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LEGAL AND PRIVACY

Must-know basics of copyright law for the luxury business

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Designs are a cornerstone of the fashion and luxury goods industry. The latest design for an item of apparel, an accessory or a jewelry piece can distinguish it from other products and can be a major selling point.

But as night follows day, a successful design is followed by copyists and pirates.

So, luxury goods marketers need protection for their designs – and that is where intellectual property rights come in.

One of the most powerful protections for designs is copyright.

Copyrights arise immediately upon creation. They are relatively inexpensive to secure through registration, and they last a long time – sometimes more than 100 years.

Understanding the fundamentals of copyright law strengthens the ability of luxury goods companies to protect their designs when making decisions about how to use these designs in their business.

So here are nine basic things you need to know:

1. Copyright protects creativity

Copyrights are exclusively regulated by federal law enacted by the United States Congress. It protects artistic and creative expression.

The Copyright Act requires that the expression be "fixed in a tangible medium" – meaning, set down in some tangible form, such as a sketch, drawing or manuscript. And that has to be able to be perceived by a human being, with or without the aid of a machine.

The creator of the protectable expression is called an "author," since the first copyrights protected books, plays and other written materials.

But an "author" also includes what is colloquially called a designer or artist – anyone who creates original artistic

expression.

A “work” is the term that copyright law uses to describe the thing that has been created. A “work” could be a book or play, a jewelry design or a movie. All of these are copyrightable “works.”

2. Kinds of works that can be protected

The Copyright Act lists eight types of works that can be protected:

(1) literary works

(2) musical works, including any accompanying words

(3) dramatic works, including any accompanying music

(4) pantomimes and choreographic works

(5) pictorial, graphic, and sculptural works

(6) motion pictures and other audiovisual works

(7) sound recordings

(8) architectural works

The fifth category, which includes “graphic and sculptural works,” is usually the one most relevant to the fashion industry. Any two- or three-dimensional design could be protected under this category.

Two types of works that have long been protected are (1) fabric designs (a two-dimensional graphic) and (2) jewelry designs (a three-dimensional sculpture).

3. Limitations for designs of useful objects

The Copyright Act does contain one major limitation – it does not protect designs of useful objects. This includes many fashion items, such as apparel, most accessories (handbags and wallets) and watches.

But there is an exception to the exclusion – the Copyright Act does protect “pictorial, graphic, or sculptural features that can be identified separately from, and are capable of existing independently of, the utilitarian aspects of the article.”

In a prior article, we wrote about a 2017 United States Supreme Court case that explained how to apply this exception.

If a design feature can be perceived as separate from an object, and the separated design would itself be protectable by copyright, then that feature would merit protection.

What this means is that while the overall design of a dress or handbag is still not copyrightable, certain important features – a particular decorative metal hardware piece on a handbag, or a decorative watch face, for example – might well be protected by copyright.

4. Originality: The test for copyright

The basic test for whether something is subject to copyright protection is whether it is “original.”

In copyright law, all that means is that the design was independently created (not taken from someone else) and that there is at least a minimal level of creativity.

The level of creativity can be very low. As the Supreme Court has stated, “even a slight amount will suffice.”

So. any minimal level of artistic creativity can be the basis for copyright protection.

5. Who owns the copyright: Work for hire

Copyright initially vests in the “author,” *i.e.*, the person or persons who were the source of the creativity.

The author can, and often does, transfer the copyright to others, typically a company, for commercial exploitation.

One major exception is what is known as “work for hire.”

Works created by employees in the scope of their employment are considered the property of the employer. In fact, U.S. law treats the employer as the “author.”

So, if a fashion designer is employed by a company, any design she creates as part of her employment

automatically belongs to the company, and the company, not the designer, will be considered the "author."

This does not apply to independent contractors who are hired to create designs. In that situation, the designers are considered the authors, and by law initially own the copyright.

The company or person that hired them must provide by contract for transfer of the copyright (typically included in the contract retaining the designer to do the work).

It is sometimes unclear whether an individual is an employee or an independent contractor, or whether the work was created within the scope of the employment.

It is good practice for every company that employs designers to include in their employment/retainer contracts a provision that assigns all copyright and other rights to the company as part of the overall exchange.

One important exception is where the work was created abroad.

One Court of Appeals has ruled that where the work was created in a foreign country, then the laws of the foreign country apply to determine who owns the copyright (although U.S. law still governs whether the copyright is valid and whether someone infringes).

So, for example, if a design team in France creates a new design, then French law will apply to determine who owns the copyright.

6. Copyright registration: Needed for suit

A copyright, unlike a patent, arises automatically when the work is created and "fixed in a tangible medium," meaning set down in tangible form.

But the Copyright Act does provide for registration of copyrights with the Copyright Office – and there are good reasons to do so.

First, for works created in the United States, a registration is a requirement to institute a lawsuit. For foreign-created registrations, however, suit can be started without a registration.

Second, a registration creates a legal presumption that the copyright is valid and owned by the person or company stated on the registration.

Third, for certain remedies (statutory damages and attorney's fees), it is required that there be a registration before the infringement commences.

So, where a design is commercially valuable and it is anticipated that it will be the subject of illicit copying, then it is recommended that it be registered as early as possible – shortly after creation, or at least when first commercially exploited.

Fortunately, registration of copyright is generally inexpensive – far less expensive than applying for a patent, for example.

In some cases, where a company has many designs, there are options to register multiple designs in one application, saving even more money.

Many companies have ongoing registration efforts, and that can be valuable in the long run.

7. Copyrights lasts a long time

Copyright protection can last a very long time.

The basic rule is that it lasts during the life of the author and 70 years thereafter.

If there are multiple authors (for example, two people created a design together), then it lasts until 70 years after the death of the last author.

Where a work was created as a "work for hire," then the copyright lasts until the earlier of 95 years from publication (generally, release to the public) or 120 years from creation.

Compared to the 15-year duration for design patents and 20-year duration for utility patents, this is an extraordinarily long time.

It is the rare case where a design will be commercially successful more than the time allotted by the Copyright Act. So, where a design qualifies for copyright protection, then there is great value in securing it.

8. Infringement: What copyright protects against

Copyright provides a bundle of six rights that the Copyright Act protects against infringement.

A "right" means that the Copyright Act grants the owner the exclusive right to do something (or license someone else to do it), and someone who does that act without permission is an infringer.

For two- and three-dimensional designs that we are discussing here, these exclusive rights include the right to reproduce copies of the design and distribute copies to the public.

It also includes creating "derivative works," which means creating a new version or sequel design that incorporates protectable elements of the copyrighted design with new elements.

For the fashion and luxury goods industry, these rights cover most of the ways that a design would be pirated by a copyist. This is another reason why copyright can be such a powerful tool for the luxury goods industry.

9. Fair Use: A defense, but not often applied to fashion designs

The Copyright Act provides for what is known as the Fair Use defense – that the infringer's use is "fair' and hence excused from infringement.

The Copyright Act sets out four factors for a court to consider (the purpose and character of the use, the nature of the copyrighted work, the amount of the copyrighted work taken, and the effect on the market), but determining whether a particular use is "fair" is often murky and hard to predict.

Some types of use are clearly fair – the Copyright Act specifically mentions criticism, comment, news reporting, teaching, scholarship and research.

On the other hand, copying a work to distribute copies in direct competition with the copyright owner is almost always not a fair use.

So, this means that, for example, a critic or reviewer who reproduces a design as part of a review would be considered a fair use.

On the other hand, a pirate who just sold copies – even cheap copies – of the design would not be a fair use.

Similarly, a competitor who appropriates part of a design for its own competing item would likely not be considered a fair use.

The latter two situations are the ones that recur most often for designs involving luxury and fashion goods. For those, copyright protection can be most effective.

UNIQUE AND ORIGINAL designs are an important aspect of the luxury goods business.

In many cases, copyright is the primary legal means to protect these designs.

A basic understanding of copyright protection enhances the ability of business decision makers to maintain these valuable assets as they are employed in the luxury goods business.

Please click here to read Mr. Springut's previous article, "Must-know basics of trademark law for the luxury business"

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