, Associate Professor,

capital or technology to mass produce their own designs and compete with the copyists. The result is a staggering difference in quantitative sales: for instance, when independent designer Narcisco Rodriguez designed Carolyn Bessette Kennedy's wedding gown, a copyist sold 80,000 copies, while Rodriguez was able to sell only forty-five.⁶⁹ Because the consumer segment most likely differs for Rodriguez and the copyist—Rodriguez would probably sell his gowns to a wealthier consumer tier for a higher price than the copyist would—this difference may not be a causal result of the copying. However, even if the copyist's actions do not directly impact the sales of the original designer's outfits, they nonetheless hurt the designer's incentive to innovate.⁷⁰ If mass-producing copyists can steal designs and take them to the marketplace faster, independent designers and SMEs will have little motivation to expose their new designs to the public or even take part in the arduous process of creating these new designs.

The greatest problem with such copying is that the reproduction of fashion designs often does not require sophisticated knowledge, creative skills, or expensive research and development.⁷¹ There is a drastic contrast between the relative ease of copying and the laborious process of designing, which requires a "number of complex elements such as colour, shape, aesthetics, fashion trends as well as functional aspects [to be] assessed and combined through the creative human intellect."⁷² The bulk of the work and intellect go into creating, not copying, the original design, so while copyists can easily take the designs that they see on the runway and churn out imitations, designers must put grueling effort into creating the original pieces—grueling effort for which they do not receive the appropriate return or recognition. Because industry norms do little to protect these designers, it is crucial that appropriate legal measures protect their interests.⁷³

We thus turn to the idea of copyright protection for fashion designs as the best solution to the designer's dilemma. As noted earlier, copyright provides a fast and relatively simple means of gaining pro-

Southern Methodist University) [hereinafter *Hearing*, Scafidi] (explaining how "a young wife and mother working from home" is particularly vulnerable to copying).

⁶⁹ Margaret Hallet, Fashion Design: Thinking Across Boundaries, World Intellectual Property Organization Seminar on Intellectual Property and Creative Small and Medium-Sized Enterprises in the Digital Environment (May 20, 2008), available at http://www.wipo.int/meetings/en/doc_details.jsp?doc_id=101384 (follow "PPT" icon).

⁷⁰ See *id.* (arguing that SMEs will have little incentive to innovate "if their design can be stolen by large retailers who have the ability to take the designs to the marketplace faster").

⁷¹ LANE-ROWLEY, *supra* note 55, at 15.

⁷² *Id.* at 14.

⁷³ See, e.g., *Hearing*, Scafidi, *supra* note 68, at 77 ("This is the constitutional intent of copyright law, to promote and protect the development of creative industries by ensuring that creators are the ones who receive the benefit of their own intellectual investments.").

tection for an original piece of work. Furthermore, through its doctrine of conceptual separability, copyright law has a mechanism for dealing with creations that are both functional and expressive. Under this doctrine, the artistic elements of a design can be distinguished from the design's basic function and thus may fall under copyright protection.⁷⁴ Fashion is considered to be "a creative medium that is not driven solely by utility or function" in which "designers are engaged in the creation of original works."⁷⁵ Accordingly, copyright law provides the best foundation for developing an appropriate doctrine to protect innovative fashion designs.

II

STRIKING A BALANCE: HOW THE IDPPPA GRANTS PROTECTION WHILE FOSTERING INNOVATION

A. Past Legislative Attempts to Create Fashion-Design Copyright

Over the past six years, there have been several legislative attempts to change the state of fashion-design protection in the United States through copyright law. All have met with little success. In 2006, Representative Robert Goodlatte introduced the Design Piracy Prohibition Act (DPPA), which was the first proposed extension of the Copyright Act.⁷⁶ The bill proposed a three-year period of protection specifically for fashion designs and required registration within three months of the design's publication as a prerequisite for enforcement.⁷⁷ Although the bill garnered support from several well-known designers and the Council of Fashion Designers of America (CFDA)—the creative core of the fashion industry—it stalled in committee hearings.⁷⁸ Its principal opponent, the American Apparel & Footwear Association (AAFA)—the manufacturing and retailing core of the industry—raised concerns that the Copyright Office would not be able to manage the flood of applications that would arise as a result of

⁷⁴ In a Second Circuit case dealing with the designs of mannequin torsos used in the display of shirts and jackets, Judge Jon O. Newman, in his dissent, describes the test for conceptual separability: "[T]he requisite 'separateness' exists whenever the design creates in the mind of the ordinary observer two different concepts that are not inevitably entertained simultaneously." *Carol Barnhart Inc. v. Econ. Cover Corp.*, 773 F.2d 411, 422 (2d Cir. 1985) (Newman, J., dissenting).

⁷⁵ *Hearing*, Scafidi, *supra* note 68, at 80.

⁷⁶ H.R. 5055, 109th Cong. (2006).

⁷⁷ *Id.* § 1(c), (e)(1). A subsequent bill extended the registration period of three months to six months. Design Piracy Prohibition Act, H.R. 2196, 111th Cong. § 2(b)(3) (2009).

⁷⁸ See Louis S. Ederer & Maxwell Preston, *The Innovative Design Protection and Piracy Prevention Act: Fashion Industry Friend or Faux?*, LEXISNEXIS COPYRIGHT AND TRADEMARK LAW COMMUNITY BLOG (Aug. 25, 2010, 6:47 AM), <http://www.lexisnexis.com/Community/copyright-trademarklaw/blogs/fashionindustrylaw/archive/2010/08/25/the-innovative-design-protection-and-piracy-prevention-act-fashion-industry-friend-or-faux.aspx>.

the bill's passage.⁷⁹ The AAFA further contended that the standards for protection and infringement under the bill were too vague and would potentially cause courts to focus on defining rather than enforcing the Act's provisions.⁸⁰

The DPPA was reintroduced in the Senate in 2007 and the House in 2009,⁸¹ but the bill stalled again as the AAFA continued to lobby against its passage.⁸² The AAFA, which represents more than 700 manufacturers and suppliers and by its estimate accounts for about 75% of the industry's business, continued to argue that the DPPA would only encourage frivolous lawsuits against its members and place unnecessary burdens on designers and administrators.⁸³ The DPPA's registration requirement in particular, along with its requirement of a searchable database to manage these registrations,⁸⁴ caused opponents to fear that designers would become wary of creating new designs out of fear of infringement suits and due to the potential burden of seeking legal clearance for a new design.⁸⁵ Opponents also noted that because the DPPA creates secondary liability,⁸⁶ third parties involved in the manufacturing and distribution of designs may also become more wary of new designs and perhaps require new designers to clear a design first before agreeing to participate in its production.⁸⁷

Thus, with the failure of these past legislative attempts, fashion designers seem to have little hope of garnering protection for their designs. However, the introduction of the IDPPPA,⁸⁸ which differs notably in several respects from past legislative attempts, offers a promising solution. It could be a landmark bill that would significantly impact the U.S. fashion industry. As one legal expert noted, the IDPPPA is a "compromise-inspired collection of rules that would

⁷⁹ *Id.*

⁸⁰ *Id.*

⁸¹ Design Piracy Prohibition Act, H.R. 2196, 111th Cong. (2009); Design Piracy Prohibition Act, S. 1957, 110th Cong. (2007).

⁸² See Ederer & Preston, *supra* note 78.

⁸³ See Cathy Horyn, *Schumer Bill Seeks to Protect Fashion Design*, N.Y. TIMES ON THE RUNWAY BLOG (Aug. 5, 2010, 10:43 PM), <http://runway.blogs.nytimes.com/2010/08/05/schumer-bill-seeks-to-protect-fashion-design/?partner=rss&emc=rss> (noting that the AAFA argued that the House bill was too broad and that "protection against knock-offs would only encourage frivolous lawsuits from people claiming they had the idea first").

⁸⁴ H.R. 2196 § 2(f), 2(j).

⁸⁵ See Jimenez et al., *supra* note 25, at 13.

⁸⁶ The secondary liability provision provides that "[a]ny person who is liable under [secondary infringement or secondary liability] is subject to all the remedies provided under this chapter, including those attributable to any underlying or resulting infringement." H.R. 2196 § 2(e).

⁸⁷ See Jimenez et al., *supra* note 25, at 13.

⁸⁸ This Note concurrently refers to Senate Bill 3728 (which was introduced during the previous 111th congressional session) and House Bill 2511 (which was introduced during the current 112th congressional session) as the "IDPPPA" because, as of the date of this Note's publication, the content of these two bills is essentially identical.

protect truly innovative fashion yet keep baseless infringement actions corseted.”⁸⁹

B. Changes in the New IDPPPA Bill

The new IDPPPA would amend Chapter 13 of the Copyright Act to extend copyright protection to fashion designs for a term of three years.⁹⁰ Specifically, the bill would add “fashion designs” to 17 U.S.C. § 1301, which currently provides protection for vessel hull designs.⁹¹ By not joining the array of protected works under 17 U.S.C. § 102, fashion designs would occupy a unique niche under the Copyright Act.⁹² As defined in the bill, the term “fashion design” includes apparel as well as ornamentation, and protection would extend to men’s, women’s, and children’s clothing (including undergarments, outerwear, gloves, footwear, and headgear), handbags, purses, wallets, tote bags, belts, and eyeglass frames.⁹³ Furthermore, unlike other works protected by copyright law, fashion-design protection would arise upon the first public display of the work and would only last for a period of three years.⁹⁴ Designs created prior to the enactment of the bill would not fall under these provisions and would be dedicated to the public domain.⁹⁵

While the IDPPPA shares certain features with the DPPA—it is specific to fashion designs, poses a high standard of originality, limits protection to three years, and grants an independent creation exception—Senator Charles E. Schumer introduced several new features with the first iteration of this bill.⁹⁶ These features remain in the new iteration of the bill and include a “substantially identical” infringement standard, a heightened pleading standard, and a home sewing exception.⁹⁷ The “substantially identical” infringement standard means that in bringing a case against potential infringers, designers have the burden of establishing that the accused design is “so similar in appearance as to be likely to be mistaken for the protected design,

⁸⁹ Heather J. Kliebenstein, *The 2010 Fashion Bill: A Conservative Collection of Congressional Compromise*, INT. PROP. TODAY, <http://www.iptoday.com/issues/2010/11/the-2010-fashion-bill-conservative-collection-congressional-compromise.asp> (last visited Oct. 3, 2011).

⁹⁰ H.R. 2511, 112th Cong. (2011).

⁹¹ See 17 U.S.C. § 1301(a) (2006).

⁹² See *IP Update*, *supra* note 14.

⁹³ H.R. 2511 § 2(a)(2)(B).

⁹⁴ *Id.* § 2(d).

⁹⁵ *Id.* § 2(b)(3).

⁹⁶ See Ederer & Preston, *supra* note 78 (“The negotiations facilitated by Senator Schumer [who introduced Senate Bill 3728 during the 111th congressional session], however, resulted in the introduction of several new features . . .”); *supra* notes 13–14 and accompanying text.

⁹⁷ H.R. 2511 § 2(e)(2)–(3), (g)(2).

and contains only those differences in construction or design which are merely trivial.”⁹⁸ Similarly, the heightened pleading standard requires designers to show that the design was available in a location and manner in which “it can be reasonably inferred from the totality of the surrounding facts and circumstances that the defendant saw or otherwise had knowledge of the protected design.”⁹⁹ These two elements function to limit the instances in which a designer could raise infringement claims to those in which there is substantial evidence of copying. Thus, the new bill implements measures to discourage frivolous litigation, appeasing DPPA opponents’ concerns about the flooding of court dockets. Finally, the home sewing exception—for individuals who sew clothing for personal use—allows an individual to copy a protected design for bona fide, non-commercial use.¹⁰⁰

The new bill also removes several features of the DPPA, including the registration requirement, the searchable database requirement, and the secondary liability provision.¹⁰¹ Under the new bill, protection arises upon the design’s creation as long as the original elements of the design result from the designer’s own creative endeavor and the design provides a “unique, distinguishable, non-trivial and non-utilitarian variation over prior designs for similar types of articles.”¹⁰² Insofar as the designer can prove that the design meets these conditions, there is no formal registration process or search process, which significantly simplifies the manner of acquiring rights in the design as compared to the previous DPPA. Furthermore, with the removal of the secondary liability provision, the IDPPPA excludes retailers and customers who inadvertently purchase or sell infringing designs from liability and addresses the concerns that DPPA opponents had about the burden on the designers’ relationships with third parties.

These modifications were introduced to forge a compromise between advocates who supported design protection and critics who argued that copyright protection would ultimately harm competition and result in an outbreak of costly litigation.¹⁰³ Through these successful efforts, the IDPPPA garnered support from both the CFDA and AAFA—the two trade associations that had clashed in the past

⁹⁸ *Id.* § 2(a)(2)(B).

⁹⁹ *Id.* § 2(g)(2).

¹⁰⁰ *See id.* § 2(e)(3) (“It is not an infringement of the exclusive rights of a design owner for a person to produce a single copy of a protected design for personal use or for the use of an immediate family member, if that copy is not offered for sale or use in trade during the period of protection.”).

¹⁰¹ *See* YEH, *supra* note 14, at 1 (lack of searchable database requirement), 5 (lack of registration requirement), 8 (lack of secondary liability provision).

¹⁰² H.R. 2511 § 2(a)(2)(B).

¹⁰³ *See* Kliebenstein, *supra* note 89.

over fashion-design piracy.¹⁰⁴ The two associations issued a joint release statement in August 2010 supporting the legislation as a “realistic and practical approach.”¹⁰⁵ Following this success, the first iteration of the IDPPPA passed the Senate Committee of the Judiciary in December with unanimous approval,¹⁰⁶ and the second iteration of the bill was reintroduced into the new congressional session on July 13, 2011.¹⁰⁷

C. The IDPPPA’s Successful Attempt to Create IP Protection and Spur Creativity

The IDPPPA’s greatest success lies in its ability to strike a balance between protecting design and incentivizing innovation. It achieves this balance by raising the bar for protection to only those designs that are truly original: it would thus maintain designers’ incentives to create original pieces that meet this threshold, while preserving enough leeway for these designs to be used as trendstarters. The IDPPPA would protect designs that provide “unique, distinguishable, non-trivial and non-utilitarian variation[s] over prior designs,”¹⁰⁸ but it would also set a reasonable threshold for claiming originality in these designs. As a result, this originality standard functions to protect only a narrow range of designs from direct copying. The key here is that the new bill places responsibility on the designers and “compel[s] them to endow their designs with specific creative elements that fit the stringent criteria.”¹⁰⁹ Moreover, through granting protection for a short, three-year term while leaving every design created prior to the enactment of the act in the public domain, the IDPPPA successfully pro-

¹⁰⁴ See Horyn, *supra* note 83 (“Today, after a year of negotiations, Senator Charles E. Schumer introduced a bill that seemed to satisfy the different sides of the fashion industry—and may provide some [copyright] protection [for designs and accessories], too.”).

¹⁰⁵ See *id.*; *Schumer Introduces Legislation to Protect Fashion Design*, COUNCIL OF FASHION DESIGNERS OF AMERICA, <http://www.cfda.com/schumer-introduces-legislation-to-protect-fashion-design/> (last visited Oct. 3, 2011).

¹⁰⁶ See YEH, *supra* note 14. As previously noted, the 111th congressional session ended prior to a final Senate vote on the bill. However, scholars have observed that the Senate Committee of the Judiciary’s passage of the bill was a significant step toward new legislation. See Jacoby & Roth, *supra* note 58 (noting the success of the bill in advancing beyond any previous proposal).

¹⁰⁷ H.R. 2511, 112th Cong. (2011); see Elissa Brockbank Reese, *Dressing for Success: Congress’s Latest Fashion Bill*, VENABLE LLP (Sept. 7, 2011), <http://www.venable.com/dressing-for-success-congress-latest-fashion-bill-09-07-2011/> (“Rumors suggest that the IDPPPA will be a major priority in the Intellectual Property realm for the Judiciary Committee when Congress reconvenes.”).

¹⁰⁸ H.R. 2511 § 2(a)(2)(B).

¹⁰⁹ Ashley Baker, *Senate Judiciary Committee Passes IDPPPA*, DAILY FRONT ROW (Dec. 1, 2010), <http://www.dailyfrontrow.com/the-fix/article/senate-judiciary-committee-passes-idppa>.

fects innovative designs without threatening to establish a monopoly over techniques essential to the industry.¹¹⁰

From the copyist's perspective, the bill does not go so far as to inhibit the "inspired by" designers—those who merely take a protected design and use it as a basis for their own creative endeavors.¹¹¹ As manifested by the "substantially identical" standard,¹¹² a successful copyright infringement action against such a defendant requires establishing a significant degree of infringement, almost akin to counterfeiting. The IDPPPA thus distinguishes between a design that was inspired by another design and a design that is a blatant copy of another design.¹¹³ Accordingly, "inspired by" designers would not face liability under the bill's provisions.¹¹⁴

Furthermore, the IDPPPA could spur creativity in the mass retail sector, especially for "fast fashion"¹¹⁵ retailers like Forever 21, who currently rely on copying designs for their new fashion lines. Because these retailers will no longer be able to blatantly copy high-end designer items, they will most likely put more resources into creating unique products and establishing distinctive design branches within their own companies.¹¹⁶ For the consumer, the end result will be more options and a wider array of trends from which to choose. Thus, from the perspective of the designer, retailers, copyists, and consumers, the IDPPPA confers considerable benefits, proving that the bill is a significant step forward for both U.S. IP law and for the fashion industry.¹¹⁷

¹¹⁰ See Lewis R. Clayton, *Fashion Design Protection Bill: The Right Balance?*, NAT'L L.J., Sept. 13, 2010, available at <http://www.paulweiss.com/lewis-r-clayton/> (follow "Publications" hyperlink; then follow "Fashion design protection bill: the right balance?" hyperlink) ("Given the limited period of protection and the fact that so much design is already in the public domain—no proposed legislation would apply to designs already in use—it is difficult to argue that granting protection threatens to create a monopoly over techniques essential to apparel design.").

¹¹¹ See Kliebenstein, *supra* note 89 (explaining how the new law would not inhibit "inspired by" designers).

¹¹² See *supra* text accompanying note 98.

¹¹³ Lazaro Hernandez, a noted designer at Proenza Shouler, testified before the House Judiciary Subcommittee on Intellectual Property, Competition and the Internet in support of the bill and noted that "the problem is someone copying, stitch for stitch, what [designers] have already created. There is a big difference between being inspired by something and copying something." Kristi Ellis, *Industry Testifies on Piracy*, WOMEN'S WEAR DAILY, July 18, 2011, at 2.

¹¹⁴ See Kliebenstein, *supra* note 89.

¹¹⁵ See Susan Scafidi, *Re-Fashioning Intellectual Property Law*, AMERICAN CONSTITUTION SOCIETY BLOG (Aug. 13, 2010, 1:30 PM), <http://www.acslaw.org/node/16686>.

¹¹⁶ Cf. *id.* (noting that the law will force these retailers to "tweak the trends enough to stay out of legal trouble").

¹¹⁷ Ederer & Preston, *supra* note 78.

D. Some Remaining Shortcomings of the IDPPPA

While the IDPPPA is a beneficial step in achieving a balance between the protection of designs and the productivity of the fashion market, it nonetheless has not addressed all the criticisms leveled at past legislation. First, a pure cost–benefit analysis of copyright protection in the fashion industry leads to the conclusion that the administrative costs of enacting and managing this type of legislation may outweigh corresponding benefits in the industry.¹¹⁸ Along these same lines, designers who never set out to copy others’ designs may feel pressure to seek legal advice or take costly precautions to avoid the risk of infringing the rights of others.¹¹⁹ These issues increase the overall costs of enacting this IP regime, in turn lowering the economic utility of an effective design protection bill. In addition, critics of the IDPPPA argue that the narrow application of the law would make it essentially meaningless in the industry: they claim that if the legislation were applied exactly as written, with its stringent standard of uniqueness, it would matter very rarely, as only a minute number of designs would fall under the bill’s protection.¹²⁰

Such shortfalls of the IDPPPA may be addressed through the implementation of a fashion-design licensing scheme, which provides a private, contractual means for designers, retailers, and fashion houses to enter into mutually beneficial agreements to exploit their fashion designs.

III

TAKING THE IDPPPA A STEP FURTHER: A COPYRIGHT LICENSING MODEL FOR THE FASHION INDUSTRY

A. Learning from the Outside: Licensing Schemes in the Music Industry

In order to address the shortcomings of the IDPPPA, the fashion industry should consider adopting a copyright licensing business model to complement the IDPPPA, which would enable designers to

¹¹⁸ See Clayton, *supra* note 110 (“Of course, intellectual property rights never come without cost. Providing design protection will increase prices and decrease sales of knockoffs.”).

¹¹⁹ See *id.*; see also Kaomi Goetz, *Designers Get Fierce with Copyright on the Catwalk*, NPR (Sept. 16, 2010), <http://www.npr.org/templates/story/story.php?storyId=129834984> (noting that the new bill is not a “cure-all solution” and discussing shortcomings like the “unintended consequence of discouraging new designers from entering the business for fear of getting sued”).

¹²⁰ See, e.g., Kal Raustiala & Chris Sprigman, *Copyrighting Fashion: Who Gains?*, FREAKONOMICS BLOG (Aug. 30, 2010, 12:25 PM), <http://freakonomics.blogs.nytimes.com/2010/08/30/copyrighting-fashion-who-gains/> (claiming the bill if passed would affect only an insignificant portion of highly unique designs and thus have little impact on the fashion industry).

license out their designs to other retailers, fashion houses, and designers. In developing such a licensing model, the success of licensing models in the music and entertainment industries is instructive. The music and entertainment industries revolve around the development of invaluable IP—in the form of musical scores and recordings, theatrical plots and productions—which specific provisions of U.S. copyright and patent laws currently protect.¹²¹ These industries have used IP protection not only as a means to shield their original creations from infringement, but also as a means to generate additional revenue through successful licensing schemes.

The music industry provides an especially interesting example of how licensing can be handled. Within the music industry, two categories of licensable works exist—sound recordings and musical works. While the copyrights for sound recordings often belong to the record labels, as sound recordings are considered “works made for hire” that are ultimately owned by the labels,¹²² copyrights for musical works belong to the composer, who typically assigns these rights to a publisher; this publisher then licenses the rights to performing rights organizations (for example, Broadcast Music, Inc. (BMI), the American Society of Composers, Authors and Publishers (ASCAP), and the Harry Fox Agency) who collectively manage these copyrights.¹²³ These organizations negotiate and collect license fees on behalf of the copyright owners and then distribute them as royalties to those members whose works have been performed.¹²⁴ The organizations thereby facilitate the process of obtaining copyright clearance for the parties that want to use the musical work while also enabling artists and rights owners to receive proper royalties for such usage without having to deal with the nitty-gritty details of each transaction.¹²⁵ The result is a one-stop licensing solution for businesses and music users who want to publicly use the musical work. Interestingly, these performing rights organizations conduct lucrative businesses and are growing by the year. In 2009, BMI recorded revenues of more than \$905 million and royalty

¹²¹ See Raustiala & Sprigman, *supra* note 19, at 1695 (“[T]he highly concentrated movie, music, and commercial publishing industries have pushed for and enjoy broad IP protections for their works . . .”).

¹²² Brian R. Day, Note, *Collective Management of Music Copyright in the Digital Age: The Online Clearinghouse*, 18 TEX. INTELL. PROP. L.J. 195, 200 (2010).

¹²³ *Id.* at 199–200.

¹²⁴ See *id.* at 210–11 (explaining how performing rights organizations work “to facilitate the mechanical licensing of their music and to lower transaction costs imposed by the compulsory licensing process”).

¹²⁵ See John Bowe, *The Copyright Enforcers*, N.Y. TIMES, Aug. 6, 2010 (Magazine), at 38 (describing the licensing conventions of the music industry and the business model of a major performing rights organization).

distributions of more than \$788 million.¹²⁶ This type of collective licensing model may provide both economic and functional benefits to fashion designers as well, particularly for independent designers and SMEs who may not have the capability or capacity to manage their own copyrights.

B. Learning from the Inside: Licensing Schemes in the Fashion Industry

Although there are currently no established licensing models for fashion designs per se, the concept of licensing and partnerships has existed in the fashion industry for decades. Because the fashion industry revolves around a highly fragmented global value chain that includes textile producers, designers, manufacturers, specialized factories, marketers, and retailers,¹²⁷ the industry has incorporated a “vertical” partnership scheme in which players at different levels of this value chain can team with each other to produce a garment from concept to end product. In these licensing transactions, the licensor (usually a designer who owns trademark rights over his brand name or logo) enters into an agreement under which another party manufactures the fashion items pursuant to the licensor’s quality and design standards.¹²⁸ For example, Alexander McQueen and Anna Sui have partnered with Target to create exclusive lines of clothing to sell at Target stores under their respective brand names.¹²⁹ These licenses are often exclusive licenses, in which only one licensee can utilize the licensor’s IP—for example, Target has the exclusive right to sell the McQ Alexander McQueen and Anna Sui Target lines.¹³⁰

Licensing has also been utilized in the fashion industry as a means of partnering with specialized manufacturers in different industries to expand product lines. This scheme usually also functions under a trademark license, in which the licensor (most often a fashion house who owns trademark rights over its brand name) enters into licensing agreements with specialized manufacturers to produce new products outside its own product lines. As a successful example of this model, fashion house Ralph Lauren has sold almost forty licenses for

¹²⁶ BMI Annual Review 2008–2009, BMI, <http://www.bmi.com/publications/entry/539930> (last visited Oct. 3, 2011).

¹²⁷ See Jimenez, *supra* note 52, at 12.

¹²⁸ *Id.* at 17–18 (explaining the typical fashion licensing scheme).

¹²⁹ Sharon Edelson, *Target’s Hipper Tie-Up: Anna Sui Set to Design Line for the Discounter*, WOMEN’S WEAR DAILY, May 6, 2009, at 1.

¹³⁰ See *id.* (noting details of Anna Sui’s agreement with Target); Sharon Edelson, *McQueen Targets Middle America*, WOMEN’S WEAR DAILY, Nov. 18, 2008, at 6 (noting Alexander McQueen’s collaborations with Target).

a diverse range of products,¹³¹ which has enabled the company to expand its reach beyond its sole original product line—the men’s necktie.¹³² Some of its successful partnerships have included Jones Apparel Group, which produces sportswear; WestPoint Stevens, which produces bedding and bath products; and Seibu Department Stores, which oversees distribution of products in Japan.¹³³ This list of successful partnerships reveals the degree of product diversification that the company has achieved through its licensing business. As Guillermo C. Jimenez explains, this model essentially provides “free money” to the fashion houses, as their licensees “offer[] large lump-sum payments plus royalties in exchange for the privilege of manufacturing something the [company] was currently unable or unwilling to manufacture [itself].”¹³⁴ Yet these agreements benefit not only the fashion houses but also the licensees or the producers of these products: they can utilize the strength of the brand name and gain quick and easy entry into the respective markets.

C. The Ideal Fashion Industry Copyright Licensing Scheme

Taking ideas from licensing schemes in the music industry and following the success of current licensing practices in the fashion industry, a copyright licensing scheme that revolves specifically around the use of fashion designs should be adopted in combination with the IDPPPA. Just as fashion houses currently license the use of their logos and trademarks to other designers and manufacturers,¹³⁵ designers can license the use of their designs in return for upfront fees or royalty payments. Designers across the industry hierarchy would benefit from such a scheme. Up-and-coming, independent designers could license their novel designs to larger fashion houses, protecting themselves from forceful stealing of their designs by these power houses, while high-fashion designers could license their innovative runway designs to “fast-fashion” retailers to ensure fair use of their work.

One of the challenging elements in developing such a licensing scheme is maintaining the economic utility of the business model. The licensing scheme adds extra costs to the fashion production cycle in the form of upfront and royalty payments that the licensee must pay to the design licensor. These licensing costs carry the risk of in-

¹³¹ See Kristin Larson, *Thriving Licenses*, WOMEN’S WEAR DAILY, May 14, 2002, at 35 (noting Ralph Lauren’s licenses “rang[e] from women’s sportswear and men’s jeans to home furnishings and paint”).

¹³² See *id.* (explaining how Ralph Lauren’s “success story” is highly predicated on such a licensing scheme).

¹³³ *Id.*

¹³⁴ See Jimenez, *supra* note 52, at 17.

¹³⁵ See *supra* notes 127–33 and accompanying text.

creasing prices for the consumer.¹³⁶ In approaching this problem of decreased economic utility, it is crucial to find a method by which the licensors, or the designers, can effectively manage these licenses at a low cost. Since the implementation of IP protections for musical works has not negatively impacted the music industry's economic utility, this is an area in which the licensing models of the music industry may provide some guidance.¹³⁷ Specifically, while each individual designer may not be able to independently lower costs, these designers could assemble collective management organizations—similar to the BMI and ASCAP organizations in the music industry—to represent and manage their rights for them.¹³⁸ Through assembling such collective management groups, individual designers can share the costs of managing their design copyrights and thereby decrease the aggregate cost to the industry.

D. Benefits of a Licensing Model for Fashion Design

Such a licensing business model, coupled with the IP protection granted by the IDPPPA, would not only increase designer incentive even more but would also foster a healthy and productive relationship among designers, manufacturers, and retailers that would likely extend beyond the three-year term of the copyright protection. Moreover, this model could potentially benefit both the original designer and the copyist. It would enable original designers to obtain licensing fees for their designs (hence promoting innovative and “copy-worthy” designs), while allowing other manufacturers and designers to lawfully build upon these designs without the risk of litigation. In essence, the copyright protection conferred by the IDPPPA would place designers, retailers, and fashion houses on equal grounds to negotiate fair and efficient copyright licensing agreements and, in turn, these licensing agreements would enable all parties to extract the greatest economic value out of innovative fashion designs.

For the independent designer or SME, this licensing model would provide significant financing possibilities during the individual or company's growth phase. By licensing out its designs to retailers or other fashion houses, the designer could obtain royalties and establish a steady revenue stream from an early stage in the production

¹³⁶ See Hallet, *supra* note 69, at 19.

¹³⁷ See *id.* (“IP protections did not negatively affect other industries such as music and film.”).

¹³⁸ The World Intellectual Property Organization, a specialized agency of the United Nations responsible for developing an international normative framework for intellectual property, raises this option as a means for SMEs to enforce their copyright licenses. See *Franchise or Trademark License Agreements*, WORLD INTELLECTUAL PROPERTY ORGANIZATION, http://www.wipo.int/sme/en/ip_business/licensing/franchise_license.htm (last visited Oct. 3, 2011).

process.¹³⁹ The designer could then funnel these profits back into the creation and development of new designs. This scheme would thus establish a financial backbone for up-and-coming designers and SMEs and incentivize design activity, potentially creating more growth for the entire fashion industry.¹⁴⁰

Furthermore, in terms of productivity, a copyright-licensing model would increase the overall efficiency of the industry, as it would allow each party to specialize in and allocate resources to the functions that it performs best.¹⁴¹ For example, in the case of an independent designer or SME without the necessary manufacturing, marketing, and distribution capabilities, a licensing model would allow the designer to shift such peripheral functions to other parties like a “fast fashion” retailer who has special expertise in these areas. The designer would then focus solely on the innovative aspect of creating the original design, while the “fast fashion” retailer would focus on producing and delivering these designs to the market—all under a regulated licensing scheme, unlike the precarious copying scheme that currently exists in the industry.

Thus, the copyright licensing scheme, when combined with the IDPPPA, would effectively address the IDPPPA’s shortcomings.¹⁴² The two significant costs that arise from implementing the IDPPPA—the administrative costs that the industry as a whole may incur and the indirect costs that designers may incur in attempting to protect themselves against potential liability—can both be addressed by a licensing scheme. As to administrative costs, a collective copyright management agency would streamline the licensing process and distribute its costs across the industry, decreasing individual expenses. As to liability protection costs, a licensing scheme would provide a simple and effective means of forming alliance partnerships with other players in the industry, providing robust protection against infringement litigation. Finally, although a licensing scheme would not directly ameliorate the IDPPPA’s shortcoming of having a narrow application, it would effectively expand the scope of design protection and hopefully establish an industry-wide framework based on licensing instead of copying. The underlying idea behind this licensing scheme is that it would promote a culture of partnerships and collaborations among

¹³⁹ See Barbara Kolsun & Kristin B. Kosinski, *Fashion and Apparel Licensing*, in *FASHION LAW: A GUIDE FOR DESIGNERS, FASHION EXECUTIVES, AND ATTORNEYS*, *supra* note 8, at 81, 82.

¹⁴⁰ See Clayton, *supra* note 110 (“[T]he ability to extract design royalties for the production of knockoffs should encourage the investment of capital in design activity, perhaps boosting the entire apparel industry.”).

¹⁴¹ Jimenez similarly describes licensing as an economically efficient process. See Jimenez, *supra* note 52, at 17 (“[L]icensing is economically efficient because it allows each party to specialize in a different part of the value chain.”).

¹⁴² See *supra* Part II.D.

fashion designers, retailers, and manufacturers so as to spur innovation in the industry in the most fair and mutually beneficial manner possible.

CONCLUSION

As with all other industries, the arrival of the Internet and the advancement of digital technologies have greatly affected the fashion industry. Fashion copycats may now easily take digital photographs of fashion items on the couture runway and transmit these photographs to overseas factories for quick reproduction at low costs. Not only can the imitator copy these original designs, but these imitations may also reach the market before the original designs do. In this fast and transparent fashion world, the line between design infringement and “pure inspiration” has become even more blurred, putting new pressure on fashion houses to protect their IP. In light of these changing circumstances, the Innovative Design Protection and Piracy Prevention Act provides a means to balance the need to protect innovative designs with the need to provide enough legal flexibility for fair use of these designs. Yet the IDPPPA on its own is not fully robust. As some of the bill’s critics contend, the bill raises concerns about increased costs and a narrow scope of applicability. Thus this Note proposed that the IDPPPA be coupled with a licensing business model that would establish a mutually beneficial relationship among the fashion house, designer, and retailer and extract the most value out of each fashion design’s IP.

With the implementation of this robust protection model, the price tags on the “cheap-chic” outfits at Forever 21 may increase by a few dollars. But these extra dollars would likely be worth our money if they are fueling a brighter, healthier, and more vigorous future for the fashion industry in which collaboration, instead of imitation, fosters the creation of innovative designs.

