Death Knell for Knockoffs and Counterfeits?

May 16, 2016

U.S. Supreme Court Agrees to Define the Test for Copyrightability of Designs on Useful Articles

The U.S. Supreme Court recently agreed to hear the question that, as one Appellate Court characterized, has had the courts "twist[ing] themselves into knots" to ascertain: "What is the appropriate test to determine whether a feature of a useful article is protectable under Section 101 of the Copyright Act?"[1] The answer will have profound effects on many industries, but none more so than the fashion industry.

One of the significant amendments to the Copyright Act enacted in 1976 was made in accordance with the U.S. Supreme Court's decision in *Mazer v. Stein*.[2] *Mazer* held that original works of art are copyrightable even if such work was part of a useful article. The relevant amendment provides:

> 'Pictorial, graphic, and sculptural works' include two-dimensional and three-dimensional works of fine, graphic, and applied art, photographs, prints and art reproductions, maps, globes, charts, diagrams, models, and technical drawings, including architectural plans. Such works shall include works of artistic craftsmanship insofar as their form but not their mechanical or utilitarian aspects are concerned; the design of a useful article, as defined in this section, shall be considered a pictorial, graphic, or sculptural 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.[3]

A "useful article" means "an article having an intrinsic utilitarian function that is not merely to portray the appearance of the article or to convey information. An article that is normally a part of a useful article is considered a 'useful article'."[4]

The main controversy between the courts centers on the interpretation of the phrase "separately from, and are capable of existing independently of, the utilitarian aspects of the article"—referred to as the "separability test." There is no question since *Mazer* that "pictorial, graphic, and sculptural works" that can be physically separated from a useful article are copyrightable. However, how should such works be analyzed if they cannot be physically separated and can only be separated conceptually?

In *Star Athletica*, the Court of Appeals for the Sixth Circuit held that the plaintiff's design, which consisted of a specific arrangement of stripes, chevrons and color blocks, used on a cheerleading uniform was a

copyrightable graphic work. To arrive at this conclusion, the Sixth Circuit held that a specific set of questions must be asked to determine conceptual separability. In pertinent part, the Sixth Circuit posed the following questions: "… (3) What are the utilitarian aspects of the useful article? (4) Can the viewer of the design identify the pictorial, graphic, or sculptural features separately from the utilitarian aspects of the useful article? (5) Can the pictorial, graphic, or sculptural features of the design exist independently of the utilitarian function?" With respect to the last question, the Court stated that "[i]f the pictorial, graphic, or sculptural features are not required by the useful article's utilitarian functions or are wholly unnecessary to performance of the utilitarian function of the useful article, then the…features are not dictated by the function of the useful article, and therefore can exist without the useful article," and are thus copyrightable subject matter.[5]

The Sixth Circuit test is but one of the myriad tests that have been utilized by the courts since 1976. For example, the Fifth Circuit held that works are conceptually separable if "there is substantial likelihood that even if the article had no utilitarian use it would still be marketable to some significant segment of the community simply because of its aesthetic qualities."[6] In contrast, the Seventh Circuit did not consider marketability at all, and instead, held that conceptual separability exists when the "design elements can be identified as reflecting the designer's artistic judgment exercised independently of functional influences. "[7] Finally, the Second Circuit expands on the Seventh Circuit's test

and adds that conceptual separability does not exist where the design at issue is a "merger of aesthetic and functional considerations."[8]

The Supreme Court's decision is not only significant in providing clarification in this unsettled area of copyright law, but may be monumental with respect to the fashion industry. It has been reported that the industry suffers at least $28 billion in losses annually due to counterfeits and knockoffs. The primary reason has been attributed to the fact that designs for clothing, footwear, bags and other accessories are afforded very little protection under any intellectual property law, including copyright law, which is supposed to protect the creative expressions of individuals. Thus, for years, fashion designers, trade groups and others have tried to amend the Copyright Act to extend the copyright protection to such designs.

In 2012, the two juggernauts of the industry—American Apparel & Footwear Association and Council of Fashion Designers of America—helped introduce the Innovative Design Protection Act (IDPA).[9] The IDPA would expressly include "apparel," which includes clothing, footwear, bags and other accessories, in the definition of "useful articles." More importantly, the IDPA also would extend protection not only to fabric designs, which are currently recognized by courts to be protectable subject matter, but to "fashion designs" generally. "Fashion design" is defined as the original elements of an article of apparel that "are the result of a designer's own creative endeavor and provide a unique, distinguishable, non-trivial and non-utilitarian variation over prior designs for similar types of articles."[10] In essence, the IDPA's definition for fashion design attempts to provide yet another test for conceptual separability in the context of apparel. To date, the IDPA is still being debated.

With $350 billion in annual sales on the line, the fashion world will no doubt be waiting with anticipation on how the Supreme Court will decide the issue of separability. The Court is scheduled to hear arguments in *Star Athletica* sometime between October of this year and June 2017.

If you have any questions regarding this client alert, please contact Donna Gonzales or your Lathrop Gage attorney.

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1 *StarAthletica, L.L.C. v. Varsity Brands, Inc.*, No. 15-866 (U.S. May 2, 2016).

[2] 347 U.S. 201 (1954).

[3] 17 U.S.C. § 101 (emphasis added).

[4] *Id.*

[5] *Varsity Brands, Inc. v. Star Athletica, LLC*,799 F.3d 468, 487-89 (6th Cir. 2015).

[6] *Galianov. Harrah's Operating Co.*,416 F.3d 411, 419 (5th Cir. 2005).

[7] *PivotPoint Int'l, Inc. v. Charlene Prods.*, 372 F.3d 913, 931 (7th Cir. 2004).

[8] *Jovani Fashion, Ltd. v. Fiesta Fashions,*500 Fed. Appx. 42, 44 (2d Cir. 2012) (citing *Brandir Int'l, Inc. v. Cascade Pac. Lumber Co.,* 834 F.2d 1142, 1145(2d Cir. 1987)).

[9] *See* Innovative Design Protection Act of 2012, 112 S. 3523.

[10] *Id.*