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FASHION LAW

A look back on the legal and regulatory updates impacting the fashion industry.

FEBRUARY 2025

WELCOME

Welcome to a new edition of *Fashion Law*—a compendium of thought leadership published on our blogs and website throughout 2024—providing an overview of significant legal and regulatory updates in the fashion industry over the past year.

These updates reflect the evolving legal landscape in the fashion industry, emphasizing the need for brands to stay informed and compliant with new regulations and legal precedents.

Key highlights include:

Chanel's Legal Victory

Chanel secured a US$4 million verdict against reseller WGACA for selling counterfeit goods and misleading marketing practices. Chanel is also seeking a permanent injunction to prevent unauthorized sales.

UNIQLO's Lawsuit Against SHEIN

UNIQLO filed a lawsuit in Japan against SHEIN for selling dupes of its popular bag, highlighting issues of unfair competition and the importance of design protection.

Levi Strauss Trademark Enforcement

Levi Strauss settled a trademark dispute with Brunello Cucinelli, underscoring the importance of protecting iconic brand elements like the pocket tab.

French Legislative Changes

France is updating its laws to align with EU directives, impacting influencers and digital platforms by regulating commercial influence.

UK Deregulation Consultation

The United Kingdom is considering deregulating commercial agent laws post-Brexit, which could increase contractual freedom but also raise concerns about power imbalances.

Australian Marketing Regulations

New rules for trade promotions in Australia require compliance with both national and state laws, particularly for games of skill and chance.

FTC's New Rule on Fake Reviews

The US Federal Trade Commission introduced a rule to combat fake reviews, enhancing penalties to protect consumers from deceptive practices.

Design Patent Case

A jury upheld a significant award for Cozy Comfort against Top Brand for design patent infringement, despite a new patent standard.

Anti-Money Laundering in Fashion

Australia is expanding its AML/CTF regime to include luxury goods dealers, requiring them to implement controls against money laundering.

The "Own Name" Defence

In the long-running trade mark dispute between international popstar Katy Perry and Australian fashion designer Katie Taylor, the Full Federal Court overturned the first instance decision of *Taylor v Killer Queen, LLC* (No 5) [2023] FCA 364 and ordered that Taylor's trade mark be cancelled.

We hope you find this edition insightful. If we can be of any assistance, no matter where you are in the world, please contact our Luxury Products and Fashion lawyers.

Learn more about our industry focus >

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2024 HIGHLIGHTS

VICTORY FOR CHANEL IN LUXURY RESELLER TRIAL

By Terrance D. Roberts

A New York federal jury sided in favor of Chanel on all of it claims against luxury reseller What Goes Around Comes Around (WGACA), awarding Chanel US$4 million in statutory damages for sales of counterfeit Chanel-branded handbags. In *Chanel, Inc. v. What Goes Around Comes Around, LLC*, et al., 1:18-cv-02253 (SDNY), WGACA was found liable for trademark infringement, false association and unfair competition, and false advertising claims. The jury further found that WGACA acted willfully, with reckless disregard, or with willful blindness.

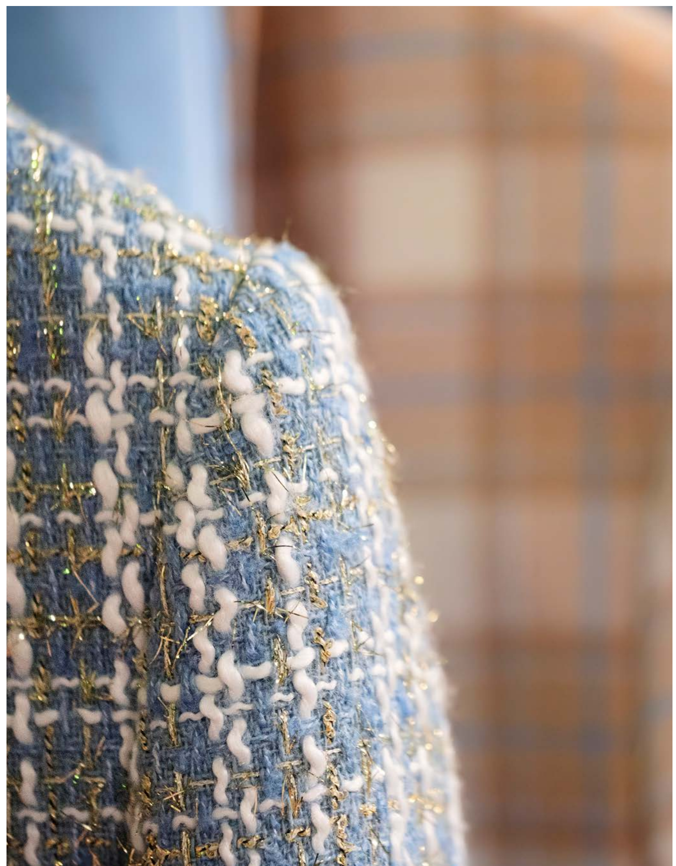
Although luxury resellers have the right to resell pre-owned genuine product without permission from the brand owners under the first-sale doctrine, resellers still risk liability if offering for sale non-genuine or counterfeit products, and if using the brand owners' marks in a misleading way in its marketing that is not fair use. This ruling will likely impact the rigor required for resellers vetting and authentication processes.

The dispute started in 2018 when Chanel accused WGACA of selling counterfeit bags and non-genuine Chanel product, which included items not offered for sale by the brand, such as display-only items. Chanel challenged WGACA's ability to guarantee the authenticity of genuine Chanel product it was selling on resale.

Chanel also claimed WGACA implied affiliation with Chanel through its advertising and marketing materials, such as using discount codes "COCO10 for 10% off" and using quotes from Chanel founder Coco Chanel on social media. Chanel alleged these instances create a false perception that WGACA and Chanel are officially affiliated.

The jury's findings for Chanel were based on WGACA's use of Chanel's marks and other indicia of Chanel, including the hashtags containing "Chanel" or "Coco Chanel" to advertise and market WGACA products on social media, and offering sales of non-genuine or counterfeit Chanel-branded items. The Chanel-branded items presented at trial included 13 Chanel-branded handbags bearing stolen Chanel serial numbers; 51 Chanel-branded handbags bearing voided Chanel serial numbers; and 779 Chanel-branded items such as tissue boxes, trays, and mirrors not authorized for sale, differed materially from the product authorized for sale, or did not pass through Chanel's quality control procedures.

Originally published 9 February 2024 on fashionlawwatch.com.



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BATTLE OF THE BAGS: UNIQLO SUES SHEIN IN JAPAN OVER VIRAL HANDBAG DUPE

By Jonathan Feder, Talia Le Couteur Scott, and Hidehiko Ichikawa

In January 2024, UNIQLO CO., LTD. (UNIQLO) announced that it had filed a lawsuit before the Tokyo District Court against Roadget Business Pte. Ltd., Fashion Choice Pte. Ltd., and SHEIN Japan Co., Ltd. (collectively, SHEIN Parties). UNIQLO alleges that the SHEIN Parties have infringed Japan's Unfair Competition Prevention Act by selling dupes of **UNIQLO's popular round mini shoulder bag**, which went viral on TikTok last year due to its minimalistic, water-repellent exterior and ability to hold a surprisingly large volume of products for its size. UNIQLO is demanding that the SHEIN parties cease selling the dupe bags and pay damages incurred as a result of sale of the SHEIN Parties' dupe products.

This case will be of particular note to our clients in the fashion and beauty industries, who are concerned about the rising popularity of dupe products and the actions of copycat brands such as SHEIN.

It is interesting that this lawsuit has been raised under the grounds of unfair competition, which appears to have been pursued given UNIQLO has no design registrations relating to the round mini shoulder bag.

Relevantly, under Japan's Unfair Competition Prevention Act:

- "Unfair competition" is defined as the act of selling, renting, exporting, or importing, etc. a product imitating the form of another person's product (Article 2, Paragraph 1(4));
- "Imitating" is defined as the act of creating a product substantially identical in form to another person's product, relying on the form of that person's product (Article 2, Paragraph 5);
- The plaintiff is entitled to demand that the allegedly infringing party cease the sale, rent, export or import of the imitating product (Article 3, Paragraph 1); and
- If unfair competition is found, the allegedly infringing party must compensate for the damages incurred by the plaintiff (Article 4).

For UNIQLO to succeed in the lawsuit, it must demonstrate that the SHEIN Parties relied on the form of UNIQLO's product to create their products. This bar is much higher than the bar for a designs infringement case. The SHEIN Parties will likely argue that they created their products independently, and did not rely on the form of the UNIQLO's product.

The grounds raised in this case demonstrate that the filing of design applications prior to launching a product for innovative new fashion designs is a prudent step to best protect these products from being duped by copycat brands.

Originally published 26 February 2024 on iplawwatch.com.

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CHANEL SEEKS PERMANENT INJUNCTION AGAINST WGACA

By RiKaleigh Omosheyin

The public legal dispute between luxury brand Chanel and luxury reseller What Goes Around Comes Around (WGACA) continues with Chanel seeking a permanent injunction that WGACA argues is too broad. As previously **reported**, a New York jury previously awarded Chanel a US$4 million verdict against WGACA for sales of counterfeit Chanel-branded products *Chanel, Inc. v. What Goes Around Comes Around, LLC, et al.*, 1:18-cv-02253 (SDNY).

Chanel now seeks a permanent injunction to bar WGACA from using Chanel trademarks to advertise Chanel-branded products that have not been authorized for sale by Chanel and/or have been materially altered with specific requests to ensure the authenticity and accuracy of advertised vintage Chanel products. Specifically, Chanel seeks an injunction:

1. Prohibiting WGACA from advertising or selling any Chanel-branded items without permission from Chanel or evidence that the product was first sold by Chanel.
2. Enjoining WGACA from using the Chanel marks, Chanel advertisements, “chanel” in discount codes, the CHANEL mark alone in advertisements, the likeness of “Coco” Chanel.
3. Requiring WGACA to post a photo of the hologram Chanel serial numbers for each Chanel-branded product it offers to sale.
4. Requiring a disclaimer that WGACA is not authorized to sell Chanel products and the items for sale have not been authenticated by Chanel.
5. Requiring that all non-genuine Chanel products sold by WGACA, since the lawsuit began, be recalled and refunded.
6. Enjoining WGACA from certifying, guaranteeing, or making any representations regarding the genuineness of any Chanel-branded items sold by WGACA.

WGACA argues that Chanel’s injunctive relief request is an improper anti-competitive goal to restrict sales in the secondary market, noting certain requests, such as obtaining original proof of purchase for each item, would chill the second-hand industry. It also argues Chanel acted with “unclean hands” and failed to provide evidence of irreparable harm. Given the continued rise in the resale market, and that some vintage luxury products increase in value over time, brands and resale businesses should keep a close eye on the scope of a final injunction.

Originally published 12 April 2024 on iplawwatch.com.

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LEVI STRAUSS SETTLES TRADEMARK DISPUTE OVER POCKET TAB ON JEANS

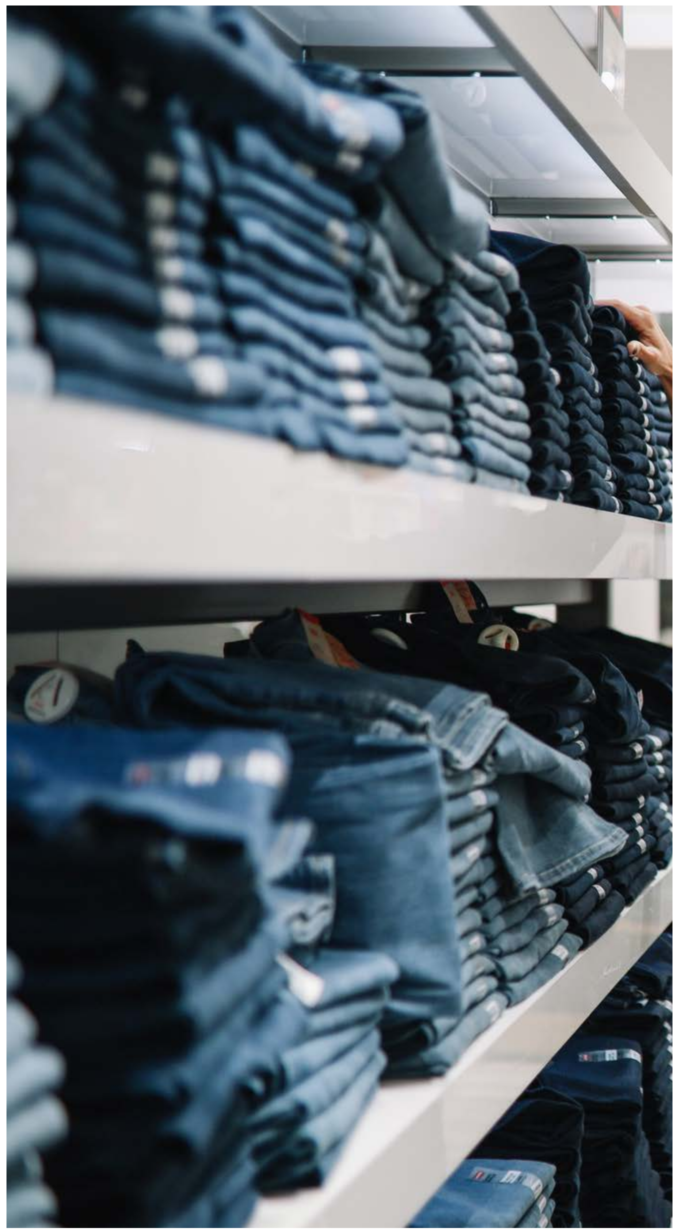
By Terrance D. Roberts

Levi Strauss continues enforcement of its Tab trademark against other fashion companies. On 7 May 2024, just a couple months after filing suit against Brunello Cucinelli, Levi Strauss voluntarily dismissed its lawsuit. Levi's filed suit against the Italian luxury fashion brand in the Northern District of California in January 2024 alleging infringement of Levi's rectangular pocket tab trademark. Levi's dismissed the suit after reaching a confidential settlement.

The Levi's Tab trademark has been registered for over 80 years, with use alleged as early as 1936, and the distinction of being registered since 1938. Levi's has used the Tab trademark in a variety of colors, and often displays the Tab in red. In its complaint, Levi's alleged Brunello Cucinelli manufactured, promoted, and sold clothing bearing tabs that are "nearly identical" to Levi's Tab trademark.

Levi's has brought and settled several trademark infringement lawsuits in recent years seeking to protect the Tab trademark. A lesson for all brand owners on both the sword and defense benefits of formal registration and regular enforcement of rights.

Originally published 13 May 2024 on fashionlawwatch.com.



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INFLUENCED BY INFLUENCERS? LEGISLATIVE UPDATES TO ILLEGAL CONTENT IN THE DIGITAL AGE

By Claude-Étienne Armingaud

Recent legislative updates have emerged in France, focusing on the intricate balance between national regulation and EU directives—especially relevant to the evolving sector of commercial influence. **The French law no. 2024-356**, passed on 22 April 2024 (DADDUE Law), has granted the government a nine-month window to modify previous statutes to align with European standards.

The DADDUE Law will harmonize French national law (notably **Law no. 2023-451 on the Regulation of commercial influence of 09 June 2023**, see our previous **blog post** on this topic) with various European texts, including the e-commerce directive and directives like the DSA and SMA.

Among the articles set for revision are:

- Article 1 regarding the definition of influence;
- Article 2 on influencers' agents;
- Article 4 on prohibited sectors of promotion;
- Article 5 on advertising disclosure requirements;
- Article 8 on the framework of contracts between influencers and agents; and
- Article 9 on insurance mandates for non-European influencers.

This underscores an initiative to refine the French national law on commercial influence in response to feedback from the European Commission.

The DADDUE Law will also repeal five articles within the prior law (articles 10, 11, 12, 15, and 18) that intersect with the Digital Services Act (DSA), on the obligations for hosting providers to implement alert systems for reporting illegal content and to comply promptly with legal and administrative injunctions to remove such content.

Furthermore, a government report will be presented within the next three months to address the necessary adjustments to **Law no. 2023-566 on setting a digital majority age and battling online hatred**, again drawing on remarks from the European Commission.

The path paved by the **Law of 22 April 2024** requires a meticulous approach to legislative adaptation, ensuring that national regulations resonate with broader, collective European goals. This development is pivotal for professionals within the digital influence sphere and platforms hosting user-generated content, who must stay abreast of the changing legal landscape to sustain compliance and foster responsible online interactions.

Originally published 12 June 2024 on fashionlawwatch.com.

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PRINCIPALS AND AGENTS: UK CONSULTATION TO DEREGULATE THE COMMERCIAL AGENTS REGULATIONS

By Shane A. Hubbard and Millie Pierce

The Department for Business and Trade has extended the deadline for responses to be submitted to its consultation on the deregulation of the Commercial Agents (Council Directive) Regulations 1993 (the CARs), as part of a plan to review the needs of UK businesses following the United Kingdom's exit from the European Union.

The CARs were derived from EU law and currently govern all agency relationships where the agent satisfies the criteria of a commercial agent and undertakes its activities as an agent in Great Britain. The CARs impose various conditions on principals and agents that cannot be contracted out, intended to balance the power between agents and their principals.

The CARs impose certain rights and obligations that cannot be derogated from, including:

- An agent's right to ask for a written agreement;
- A minimum notice period for termination, increasing up to three months from three years of agency onwards;
- Specific entitlements regarding pay and commission;
- Both agents and principal should act dutifully and in good faith; and
- The right of an agent to receive monetary compensation upon termination of the agency.

The consultation was introduced as part of a review of retained EU laws to consider greater contractual freedom by allowing agents and principals to contract without being bound to the CARs stipulations. However, responses to the consultation will need to consider the impact of freedom of contract when there is all too often an inequality of bargaining power between the contracting parties.

The proposed deregulation of the CARs would mean that the CARs would still apply to agency agreements already in place, but future agency agreements would allow agents and principals to set their own contractual terms entirely. The government's proposals claim that "Deregulating would simplify the UK's legislative framework, reduce court time spent on interpreting these regulations, and most importantly make it simpler for businesses to contract with each other."

The deadline to respond to the consultation has now been extended to 1 August 2024 and is open to anyone who wishes to respond (see here). Following the recent UK general election result, it remains unclear whether the newly elected government will support further deregulation of agency agreements or instead choose to remain aligned with EU laws.

If you are concerned that these proposals and future changes to the CARs may impact you or your business, please get in touch with our team.

Originally published 26 July 2024 on fashionlawwatch.com.

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LAWN AND ORDER: MAJOR STEPS AGAINST GREENWASHING IN EUROPE

By Aurelija Grubytė, Niall J. Lavery, Gabriela da Costa, Mélanie Bruneau, Dr. Annette Mutschler-Siebert, M. Jur. (Oxon), Giovanni Campi, and Arthur Artinian

A new and powerful wave of "greenwashing"[1] bans will sweep the European Union (EU) shortly. The EU's Green Claims Directive and Greenwashing Directive[2] (together, the Green Directives) are key legislative tools being introduced in the EU as part of the European Green Deal, focused on combatting misleading claims regarding products' environmental friendliness or social consciousness.

Background to the Green Directives

The European Commission's (the Commission) aim is to reduce "greenwashing" claims across the EU market and provide consumers more generally with accurate information when making their purchasing decisions. The Commission has noted that many environmental claims made by brands trading in Europe are currently not reliable and that consumer trust in them is extremely low. Indeed, a Commission study published in 2022 identified that 56% of EU consumers stated that they had encountered misleading environmental claims.[3] This was noted as part of a wider willingness amongst EU consumers to contribute to a greener and more circular economy in their everyday lives with the ability to make sustainable consumption choices at the point of sale.[4]

So, what does this mean for consumer brands?

In this alert, we provide quick-fire responses to the key issues that brands should be aware of as a result of the changes introduced by the Green Directives, and which will have significant operational and cost impacts for consumer brands.

What Is the Implementation Timeline for the Green Directives?

It is clear that the Green Directives denote a watershed moment for brands in the types of claims they can make in their sales and marketing strategies, packaging, and product labelling, and brands should start preparing for the implementation of the new requirements sooner rather than later given their potentially major operational and cost implications.

For the already-adopted Greenwashing Directive, EU Member States have until 27 March 2026 to transpose it into their national laws, with enforcement expected to commence later that year.

The Green Claims Directive is currently undergoing the legislative process at EU level. Negotiations among the co-legislators to agree on a final text, the so-called trilogues, are expected to start in autumn. It is likely that the Green Claims Directive will not be adopted before the beginning of 2025, followed by a two-year transposition period for EU Member States lasting until around early 2027.[5]

However, consumer brands should be mindful that there is already existing legislation that has been adopted by some EU Member States which must already be complied with in this area.

1 https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/european-green-deal_en.

2 2023/0085/COD, Directive (EU) 2024/825 also known as Empowering Consumers for the Green Transition (ECGT) Directive.

3 https://ec.europa.eu/commission/presscorner/detail/en/fs_22_2099.

4 https://www.consilium.europa.eu/en/policies/circular-economy/#:~:text=Empowering%20consumers,-The%20EU%20wants&text=On%2020%20February%202024%2C%20the,protected%20against%20unfair%20green%20claims.

5 https://eur-lex.europa.eu/procedure/EN/2023_85.

What Is Being Introduced? What Changes Are the Green Directives Making?

Currently, EU law does not specifically regulate environmental claims, but they are subject to a generic set of rules under consumer laws, which state that marketing claims should not be misleading, inaccurate or untruthful, among other requirements. The current obligations are set under the Misleading and Comparative Advertising Directive 2006/114/EC, the Unfair Business-to-Consumer Practices Directive 2005/29/EC and the Consumer Rights Directive 2011/83/EU.

The Greenwashing Directive focuses on creating a common methodology for substantiating green claims and making information on claims readily available to consumers.

The Green Claims Directive provides an outright ban on generic environmental claims, imposes stringent environmental labelling requirements and introduces obligations on brands to provide clear and relevant information concerning environmental or social claims.

The Green Directives are, however, complementary and include several areas of overlap, not least in relation to prohibited practices concerning environmental claims.

What Do You Mean by Environmental Claims and What Will the Green Directives Cover?

"Environmental claims" are defined very broadly in the Greenwashing Directive as: "any message or representation which is not mandatory under Union or national law, in any form, including text, pictorial, graphic or symbolic representation, such as labels, brand names, company names or product names,…and which states or implies that a product, product category, brand or trader has a positive or zero impact on the environment or is less damaging to the environment than other products."[6]

Such a broad definition will inevitably capture the vast majority of green marketing claims a brand intends to make. Careful assessment under the rules of the Green Directives will therefore be required prior to making any such claims.

It is currently unclear whether implicit environmental claims, such as use of environmental themed colours or images on product packaging (as is customary for products such as personal care goods), will also be targeted in the future, but additional care certainly needs to be taken when using these.

What Is the Key Rule if I Wish to Make a Green Claim About My Product?

In short, substantiation, more detailed claims and getting such claims verified by a third party (see below). Any environmental claim you make needs to be carefully considered and backed up by evidence.

Whilst guidance on the Greenwashing Directive is still awaited, Recital 9 provides an illustrative example of what would be acceptable: a "climate-friendly packaging" claim would not comply with the Greenwashing Directive due to it being too generic. However, replacing it with "100% of energy used to produce this packaging comes from renewable sources" (provided this can be substantiated) would be appropriate.

Article 3(1) of the Green Claims Directive sets out practical steps on how such an assessment should be undertaken. When contemplating an environmental claim to be added to a product:

- Consider specifying the aspect of the product or life cycle that the claim applies to.
- Provide scientific evidence for the claim.
- Demonstrate objectively how the claimed environmental impact is significant and is better than mere compliance with law or common practice.
- Clarify whether the claimed environmental benefits result in any negative environmental impact.
- Separate greenhouse gas emissions offsets from greenhouse gas emissions reductions.

Enhanced substantiation will also be required for any comparative or future environmental performance:

- Comparative claims (i.e. where it is stated or implied that a product or brand has a lower or higher environmental impact or demonstrates a better or worse performance from an environmental perspective compared to other products or brands) will need to be based on "like for like" information and assessments.
- Environmental claims relating to future performance (i.e. transition to carbon or climate neutrality or similar claims) will need to be linked to specific, time bound improvement milestones to which the company commits.

[6] Article 1(b)(o) of Directive (EU) 2024/825.

Brands should provide full background information that supports the claim e.g. via web link or QR code on the packaging.

Will Some Claims Be Completely Banned? Which Ones?

Yes. The Greenwashing Directive explicitly prohibits brands from using “generic” environmental claims.

Recital 9 of the Greenwashing Directive provides a useful non-exhaustive list illustrating what would be considered generic claims. These include statements such as carbon-neutral, eco-friendly, biodegradable, natural, ecological, biobased, gentle on environment, eco and climate friendly, among many others.[7]

The key takeaway here is that if you want to make a green claim, be as specific as possible. Detail will be key. How is your product carbon neutral? What is the exact carbon dioxide offsetting volume? How have you tested this? Generic green statements with no verifiable substance will “no longer fly”.

Are There Any Other Areas That Will Impact My Marketing Claims Under the Green Directives?

The Green Directives not only relate to environmental claims but also to social responsibility claims.

Brands will need to ensure that information provided on the social characteristics of a product throughout its value chain are not misleading.

The Greenwashing Directive specifically references that claims relating to the following topics must be backed by facts: gender equality, inclusion and diversity, quality and fairness of working conditions, adequate wages, social protection, safety of work environment, and contributions to social initiatives and ethical commitments e.g. animal welfare.[8]

Is There Any Way I Can Check Whether My Green Claims Are Compliant?

The new rules state that you as a business must verify your green claims before they are communicated.

This includes verification by an officially accredited body, which will be independent and be established by each EU Member State. Such a process should provide comfort for brands in respect of any enforcement action by national competent authorities.

7 Recital 9 of Directive (EU) 2024/825.

8 Recital 3 of Directive (EU) 2024/825.

However, the latest amendments to the Green Claims Directive proposed by the Council of the EU aim to minimise the burden and cost on companies to obtain verification from third parties on the substantiation of environmental claims and introduce a simplified procedure for certain claims. Under the simplified procedure, certain claims will be exempt from the third-party verification process but will rather require completion of a technical document prior to the claim's publication, and such document should be held on record.

Will These Green Directives Have an Impact on Product Labelling? I Have Been Using My Own-Branded Eco Labelling on Product Packaging for Years.

This is another crucial change that the new rules will bring. Companies will no longer be able to use their own eco labelling. Instead, brands will only be able to use such labels if they are based on official certification schemes. You will therefore need to remove own-branded green labels from products.

The EU's Ecolabel[9] scheme is expected to be one such scheme likely to meet these criteria, but the demand for other official certification labels means other national and EU schemes may need to be established.

What if I Do Not Comply With the Green Directives and Just Take the Risk?

Penalties for non-compliance will differ from EU Member State to EU Member State, but these can be severe and include fines of up to 4% of a company's turnover in the EU Member State(s) concerned, confiscation of revenues from the infringing product and temporary exclusion (for up to 12 months) from public procurement processes.

There has been a recent uptick of enforcement of green claims in the EU and the Green Directives are likely to strengthen that.

How Can You Be Prepared?

Specific steps will depend on the consumer brands' products and business, but you should be thinking about the following:

- Carrying out an audit on usage of green claims that could be problematic.
- Establishing where your green claims require additional substantiation or may need to be dropped if no back-up data is available.
- Keeping under review verification schemes at a national and EU level.
- Dropping your own green labels and switching to official labelling schemes.
- Reviewing or preparing internal processes for the use of green claims.
- Delivering training for marketing and development teams.

Noncompliance may not only have a financial impact on brands, but also tarnish their image and reputation among consumers and lead to complicated legal and public relations processes. In addition, all business units involved from product development through to marketing will need to be closely lined up and coordinated to ensure compliance with the new EU rules. Thus, a pragmatic and proactive approach in ensuring compliance will save brands a significant headache in the longer term.

Our team is here to assist if you have any questions in this area and on developing a strong compliance roadmap and internal processes.

Originally published 1 August 2024 on klgates.com.

9 https://environment.ec.europa.eu/topics/circular-economy/eu-ecolabel_en.

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RUNNING MARKETING CAMPAIGNS IN AUSTRALIA INVOLVING PRIZES—WHAT YOU NEED TO KNOW

By Marian Ngo and Belinda Tralli

Marketing and social media campaigns designed to promote a brand, product, service or business where consumers enter a competition to win a prize are known as "trade promotions" and typically fall within two categories—"games of skill" and "games of chance".

Both categories of trade promotions are regulated generally by the Australian Consumer Law (ACL)[1]; however, games of chance are also regulated by specific state- and territory-based laws.

This means that a game of chance promotion that is:

- Run nationally in Australia needs to comply with the ACL and the relevant laws across all of the states and territories in Australia; or
- Confined to a particular state or territory needs to comply with the ACL and only with the laws in that state or territory.

A "free gift with purchase" campaign is not considered a "game", as long as it is clear to the consumer whether or not they will receive the gift prior to making the "qualifying" purchase.

The ACL

Amongst other things, the ACL prohibits conduct in trade or commerce that is misleading or deceptive or is likely to mislead or deceive. An example of misleading or deceptive conduct is where a trade promotion is not run according to its advertised terms and conditions or where the chances of winning are misrepresented in the marketing collateral such as a social media post.

A consumer that has suffered loss or damage as a result of a promoter's misleading or deceptive conduct is entitled to seek damages from the promoter, and the promoter may also be subject to regulatory action by the Australian Competition and Consumer Commission.

Games of Skill vs Games of Chance

To qualify as a game of skill, a competition must not involve any element of chance and the entries must genuinely be judged on merit, against set criteria.

Examples of game of skill trade promotions include entrants:

- Submitting a print design to be selected for a limited product run; and
- Answering a particular question in 25 words or less.

Games of skill should still be governed by terms and conditions, which deal with judging criteria, intellectual property releases, limitation of liability regarding usage of a prize and more.

If there is any element of chance in the process, even where there is also some element of skill, then the trade promotion will be categorised as a game of chance trade promotion—for example, if there is uncertainty about whether a consumer will receive a prize or not at the time of entry or what type of prize they might receive or both.

Examples of games of chance trade promotions include entrants:

- Submitting certain details or performing certain actions (such as liking a social media post) for winners to be selected at random; and
- Purchasing an item within a promotional period to go into the draw to win a prize or for a chance to instantly win a prize.

How Games of Chance Are Regulated

Games of chance are specifically regulated by state- and territory-based gambling or lottery laws or both as set out in the table below. A game of chance trade promotion that is run nationally needs to comply with the relevant laws across all the states and territories, while a game of chance promotion that is confined to a particular state or territory only needs to comply with the laws in that state or territory.

[1] Schedule 2 of the Competition and Consumer Act 2010 (Cth).

State/Territory	State/territory-based law relevant to the game of chance trade promotions
Victoria	**Gambling Regulation Act 2003**; and **Gambling Regulations 2015**.
Western Australia	**Gaming and Wagering Commission Act 1987**; and **Gaming and Wagering Commission Regulations 1988**.
New South Wales	**Community Gaming Act 2018**; and **Community Gaming Regulation 2020**.
Australian Capital Territory	**Lotteries Act 1964**.
South Australia	**Lotteries Act 2019**; and **Lotteries Regulations 2021**.
Queensland	**Charitable and Non-Profit Gaming Act 1999**; **Charitable and Non-Profit Gaming Regulation 1999**; and **Charitable and Non-Profit Gaming Rule 2010**.
Tasmania	**Gaming Control Act 1993**.
Northern Territory	**Gaming Control Act 1993**; and **Gaming Control (Community Gaming) Regulations 2006**.

The laws differ across states and territories; however, they generally mandate how campaigns are to be conducted (sometimes including strict timelines in relation to winner notification and prize delivery), what must be included in the terms and conditions, the information that must be made available in relation to the campaign, restrictions in relation to prizes, minimum requirements for advertising the campaign and record keeping.

Importantly, a permit or authority from the relevant regulator may be required before a game of chance trade promotion is advertised or conducted in South Australia, the Australian Capital Territory, Northern Territory and New South Wales. This is dependent on criteria such as the value of the total prize pool, where the game of chance trade promotion will be run and whether the competition is an instant win trade promotion. There are also requirements to notify the Western Australia and New South Wales authorities of certain trade promotions.

Key Takeaways

Before running a campaign in Australia where consumers enter a competition to win a prize or prizes, assess whether the campaign is a game of skill or a game of chance to determine the laws applicable to that campaign. Any type of campaign which offers prizes should be governed by terms and conditions.

A game of chance trade promotion needs to be planned in advance so that compliant terms and conditions can be prepared, any permits or authority can be obtained and other notification requirements to regulators can be met before the campaign is advertised.

How We Can Help

Our team advises extensively on trade promotion legislation in every state and territory. We can assist by providing advice regarding the trade promotion(s) you wish to run, preparing compliant terms and conditions, preparing internal guides for running trade promotions, reviewing marketing materials and assisting you in obtaining the relevant permits and authority.

Originally published 5 August 2024 on fashionlawwatch.com.

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EU AND UK RUSSIAN SANCTIONS BRIEFING: THE LUXURY GOODS SECTOR

By Courtney J. Hunter, Michael E. Ruck, Rosie Naylor, and Petr Bartoš

As the EU and UK Russian sanctions regimes continue to evolve, export controls are now affecting industries previously not often subject to such restrictions, including the luxury goods sector. This briefing provides an overview of the current sanctions in place targeting luxury goods and what these mean for those who operate within the industry.

As the EU and UK sanctions continue to tighten their grip on Russia through the use of constantly evolving sanctions applicable to the luxury goods market, those potentially subject to such sanctions need to ensure their compliance given the increase in enforcement activities within the European Union and United Kingdom. K&L Gates continues to work with our clients to support their compliance programs and to monitor developments in the EU and UK sanctions regimes and, more widely, across the United States and other territories. If you have any questions regarding the EU or UK sanctions regimes or the issues discussed in this alert, please do not hesitate to contact our lawyers.

UK Sanctions Targeting Luxury Goods

In April 2022, the United Kingdom introduced new sanctions to impose strict limits on the export, supply, and delivery of luxury goods to Russia. The ban, contained in regulation 46B of the **Russia (Sanctions) (EU Exit) (Amendment) (No. 8) Regulations 2022** (the 2022 Regulations), covers products including handbags; garments, clothing, accessories, and shoes; luxury food items; perfumes; tapestries; pearls, semi-precious stones and jewelry; and sports equipment. The restriction only applies to items where the sale price exceeds a certain price per item or price per liter (excluding value-added taxes but including freight/transport costs). A full list of products subject to the export control ban, and the corresponding price threshold that must be met, is contained at **Part 2, Schedule 3A of the 2022 Regulations**. Certain exceptions provide, for example, that the prohibition is not contravened by travelers carrying jewelry for personal use.

In December 2023, the UK government introduced further regulations that expanded the prohibitions on luxury goods contained at regulation 46B of the 2022 Regulations. Under the **Russia (Sanctions) (EU Exit) (Amendment) (No. 4) Regulations 2023**, which came into force on 15 December 2023, not only is the direct and indirect supply, delivery, and making available of listed luxury goods to, or for use in, Russia restricted, but so too is the provision of technical assistance, financial services or funds, and brokering services relating to such controlled luxury items. These additional measures have aligned the United Kingdom's approach with that of the European Union.

Very similar restrictions apply to the export of certain specified luxury goods to or for use in Belarus.

EU Sanctions Targeting Luxury Goods

In March 2022, **Council Regulation (EU) 2022/428** amending Council Regulation (EU) 833/2014 (the EU Russian Sanctions Regulation) was published in the *Official Journal of the European Union*, introducing export controls on luxury goods. Pursuant to Article 3h, the sale, supply, transfer, or export, directly or indirectly, of specified luxury goods to any person or entity in Russia or for use in Russia, is prohibited. The prohibition only applies to luxury goods items specified in **Annex XVIII of the EU Russian Sanctions Regulation**, provided that such items are also valued over €300 per item (unless otherwise specified). The prohibited items include (among others) caviar, cigars, truffles, certain alcoholic drinks, perfume, leather goods, clothing, precious stones and metals, art, and sporting equipment. Some limited exceptions are available, including one which allows the export of certain specified luxury goods for personal use of persons travelling from the European Union to Russia.

In a similar development to the UK sanctions regime, Article 3h was subsequently amended to also prohibit the provision of technical assistance, brokering services, and other services relating to the export of the banned luxury goods.

More recently, in December 2023, the European Union adopted a 12th package of sanctions against Russia. As part of this package, the European Union amended the rule laid down in Article 3h banning the sale, supply, transfer, or export of luxury goods to or for use in Russia to expressly specify that the ban on the listed luxury goods also applies regardless of whether such goods originate in the European Union.

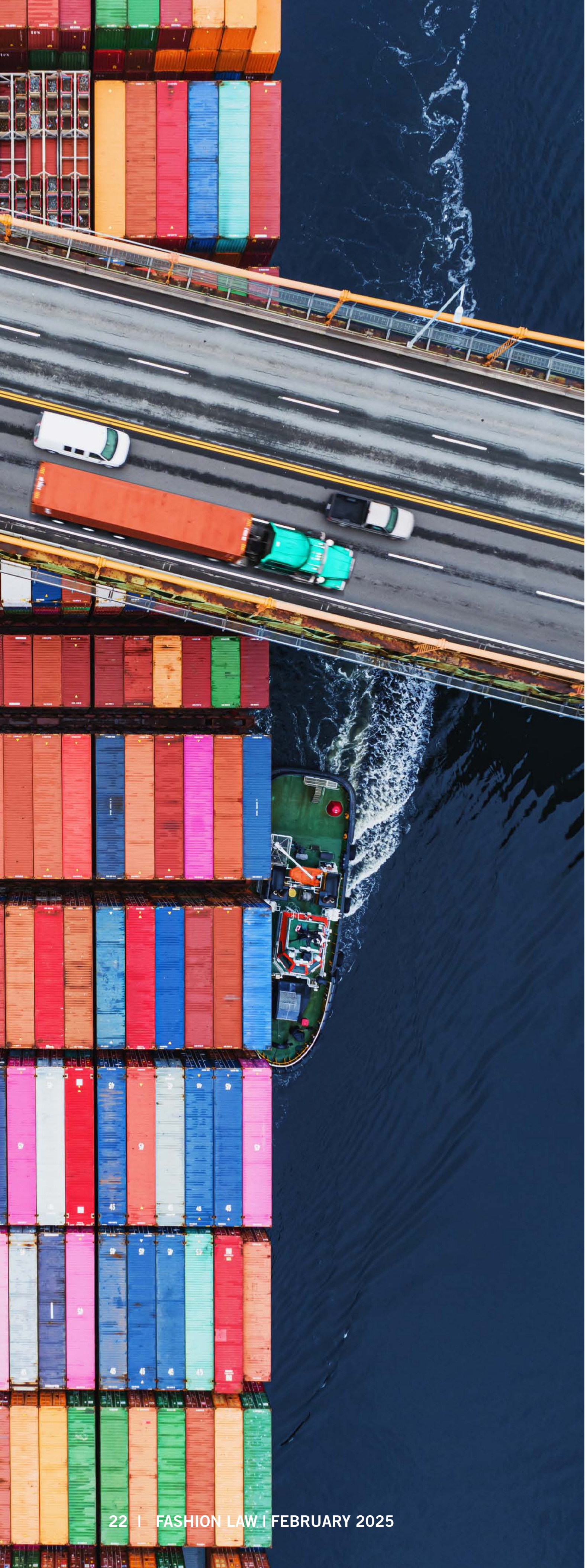
The European Union also imposed very similar **restrictions** on the export of certain specified luxury goods to any person or entity or for use in Belarus in June 2024.

Recent Enforcement Actions in the United Kingdom and the European Union

In a commercial dispute ruling issued on 5 July 2024, the UK High Court announced that HM Revenue and Customs (HMRC) is investigating whether the director of Valorem Distribution, a high-end perfume distribution company, knowingly exported perfumes to Russia in breach of UK export restrictions on luxury goods. The director was arrested in October 2023 on suspicion of violating Russian export restrictions following a tipoff from a shareholder. The director was released from bail restrictions in March while his case is considered by the Crown Prosecution Service. In June 2023, the shareholder reportedly discovered that the director had been shipping perfume orders to Russia and manipulating the company's accounts to conceal this activity. In a secret recording obtained by a private investigator commissioned by the shareholder, the director was allegedly recorded as saying that the company was performing well in Russia and was ignoring "government edicts" not to do business there. The shareholder reported this alleged conduct to the Office of Financial Sanctions Implementation in August 2023.

At present, the director is challenging his suspension from the board of Valorem Distribution, as well as the overall investigation, and is arguing that he was not aware that his activities were potentially in breach of UK export controls. The UK High Court disagreed with the director's arguments in its recent decision, citing the secret recording as "compelling evidence" that he knew his actions were in breach of regulations. The UK High Court noted that the director's conscious decision not to seek guidance from Valorem Distribution's in-house lawyer in regard to Russian sanctions also spoke to the matter. The matter remains under investigation.

In the European Union, national competent authorities have also launched enforcement actions in the luxury goods sector. In Germany, a luxury car distributor from Cologne was convicted for selling luxury cars to Russia in breach of sanctions. In a ruling of 24 April 2024, the district court in Cologne held that the dealer had intentionally breached EU sanctions by selling 38 luxury cars and two motorbikes with a total value of around €4.7 million to Russia between April and October 2022. He was sentenced to a suspended term of two years' imprisonment, a €20,000 fine and 200 hours of community service. In a separate case, German customs investigators raided over 20 residential and commercial premises and four individuals were arrested on suspicion of breaching the prohibition on exporting luxury cars to Russia. According to the German customs authority, the suspects are thought to have sold and exported more than 170 luxury vehicles to Russia in breach of sanctions since the end of 2022. Similarly, a Czech court is reported to have convicted a businessman for attempting to export three premium cars to Russia. He was fined CZK300,000, with an additional €132,000 received as advance payment for the vehicles forfeited to the state, and will be prohibited from trading in motor vehicles for 20 months. Finnish authorities are reported to have seized paintings valued at around €46 million, citing the ban on exporting luxury goods to Russia in April 2024.



What This Means for Businesses

Businesses, shareholders, and senior managers operating in the luxury goods industry should carefully consider the impact of the EU and UK sanctions regimes on distribution and supply chains. Retailers must observe the measures that affect them and ensure compliance at all levels. HMRC's latest action against a director (see above) demonstrates that the UK government is placing a watchful eye on the luxury goods market and is not afraid to pursue enforcement action when breaches become apparent.

Accordingly, we recommend that luxury goods brands and retailers ensure that they, their subsidiaries, and their distributors have adequate policies and procedures in place to monitor compliance with sanction regulations. Distribution and supply chains should also be reviewed to ensure that products are not being indirectly supplied to embargoed territories or sanctioned individuals by connected suppliers. The introduction of terms and restrictions to this effect in supply chain agreements is strongly encouraged, as well as placing obligations on suppliers to demonstrate that they too have their own robust internal systems and controls in place to ensure compliance with sanctions. This will help reduce risks for retailers in the luxury goods sector of being considered of acting, directly or indirectly, in breach of the relevant sanctions regimes, as well as any associated reputational consequences.

Originally published 8 August 2024 on klgates.com.

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KEEPING ONLINE REVIEWS HONEST—THE FTC ANNOUNCES FINAL RULE TO COMBAT FAKE REVIEWS, TESTIMONIALS, AND RELATED MISREPRESENTATIONS

By Michael R. Murphy, Morgan T. Nickerson, and Adam G. Husik

The United States Federal Trade Commission (FTC) announced a **final rule** this week aimed at combating the increasingly prevalent practice of selling or purchasing fake online reviews and testimonials for goods or services. While such unfair or deceptive acts are already unlawful, the final rule is aimed at increasing deterrence by allowing courts to impose civil penalties against violators and to seek orders requiring violators to compensate consumers for the harm caused by their conduct.

The FTC's final rule takes aim at the following:

Purchasing Reviews

In addition to prohibiting the outright purchasing of reviews, the rule prohibits a business from providing compensation or other incentives in exchange for a review. The rule also prohibits misrepresentations regarding celebrity endorsements, such as falsely claiming that a review or testimonial is based on the celebrity's actual experience with a given product or service.

Fake or False Reviews

The rule prohibits AI or bot generated reviews from individuals who do not actually exist or where the reviewer has no experience with the subject matter of the review.

Insider Reviews and Consumer Testimonials

Reviews or testimonials from business insiders are also prohibited, unless their connection with the business is clearly disclosed. The rule also includes disclosure and other requirements when a business seeks reviews from immediate relatives, employees or agents of the business.

Company-Controlled Review Websites

Given the increasing consumer reliance on independent, third-party review websites, the rule makes it unlawful for a business to falsely represent that a website or other company-controlled business provides independent reviews or testimonials when they, in fact, are influenced and controlled by the business.

Review Suppression

It will be forbidden to use unfounded legal threats, physical threats, or other acts of intimidation to either prevent the posting of a review or to coerce the removal of an existing review. Notably, the rule also prohibits a business from misrepresenting that reviews displayed on a website accurately reflect all or most customer reviews, when other negative reviews have been suppressed by the business.

Fake Social Media Influence

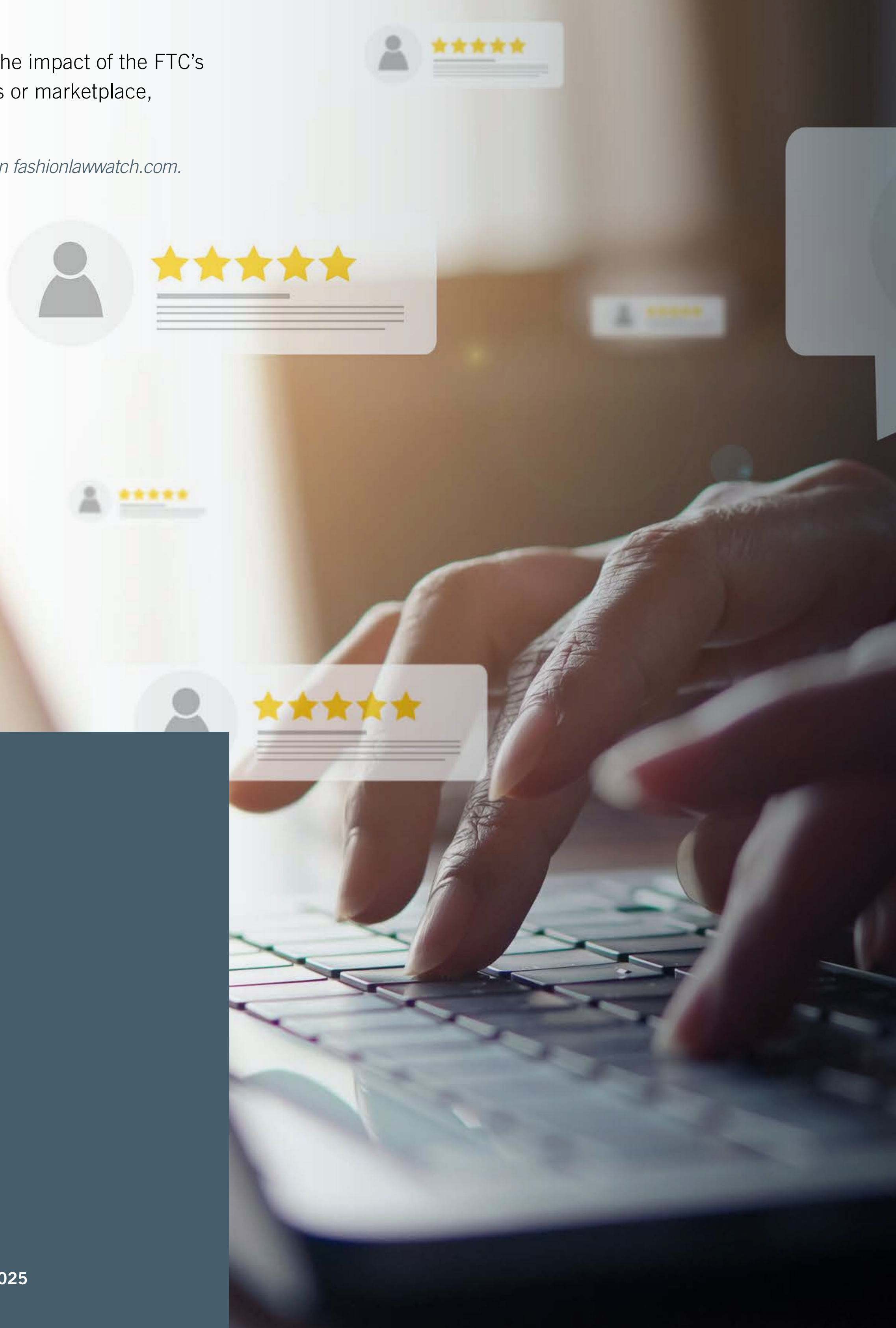
In addition, the rule prohibits the sale or distribution of fake "indicators of social media influence" (such as follower or subscriber counts, post shares, or likes) which could then be used to misleadingly increase the perceived significance of a given review or testimonial. This aspect of the rule could have a large impact on the social influencer industry.

As noted by FTC Chair Lina M. Khan, “By strengthening the FTC’s toolkit to fight deceptive advertising, the final rule will protect Americans from getting cheated, put businesses that unlawfully game the system on notice, and promote markets that are fair, honest and competitive.”

The final rule will go into effect sixty days after being published in the Federal Register and should go into effect later this year.

For more information regarding the impact of the FTC’s final rule on your online business or marketplace, please contact our team.

Originally published 20 August 2024 on fashionlawwatch.com.



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US$18.3 MILLION WEARABLE BLANKET INFRINGEMENT AWARD STANDS DESPITE NEWLY ANNOUNCED DESIGN PATENT STANDARD

By Kristin E. Wells

An Arizona federal judge denied Top Brand LLC's motion for a new trial following an US$18.3 million jury award to Cozy Comfort Co. for infringement of two Cozy Comfort design patents and the "Comfy" trademarks used in connection with "The Comfy" hooded wearable blanket, which was featured on the television program "Shark Tank".

Top Brand argued that a new trial was warranted given the Federal Circuit's recent 21 May 2024 *LKQ Corp. v. GM Global Tech. Operations LLC* decision, which set a new test for evaluating the non-obviousness of design patents (see IP Law Watch writeup **here**). Top Brand argued that Cozy Comfort's design patents are invalid under the new test, and that Top Brand's "Tirrinia" large wearable hoody is therefore not infringing.

US District Judge Steven Logan disagreed, holding that although the *LKQ* decision "loosened the standard for obviousness", its holding was not "so disruptive as to consider the jury instructions in this case a miscarriage of justice". In fact, Judge Logan wrote, the jury instructions in this case contained the "exact analysis for obviousness which *LKQ* commands." Judge Logan therefore upheld the jury verdict and denied Top Brand's request for a new trial.

Courts will continue to grapple with the new LKQ design patent obviousness standard, which may result in increased challenges to design patents going forward.

Originally published 8 July 2024 on iplawwatch.com.

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We acknowledge the contribution of former partner Eric W. Lee to this article.

ANTI-MONEY LAUNDERING AND FASHION

By Daniel Knight

Around the world, the fight against money laundering and terrorism financing is ramping up in response to the emergence of ever-more sophisticated criminal networks and infrastructure. The Financial Action Task Force, a global intergovernmental organisation, established a set of standards and provided recommendations to all governments to consider and implement for detecting and preventing money laundering. The Australian government has now introduced the Anti-Money Laundering and Counter-Terrorism Financing Amendment Bill 2024 (Bill) to parliament which proposes to overhaul Australia's existing anti-money laundering and counter terrorism financing (AML/CTF) regime.

The overhaul, expected to take effect in Q1 in 2026, will bring certain precious stones and metals dealers and jewellery retailers within scope of the AML/CTF regime. As a result, these businesses will be required to establish controls to identify and mitigate money laundering and terrorism financing (ML/TF) risk.

Crucially, these laws apply to such business that accept virtual currencies and large sums of cash for products like diamonds and gold.

In-Scope Dealers and Jewellers

The Bill proposes to capture businesses that buy or sell "precious metals", "precious products" or "precious stones" where a payment of more than AU$10,000 is made in physical currency or virtual assets (e.g. bitcoin and stablecoins) or a combination of both. This will include a series of transactions that are linked or appear to be linked.

The definitions of "precious metals", "precious products" or "precious stones" are broad. As you will see in the definitions outlined in the following table, a lot of luxury products and dealers of those products will be captured.

Obligations of In-Scope Businesses

Term	Proposed Definition	Examples
Precious metals	Proposed to include gold, silver, platinum, palladium, other similar metals, and an alloy substance with at least 2% in weight of any of the expressly mentioned metals.	Examples are outlined in the definition.
Precious stones	A substance that has a gem quality and has a market-recognised beauty, rarity and value.	For example, stones such as opal, garnet, diamonds and pearls.
Precious products	Any of the following that is made up of, contains or has attached to it, any precious metal or precious stone: • Jewellery; • A watch; • An object of personal adornment that isn't jewellery or a watch; and • An article of goldsmiths' or silversmiths' wares.	The Bill contains an extensive list, including: • Stainless steel watch with rubies on its face; • Platinum tie bars; • Gold and pearl necklace; • Gold ornaments; • Smokers' requisites; and • Religious articles.

Whilst the obligations under the AML/CTF regime are extensive, the goal is clear: identify and mitigate money laundering risks. To achieve this goal, in-scope businesses are required to (among others):

- Conduct and document a comprehensive ML/TF risk assessment;
- Implement proportionate controls to mitigate such risks;
- Ensure there is adequate oversight of the AML/CTF function of the business;
- Conduct customer due diligence and verify identities prior to providing services; and
- Make reports to the Australian Transactions Reports and Analysis Centre (AUSTRAC).

Originally published 14 October 2024 on fashionlawwatch.com.

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We acknowledge the contribution of graduate Kithmin Ranamukhaarachchi to this article.

YOU'RE GONNA HEAR ME ROAR: KATY PERRY WINS APPEAL AGAINST LOCAL AUSTRALIAN FASHION DESIGNER

By Gregory Pieris and Amelia-Rose Booth

In the long-running trade mark dispute between international popstar Katy Perry and Australian fashion designer Katie Taylor, the Full Federal Court has overturned the first instance decision of *Taylor v Killer Queen, LLC* (No 5) [2023] FCA 364 and ordered that Taylor's trade mark be cancelled.

As we reported on the trial decision **here**, Justice Markovic found at trial that Perry and her associated companies infringed Taylor's trade registration for KATIE PERRY in class 25 (Taylor Mark). However, Perry was able to rely on a defence for using her own name in good faith.

Some of the key issues on appeal were:

1. Do items such as footwear, headgear, caps, hats and headbands fall within the scope of the Taylor Mark which covered "clothes" in class 25?
2. Whether Perry, Killer Queen and Kitty Purry were liable as joint tortfeasors for trade mark infringement of the Taylor Mark.
3. Whether Perry could rely on the defence for use of her own name in good faith.
4. Whether the Taylor Mark ought to be cancelled.

The Scope of Protection for "Clothes" in Class 25

The Full Court held that term "clothes" in class 25 does not extend to footwear and headgear. One of the key issues on this ground of appeal was whether the meaning of "clothes" should be interpreted having class 25 heading under the Nice Classification, "clothing, footwear, headwear". In arriving at its decision, the Full Court did not rule out using class headings as an aid to resolve ambiguity in appropriate circumstances.

However, the Full Court held that primacy must be given to the words actually chosen by the trade mark owner to limit the scope of the monopoly claimed, which are then construed according to their ordinary meaning. By Taylor electing to claim only "clothes", the term therefore could not be taken to have a broader meaning when she could have nominated "footwear" and "headwear" at the time of filing.

Joint Tortfeasorship

The Full Court made a complicated set of findings regarding the relationship between Perry and her associated companies and licensees. The key finding of interest was that Perry ought to have been considered a joint tortfeasor with one of her associated companies, Kitty Purry, as each of the infringing acts that were undertaken by it could only have occurred through the agency of Perry. Further, the merchandise bore Perry's name and served to promote her, she had close personal involvement in the promotion of the merchandise and she was expected to derive financial benefit from the sales.

However, the infringement claim was ultimately unsuccessful for reasons explained below, so the question of tortfeasorship was moot.

The "Own Name" Defence

Taylor argued that Perry could not rely on an "own name" defence pursuant to section 122(1)(a)(i) of the Act because "Katy Perry" was not the popstar's legal name, but rather a stage name. The Full Court upheld the primary judge's findings and concluded that the "own name" defence was available to Perry, even though it an adopted name and she had assigned ownership of the corresponding trade mark to one of her companies.

Cancellation of the Taylor Mark

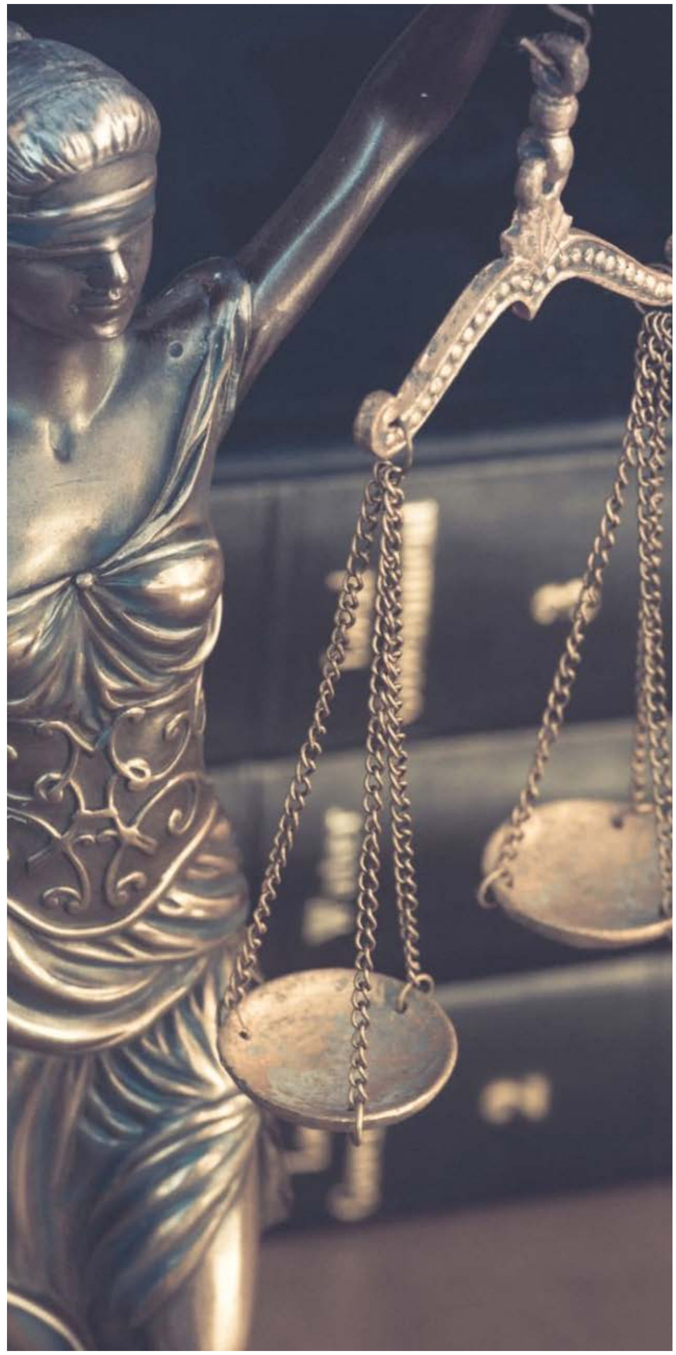
In a surprising turn of events, the Full Court ordered the cancellation of Taylor's KATIE PERRY mark on two alternate bases: that Perry had a reputation at the time Taylor's application was originally filed such that consumer confusion was likely, and that ongoing use of Taylor's trade mark would likely result in consumer deception or confusion. This finding did not require Perry to establish any particular reputation with respect to the goods in question, i.e., clothing.

The Full Court further decided not to exercise discretion to maintain registration of the Taylor Mark because at the time of filing the application, Taylor was aware of Perry's significant international reputation and since then had, occasionally, sought to align herself with Perry in order to obtain some benefit and rejected offers to enter a coexistence agreement.

Key Business and Legal Takeaways

1. A trade mark applicant must complete thorough due diligence when applying for a trade mark and consider the reputation of both local and international third parties. One must consider whether, as a result of any third-party reputation, the use of a trade mark is likely to deceive or cause confusion.
2. A trade mark applicant must carefully select goods and services to accurately define the scope of the monopoly it intends to claim. The court will eschew reliance on class headings when construing the particular goods and services which are covered by a trade mark registration.
3. That directors can be held personally liable for actions of their companies, particularly in circumstances where the actions undertaken by the company could only have been completed through the agency actions of its director.
4. The "own name" defence under section 122(1)(a)(i) of the Act is available not only to a person's legal name, but also for pseudonyms and stage names.

Originally published 16 December 2024 on fashionlawwatch.com.



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FASHION EVENTS AND EXCITING UPDATES

K&L Gates Partner Recognized as 'Partner of the Year' at Luxury Law Awards

Partner **Francesco Carloni** was named "Partner of the Year" at the 2024 Luxury Law Awards ceremony held on 11 June 2024.

Organized in conjunction with the Luxury Law Summit held at London's British Museum, the Luxury Law Awards each year recognize the law firms, in-house legal teams, deals, individuals, and lifetime achievements required to guide a luxury business or brand to profitable success.

"Working Outside Your Comfort Zone"

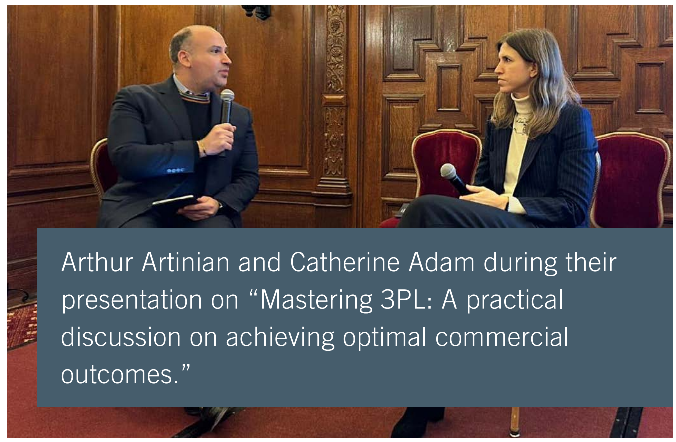
The firm was represented by a global team of lawyers, including partners **Arthur Artinian**, **Jonathan Feder**, **Daniel Marschollek**, **Simon Casinader**, and senior associate **Serena Totino** at the Marques Annual Conference in Stockholm from 24-27 September 2024. Arthur Artinian hosted a mainstage panel during the conference with panelists from Volvo and Mölnlycke Health Care—two iconic Swedish brands—to speak on a session titled "Working Outside Your Comfort Zone." They discussed the everchanging nature of intellectual property counsel roles and covered diverse topics and responsibilities on regulatory, marketing and advertising, commercial, and public relations issues.

Luxury Law Summit New York

The Luxury Law Summit made its return to New York on 19 November 2024, drawing attendance from some of the world's top luxury brands. K&L Gates has proudly sponsored this event since its inception in 2017. Regularly attended by general counsel and in-house legal teams of the world's largest luxury apparel and accessory brands, this summit offered a unique opportunity to discuss experiences and share insights on the latest trends and challenges facing the industry. CEOs, founders, legal professionals, and inspiring luxury industry leaders shared their knowledge and experience about the business of fashion in a rapidly changing digital and global landscape.

At this year's event, partners **Catherine Adam** and **Arthur Artinian** spoke on a panel discussion titled "Mastering 3PL: A Practical Discussion on Achieving Optimal Commercial Outcomes" in which they provided insights on optimizing commercial outcomes in 3PL agreements, addressing negotiation challenges, and outsourcing across Europe.

Francesco Carloni



Arthur Artinian and Catherine Adam during their presentation on "Mastering 3PL: A practical discussion on achieving optimal commercial outcomes."

Luxury Law Summit Milan

Partners **Arthur Artinian**, **Francesco Carloni**, and counsel **Veronica Muratori** represented the firm at the inaugural Luxury Law Summit Masterclass event in Milan on 30 September 2024. The event was attended by a range of companies and lawyers representing the luxury and fashion industry, including many leading names from Italy, France, Switzerland, the United States, and United Kingdom. Veronica hosted a panel on distribution trends and opportunities in the luxury market with Alessandra Amico, GC of Molteni Group and Luca Chiama, GC of Prada Group.

Veronica Muratori presents with Alessandra Amico, GC of Molteni Group and Luca Chiama, GC of Prada Group

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