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## Lawyer Annual 2023

# Statutory damages provide key enforcement mechanism to curb counterfeiters

Nicholas J. Nowak, Matthew M. Zuziak and Will Rodenberg of Sterne, Kessler, Goldstein & Fox PLLC and Charles Hawkins, General Counsel, Intellectual Property & Litigation at Volkswagen Group of America, Inc., report on the *Verotec Wheels, Inc.* case that has solidified the structure for statutory damages.

**The territoriality myth**

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**Cultural misappropriation**

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**DEI: disability**

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# IP and the steeplechase to sustainable fashion – is virtual fashion an answer?

**Charlotte Wilding, Emilia Petrossian and Nawel Chemali of Wedlake Bell LLP review the current state of sustainable fashion, questioning whether virtual fashion could overturn the damage caused by fast fashion in spite of it being less green than it seems.**

According to Geneco, the fashion industry is the second-most polluting industry after oil and gas and is responsible for 1.2 billion tonnes of greenhouse gas emissions annually and “an average British person today buys 60% more clothes than someone did 15 years ago – and keeps these clothes for only half the period of time”<sup>1</sup>.

This is largely due to the rise in fast fashion, albeit that consumers are slowly but surely taking a stance due to its incompatibility with sustainability.

That said, is green, eco-friendly fashion really a walk in the park? Whether it's ensuring consumers are not misled through greenwashing practices or adapting physical fashion to fit the virtual world, making fashion 'sustainable' comes with its own set of hurdles brand owners and IP rights holders must consider.

## I. Fast fashion and greenwashing risks

The fashion industry has been transformed by the 'fast fashion' model over the past decade, a model driven by trends, fast production, and ever-changing consumer behavior often seeking cheaper copycat versions of the latest trends. However, the success of this model has been tainted by its alarming impact on the environment and consumers' increasing awareness of the fast fashion industry's carbon footprint.

Fashion companies, in an effort to adapt to this change in consumer behavior, have been quick to promote “green” or “sustainable” lines. However, how valid are these claims?

Recently, fast fashion brands including ASOS, Boohoo and Asda have been the subject of investigations by the UK's Competition and



Charlotte Wilding



Emilia Petrossian



Nawel Chemali

Markets Authority over claims of 'greenwashing'<sup>2</sup>. What is greenwashing? Greenwashing is when companies mislead consumers by making them believe that they are doing more to protect the environment than they really are. It can be considered a form of false advertising as these claims are often not backed up.

Indeed, H&M came under indictment in the United States for the misleading marketing of “sustainable” products<sup>3</sup>. Here, a scorecard attached to a dress under H&M's Conscious Clothing line indicated that it was made with 20% less water on average. Whereas an independent investigation revealed that the dress “was actually made with 20% more water than conventional materials”. The two statements clearly do not add up and consumers do not appreciate being “hoodwinked”.

## II. The role of IP in reassuring environmental conscious consumers

To avoid being accused of greenwashing, and the negative publicity that will undoubtedly follow, there are practical steps that brand owners can, and should, take in relation to their IP.

For example, some brand owners have looked at trademark protection to highlight their (hopefully valid) green claims, or at least communicate them to the public. According to a study conducted by the EUIPO, the filings of “green” trademark applications accounted for 11% of all EU trademark applications in 2020<sup>4</sup> and this number has been consistently increasing since.

It is important to note that obtaining protection for a green trademark, and being recognized by the public as such, usually through extensive marketing campaigns, is not an overnight process

and might not be compatible with fast fashion... however integrating environmental protection and sustainability into a company's brand protection strategy can add financial value. Trademarks are valuable property assets for brand owners to own, and eventually contribute to their business growth. Trademarks will help a business gain reputation, which will add commercial value to the products offered and will increase their marketability. Moreover, trademarks can be an additional revenue stream for brand owners through licensing, for example<sup>5</sup>.

Additionally, there are other types of trademarks that brand owners should consider, such as certification marks, collective marks, or guarantee marks, which indicate to consumers that a product complies with certain standards or characteristics. These marks in the fashion sector are still sparse, but it will be interesting to see whether they gain in popularity given the increasing interest in green fashion labels.

Trademark protection is not the only option available to brand owners. Brand owners should also consider applying for design protection, following in the footsteps of Adidas and Parley. As a result of their eco-innovation collaboration, embracing the concept of circular fashion (where a garment is produced, sold to, and worn by a consumer, then returned to the production cycle), their design of a sustainable shoe obtained registered protection at the EUIPO.

Investing in "green" IP rights in the fashion industry is profitable for brand owners in the long run given the potential high returns on investment in today's market.

However, are there other options? A shift has been occurring placing the virtual world at the forefront of IP concerns recently with the rise of NFTs and the metaverse. Therefore, should brand owners conscious of the environment and their carbon footprint consider going virtual? If so, what are the IP implications?

### III. Virtual Fashion and IP

Virtual fashion is 3D designed clothing that can be worn by online avatars or on a person using augmented reality. It is made of data and code and is typically sold as an NFT. It is big business.

According to Vogue Business, *"The first recorded sale of a fashion NFT was the iridescent dress created by The Fabricant and sold for the equivalent of \$9,500 in May 2019. The first luxury brand entrant was Gucci's Aria film, auctioned for \$25,000 in May 2021"*<sup>6</sup>.

## Résumés

### Charlotte Wilding, Partner and Head of Trademarks

Charlotte is a UK Chartered and European Trademark and Design Attorney, whose brand protection expertise includes trademarks, designs, and IP strategy and management. Charlotte is an editorial board member of *The Trademark Lawyer*, as well as a member of the CITMA Review working group and CITMA publications and communications steering group.

### Emilia Petrossian, Trademark Attorney

Emilia is a UK Chartered Trademark and Design Attorney with expertise in trademark and design portfolio management including clearance searches, watching services, and advising on worldwide filing strategies and the prosecution of UK, European Union and International trademark applications through to registration, including opposition and cancellation proceedings. Emilia is also an expert in company name disputes.

### Nawel Chemali, Trademark Paralegal

Nawel is a Trademark Paralegal in the IP & Commercial team at Wedlake Bell and has worked in the Trademark industry in France and in the UK since 2018. She's also been a CITMA Part-Qualified Trademark Attorney since she completed the first part of the qualifying route in 2019.





As virtual fashion grows, brand owners need to go the extra mile to stand out. For example, Dolce & Gabbana's NFT Collection Collezione Genesi not only provides its customers with an NFT dress for use in the metaverse, but also with a physical version. The customer also receives a two-year access to D&G's Alta Moda, Alta Sartoria and Alta Gioielleria couture events in Italy<sup>7</sup>.

D&G are not alone in this as there are now many brands which provide both digital and physical goods.

Further, there are a growing number of virtual stores located in the metaverse. For example, Selfridges has built the world's first NFT department store in Decentraland where users can view exclusive NFTs and browse Selfridges products<sup>8</sup>.

It is clear that 'going digital' not only helps brand owners reach more customers globally and create and develop a larger revenue stream, but it can also provide brand owners with a wealth of data as it can track customer behavior in real time. This helps brand owners to understand what trends are popular in the moment and react accordingly, updating its fashion lines almost instantly if required.

This leads to the question as to what additional considerations do brand owners and IP rights holders need to be aware of before entering into the digital world.

Firstly, trademark protection for physical fashion owners will need to extend to cover the digital world. Recent guidance suggests that Class 9 is a must have for NFTs and the like, as well as Classes 36 (if cryptocurrency is involved), 41 (it is a form of entertainment) and 42. Secondly, if digital fashion owners extend their reach into the physical world, they will need to extend their trademark coverage to the relevant class for the physical item.

In terms of registered protection, designs should also be strongly considered as a cheap means of obtaining fast IP protection as, in the UK at least, they are quick to obtain and can be filed up to 12 months after first becoming



available to the public. This means that brands can understand what designs are worth protecting via registration.

#### IV. Virtual fashion: a sustainable alternative?

On to the question of sustainability, is virtual fashion really more sustainable than traditional fashion?

When comparing virtual fashion to physical fashion, one would assume that virtual fashion produces no waste as it does not need water and therefore creates no water pollution, does not require physical samples, reducing fabric

<sup>1</sup> Fast Fashion and Its Impacts : <https://www.geneco.uk.com/news/fast-fashion-and-its-impacts>

<sup>2</sup> <https://www.bbc.co.uk/news/business-62344564>

<sup>3</sup> Commodore v. H&M HENNES & MAURITZ LP, 7:22-cv-06247 (SDNY) ; H&M is Being Sued Over "Misleading" Sustainability Marketing: <https://www.thefashionlaw.com/hm-is-being-sued-over-misleading-sustainability-marketing-product-scorecards/>

<sup>4</sup> EUIPO – Green EU trade marks: Analysis of goods and services specifications, 1996-2020 (2020)

<sup>5</sup> WIPO – Trademarks, Branding and Business Growth: C:\Users\chemn\AppData\Local\Microsoft\Windows\NetCache\Content.Outlook\12TQZVO\Link to article

<sup>6</sup> The Vogue Business NFT Tracker | Vogue Business: <https://www.voguebusiness.com/technology/the-vogue-business-nft-tracker>

<sup>7</sup> <https://www.shopify.com/uk/enterprise/fashion-ecommerce-nfts>

<sup>8</sup> Inside world's FIRST metaverse department store where shoppers buy virtual designer gear | The Sun : <https://www.thesun.co.uk/tech/18095407/inside-worlds-first-metaverse-department-store/>

<sup>9</sup> NFTs and the Environment : <https://www.investopedia.com/nfts-and-the-environment-5220221>

<sup>10</sup> The Sustainable Side Of Digital Fashion: <https://www.forbes.com/sites/forbesagencycouncil/2022/09/09/the-sustainable-side-of-digital-fashion/?sh=2be325ad6002>



and paper wastage, and does not need to be returned and potentially destroyed if it does not fit or is damaged.

However, virtual fashion works on the basis of use of digital data, which means there is energy usage which, if from non-renewable sources, will undoubtedly create a carbon footprint. The minting of a single NFT using a proof of work blockchain uses the same amount of electricity an average American household uses in about 47 days . This is huge.

At the moment there is limited data available to show the exact environmental impact of virtual fashion, but it is clear that it is not as eco-friendly as it may suggest. That said, as the digital age is growing and getting faster, it is only a matter of time that it will use less, but more sustainable, energy in order to be more eco-friendly.

## V. Summary

Despite this, it is clear that virtual fashion is fast increasing in popularity and fashion brands must rethink their IP strategies to ensure they are legally protected at all times. Be this via trademark protection, design protection and/or keeping detailed records of use to back up unregistered rights claims.

“  
**The minting of a single NFT using a proof of work blockchain uses the same amount of electricity an average American household uses in about 47 days.**  
 ”

Whilst some critics may consider NFTs to be a fad, we suspect the trend is here to stay and, once it has settled into some normalcy, grow.

We leave you with the prediction of James Joseph, cited by Forbes, who stated that *‘in four years we imagine that everyone will walk around with AR glasses on, and you will have the digital world imposed on reality for millions of people constantly. So, then you’re walking down the street in a black hoodie and some black jeans, but then you’ve bought a digital fashion garment, and every single person that walks past you wearing AR glasses is gonna see you wearing that garment, in real life, in real time’*<sup>10</sup>.

However, the Wedlake Bell team would rather wear the real thing than pretend!

## Contact

### Wedlake Bell LLP

71 Queen Victoria Street  
 London, EC4V 4AY, UK  
 Tel: +44 20 7395 3000  
[www.wedlakebell.com](http://www.wedlakebell.com)



## O'CONOR|POWER

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#### Address

San Martín 663, Piso 9.  
 Ciudad Autónoma de Buenos Aires.  
 (C1004AAM) Argentina.

#### Phone/Fax

(5411) 4311-2740  
 (5411) 5368-7192  
 (5411) 5368-7193  
 Revolving lines

#### E-mail and web

[ocp@oconorpower.com.ar](mailto:ocp@oconorpower.com.ar)  
[oconor@oconorpower.com.ar](mailto:oconor@oconorpower.com.ar)  
[www.oconorpower.com.ar](http://www.oconorpower.com.ar)