THE NATIONAL LAW JOURNAL

FEBRUARY 10, 2014

An ALM Publication

INTELLECTUAL PROPERTY | A SPECIAL REPORT

We range widely in this look at the state of intellectual property law, beginning with the legal complications attorneys need to consider when negotiating endorsement deals with the stars. We also investigate the renewed respect being paid to the "indefiniteness" defense against business-method patents. Finally, "inter partes" review—an attempt to streamline patent disputes—may in some cases make the process more difficult.

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The Glamorous Side of Intellectual Property Law

Celebrities are supposed to look good, but the path to beauty can lead through legal minefields.

BY HOWARD S. HOGAN

For many viewers, the main attraction of Hollywood award ceremonies are the gowns and tuxedos worn by celebrities as they stroll from interview to interview on the red carpet and then alight to the stage to accept their Oscar, Emmy, Grammy or Golden Globe. A positive appearance at these award ceremonies can be a make-or-break moment for the fashion houses that outfit the stars. But what rights govern the use of designer gowns at these events? And what rules must designers follow when making commercial use of the celebrities who wear their creations? The answers can be more complicated than one might expect.

From the designer's perspective, dressing a celebrity for an awards show represents a significant investment in time, energy and creative output. Designer Vera Wang has described the process as a "gamble of the highest order." The stakes are high not only because designers must be careful not to deliver a gown that will be "ridiculed or ignored" or that "just technically doesn't work," Wang said, but also because if a celebrity changes her mind at the last minute, it can be "devastating" to the designers and the sewers, staff, public relations people and others who have devoted months of work to completing and promoting the design. For example, actress Anne Hathaway famously agreed to wear a Valentino gown to the 2013 Oscars, as announced in a press release. At the last minute, though, Hathaway opted to wear a pink Prada gown while accepting her Academy Award for Best Supporting Actress. In 2013, Vanity Fair catalogued a history of similar snubs.

JEF HERNANDEZ/EVERETT COLLECTION

THE DRESS: Anne Hathaway disappointed Valentino by wearing this Prada gown to the Oscars.

To reduce these risks, some brands have opted to sign exclusive endorsement contracts with their celebrity spokeswomen. For example, as part of making actress Charlize Theron the face of Raymond Weil watches, Theron signed an agreement establishing that she would not publicly wear any other company's watches during the term of their contract. When Theron was photographed wearing a Christian Dior watch at the South by Southwest Film Festival, Weil sued for breach of contract and even obtained partial summary judgment. The complaint sought $20 million in damages, but the parties settled for an undisclosed amount.

Discovery in the lawsuit, however, unearthed records of payments that Swiss jeweler Chopard made to Theron in exchange for her appearance in its accessories at events such as the 2006 Oscars. Other jewelers reportedly have made similar payments to induce actresses to wear their products to the 2013 Golden Globes. Without this kind of contractual agreement, stars are generally free to change their awards ceremony ensembles at will.

Even if a celebrity does wear a designer's gown at a high-profile event, the brand still must be careful in how it uses images from the event to market its products. Most notably, the mere act of wearing a designer's

gown does not, in itself, convey to the brand a complete license to make use of the celebrity's right of publicity. States apply the right of publicity differently, but in general, the law grants an individual whose likeness has commercial value the exclusive right to control and profit from the commercial use of that likeness, as well as the right to prevent its use without permission. As a result, fashion houses that incorporate photographs of celebrities wearing their designs into marketing campaigns without permission bear the risk of a lawsuit seeking to enjoin the ads or monetary compensation.

HUMPHREY BOGART

Importantly, the fact that a celebrity was actually photographed wearing something will not itself forestall a lawsuit. For example, in 2012, Burberry Ltd. became embroiled in litigation with the heirs of actor Humphrey Bogart over the company's commercial use of images of Bogart in the trench coat he famously wore in the film "Casablanca." Although the case settled out of court, had it gone to trial it would have been Burberry's burden to show that it was not using Bogart's image for purposes of advertising or selling, as opposed to mere expressive purposes. California, where many awards ceremonies are held, boasts one of the most protective right-of-publicity statutes in the country, and it is still an open question whether the California statute allows for "fair use" exceptions like those that apply in copyright law.

The Bogart case is also helpful in illustrating a separate permission that designers will need before making use of photographs of celebrities in their designs: It is crucial to obtain either the copyright in the photograph itself or else a license that allows the photograph to be used in relevant marketing materials. As a result, brands should be careful to avoid downloading images of their gowns from news sources or other photographers without first obtaining permission, either by license or by commissioning their own photographer. In the Bogart litigation, Burberry did obtain the relevant copyright licenses, and the only issue was Bogart's separate right of publicity.

Furthermore, assuming a brand does have these permissions, regulations promulgated by the Federal Trade Commission may apply to ensure that a brand's use of celebrity endorsements accurately conveys to the consuming public all information about the celebrity's use of the product that might be relevant to a reasonable consumer's purchasing decision. In particular, the FTC's Revised Endorsement Guide, available at www.-ftc.gov, provides that advertisers (including fashion brands) may be subject to liability for failing to disclose material connections between themselves and their endorsers. Under these regulations, a designer could find itself in jeopardy if a celebrity endorser fails to disclose his or her connection to the designer, if a reasonable consumer would not expect a celebrity to be paid or receive free merchandise in return for promoting the designer's products. Thus, any marketing efforts that feature a celebrity in a designer gown should provide appropriate disclosure if the celebrity was compensated to promote the designer's gown.

The FTC guidelines also cover the public conduct of a celebrity who has been compensated to wear or promote a particular product. Reading the guidelines in the context of award ceremonies, they seem to indicate that celebrities can answer the simple question of "Who are you wearing?" without needing to disclose a connection between themselves and a designer, but if the celebrity begins to make a representation about the quality or nature of a designer's clothes or jewelry—and also has a connection with the designer—the celebrity may need to disclose that connection to provide consumers with appropriate context.

Furthermore, if a celebrity uses social media like Twitter in ways that promote a gown or jewelry that was provided for free, the FTC Dot Com Disclosures guidelines, also available at www.ftc.gov, may also apply, and the FTC recommends including "Ad:" before the sponsored "tweet."

BRAND EXCLUSION ZONES

Brands that seek to use a celebrity's appearance at an award ceremony should also be conscious of whether the organizer has attempted to establish a "brand exclusion zone" limiting commercial promotion of products other than those of the event's official sponsors. This is most extensively done in connection with the Olympics, although sports leagues in the United States have been known to fine athletes for wearing apparel produced by competitors of the leagues' official sponsors.

Planners of award ceremonies do not have the same history of imposing these kinds of arrangements on nominees and guests. For example, although Hyundai was the official automotive sponsor of the Academy Awards from 2009 to 2013, this exclusive sponsorship did not prevent other car companies from taking attendees to the Oscars in hopes that the celebrities would "tweet" about their ride. But as award show organizers seek new sources of revenue, brands should be careful to stay up to speed on the latest rules that any award-ceremony planner may impose.

Finally, it is worth noting that U.S. law does not provide the same kind of explicit protections as do most other major industrialized countries to prevent the marketing of copycat apparel designs. In particular, U.S. courts have in many instances refused to grant copyright protection to fashion designs as mere "useful articles" rather than expressive works. As a result, designers should be careful to explore the full panoply of potential remedies against the copycat designs that inevitably follow from a successful red-carpet appearance, from copyrights in elements of a design that may be separable from the useful function; to trade dress protections in the nonfunctional aspects of a gown that communicate to consumers who makes the product; to design patents that may be obtained from the U.S. Patent and Trademark Office to protect new, nonobvious, nonfunctional and ornamental designs.

And to the extent that copycats may get unauthorized access to a new design in advance of its public debut to exploit the publicity that an award ceremony will provide, designers may also have remedies as a matter of state trade secrets, misappropriation or unfair-competition law. Fashion law is precisely the kind of field that calls out for creative and informed legal counsel.

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