



# Legal Issues in Fashion

Council of Fashion Designers of  
America + Accessories Council

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## Disclaimer

The content in this presentation is for informational purposes only and not for the purpose of providing legal advice.



## Road Map

- Intellectual Property
- Company Formation
- Finance
- Contracts
- Real Estate
- Regulatory
- Insurance



# Types of Intellectual Property

- Trademarks
- Trade Dress
- Copyrights
- Utility Patents
- Design Patents
- Plant Patents
- Trade Secrets



# Trademarks & Trade Dress

- Defined: the exclusive right to use a word or design mark on or in connection with the goods or services set forth in a registration, and act as a source identifier
- Duration: Perpetual (must be regularly renewed)
- Use in commerce is required
- Trade Dress: characteristics of the visual appearance of a product or its packaging (for older companies)



# Trademark Application Options

- Actual use (Section 1A)
- Intent to Use (Section 1B)
  - “Bona fide” intention to use
  - Prove “actual use” within 6 months
  - Extensions permitted, up to 5 years
  - Ideal for young companies

# Trademark strength

- Sliding scale of trademark strength
  - Fanciful (strongest)
  - Arbitrary
  - Suggestive
  - Descriptive
  - Generic (weakest)

Exxon

amazon

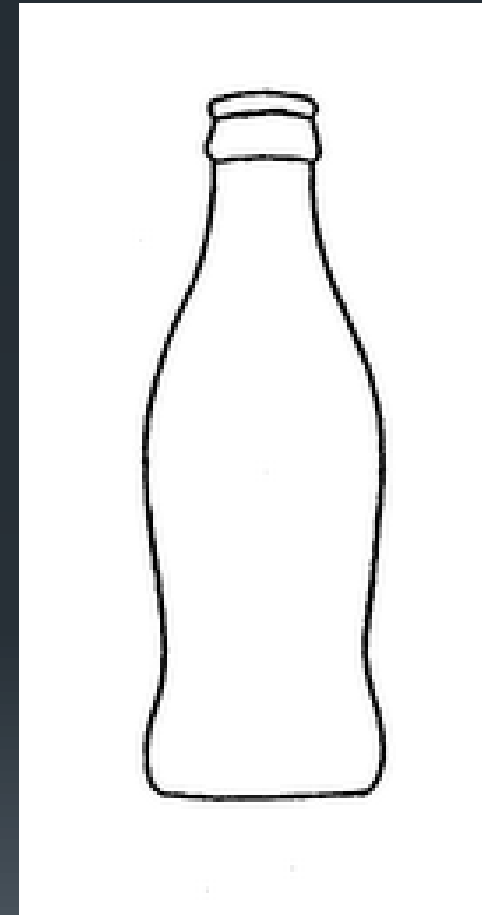
KitchenAid®

BRAN  
FLAKES

ASPIRIN®



# Trademark & Trade Dress examples





# Trade Dress Example – fashion industry





## Using Trademark Symbols

- “TM” can be used at any time, to announce to the world that this is your trademark
- “SM” is used less often, but announces your rights in a service mark
- “®” should only be used if your trademark has been registered with the USPTO



# Trademark Infringement

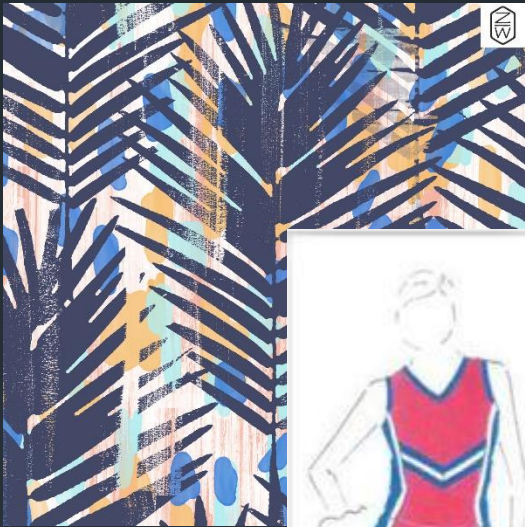
- Merely infringing: “Confusingly Similar”
- Counterfeit: “Substantially Indistinguishable”
- “Knockoff” is not a legal term

# Copyright

- Defined: the exclusive legal right to publish, perform, film, or record literary, artistic, or musical material
- Duration: Generally, life of author + 70 years
- Use in commerce is not required
- Registration is not required, but material must be fixed in a “tangible medium of expression” in order to claim copyrights.

# Copyright examples

1.



2.



3.



4.



WEB DESIGN

5.





# Copyright Infringement

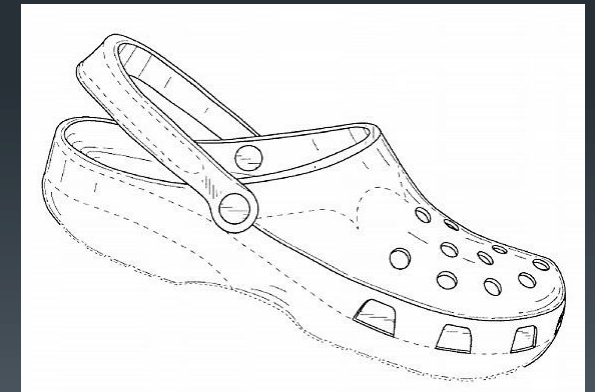
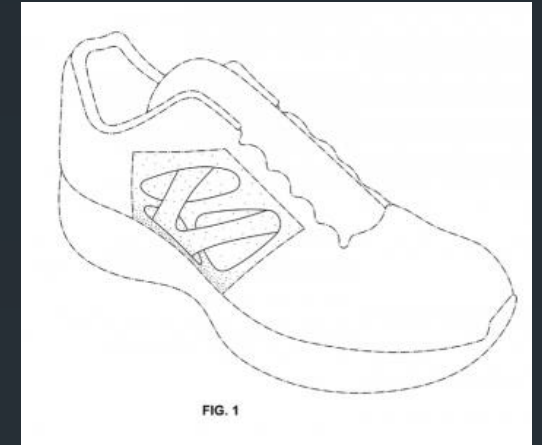
- “Substantially Similar” is the standard
- Registration is required before filing a complaint
- If copyright was not registered at time of the infringement, the designer-plaintiff is limited to collecting actual damages.
- Registration before infringement occurs gives you stronger rights. But what to register?

# Patents

- Defined: the exclusive right to make, use or sell an invention
  - Utility Patent (item or process that is utilitarian)
  - Design Patent (appearance, and not structural or utilitarian features)
  - Plant Patent (new hybrids created by human involvement)
- Duration: Utility = 20 years / Design = 15 years
- Use in commerce is not required

# Patent examples

- Utility Patents: Manufacturing processes, utilitarian items (e.g. machines, appliances, tools and gadgets), and a useful improvement of either.
- Design Patents: Ornamental elements of a utilitarian item (e.g. ornamental elements of shoes, watches and anything useful)







# Why Register Intellectual Property?

- Not everything must be registered
- Be selective
  - What is valuable to your brand?
  - What could be easily infringed (e.g. trademark)?
  - What do your investors expect to see?
  - Do you plan to license out any of your intellectual property?
  - Registrations can get expensive
  - Registrations make enforcement easier (more compelling)



# Benefits of Registration (Trademark)

- Increased remedies against counterfeiters (treble damages & attorney's fees)
- After 5 years, registered trademarks can become "incontestable"
- Your US registration can serve as basis for registration in some foreign countries
- Record it with U.S. Customs and Border Protection (to help prevent importation of infringing goods)
- Facilitates your company's licensing of its trademark



## Filing Fees to Register

- Copyright (\$35-\$55 per work)
- Trademark (\$225-\$275 per trademark, per class)
- Utility Patent (\$130-\$1,600)
- Design Patent (\$380-\$760)
- There are renewal fees for trademarks



## Avoiding infringement

- Do not use style names that have a likelihood of causing consumer confusion with existing brands
- Being inspired is fine, but do not assume that elements from your inspiration are not protected
- Do not assume a vintage find or whatever you find on the Internet is in the “public domain”
- Do not ignore cease & desist letters
- If you outsource any creative or design services, require indemnification



# Trade Secrets

- Defined: Any valuable commercial information that provides a business with an advantage over competitors who do not have that information.
- Duration: Perpetual
- Protection:
  - Keep it confidential (need-to-know basis)
  - Require Non-Disclosure Agreements



## Company Formation

- Sole Proprietorship
- Partnership
- Limited Liability Co.
- C-Corporation
- S-Corporation
- Benefits Corporation

## Considerations

- \*Legal Liability\*
- Raising Capital
- Cost (register/maintain)
- Hiring
- Tax obligations
- Life Span



# Finance

- Debt Financing (bank)
  - Secured (protected by assets)
  - Unsecured (most expensive)
- Equity Financing (investors)
  - Common Stock
  - Preferred Stock (Not if S-Corp.)
- Factoring (receivables)



## Contracts

- Any exchange
- Written or oral
- Can be implied
- Identify rights
- Identify obligations
- Clarify ownership
- Identify applicable law
- Methods of resolution





## Consider a Written Contract

- Manufacturing
- Purchases
- Sales (wholesale)
- Sales (retail)
- Services (any)
- Advertising / Marketing
- Talent (e.g. models)
- Licensing (in/out)
- Terms of Use
- Collaborations
- Loans
- Any IP is involved



# Essential Contract Templates

- Consultant Agreement
- Non-Disclosure Agreement (“NDA”)
- Model waiver (paid or not)
- Photographer waiver



# Contract Components

- WHEREAS clauses
- Services/Deliverables
- Representations
- Warranties
- Covenants
- Confidentiality
- Conflict of Interest
- Exclusivity
- Term & Termination
- IP Ownership
- Indemnification
- Insurance
- Governing Law
- Dispute Resolution



# Real Estate

- Office
- Warehouse
- Retail
- Lease vs. License



# Term Sheet

- Permitted Use
- Rent (base + %)
- Term (5-10 years)
- Options to Renew
- Rent Increases
- Relevant Dates
- Free Rent Period
- Radius Restriction
- Tenant Allowance
- Assign / Sublet
- Security Deposit
- Insurance
- Personal Guarantee
- Subordination



# Negotiation Process

- Meet with a real estate broker
- Negotiate broker terms
- Visit properties
- Make on Offer
- Arrive at a final term sheet (prev. slide)
- Involve your attorney



## Regulatory

- Local licensing
- Federal Trade Commission
- Attorney General Offices
- U.S. Fish & Wildlife
- Customs & Border Protection
- Department of Labor
- Internal Revenue Service
- State Revenue Departments
- CALIFORNIA!

# Insurance

- Identify your specific risk
  - Comprehensive General Liability
  - Product Liability
  - Employment
- Insurance Broker
  - Risk assessment
  - Source appropriate policies



# Insurance

- Insurance Obligations on You
  - Does the obligation make sense?
  - Do you already have coverage?
  - At what additional cost?
- Insurance Obligations on Your Vendors
  - What risks are they placing on you?
  - Can you expect insurance coverage?
  - Your insurance broker should assist



Thank you!

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