

## Fashion and Apparel Brands Can Promote Sustainability While Protecting Brand Value



The fashion industry is the world's second [largest polluter](#) behind big oil, and is

responsible for around 10% of global greenhouse gas [emissions](#). There are a number of contributing factors to this problem, ranging from "fast fashion"—a model based on producing low-cost garments intended to be worn only a handful of times—to disposal of luxury overstock merchandise.

Consumers today are increasingly conscious of environmental issues. Younger generations in particular have a clear preference for environmentally friendly products—74% of millennials and 62% of Generation Z are willing to pay more for [sustainable goods](#). Thankfully, consumer demand has caused a discernable and welcome shift towards sustainability in the fashion and apparel industry.

Enter "upcycling," which involves repurposing preexisting garments, bags, accessories, and fabrics into new product. Upcycling, which reduces waste and promotes creativity, was recently deemed the biggest fashion trend of 2021 by [Vogue](#). Indeed, luxury brands like Balenciaga, Miu Miu, JW Anderson, and others have embraced upcycling—particularly in light of the pandemic, which led to between \$167 billion and \$190 billion worth of excess inventory from [spring/summer 2020 collections](#). But some of the most notable upcycling involves small-scale designers' products that incorporate well-known trademarks or copyrighted designs—these products are particularly lucrative and popular because they provide a luxury look at lower price points. This raises a tough question for brands: how do you promote eco-friendly upcycling while protecting brand value?

Unfortunately, the legal landscape in the United States has made this question even more difficult to answer, but, as discussed below, brands competing in the circular marketplace may be best positioned to proactively promote sustainable upcycling while preserving brand equity.

### The Legal Landscape

To establish infringement, a trademark owner must establish that (1) it owns a valid, senior mark, and (2) the defendant's junior use creates a likelihood of consumer confusion. Resellers often have a defense to the second element under the first-sale doctrine, which limits trademark owners from controlling resale of authentic and unaltered trademarked product. The rationale is that the trademark indicates that the product is genuine, such that the reseller is not making any misrepresentation that could confuse the resale buyer. This has allowed for resale apparel and accessories to grow to a \$36 billion market, which is expected to [nearly double](#) in the next five years.

Notably, the first-sale doctrine does not apply to materially altered products, which consumers could think were authorized by the mark owner. Upcycled products are, by nature, materially different from the originals, which has prompted several high-profile suits against upcyclers. For example, Chanel recently sued Shiver + Duke over its repurposing of authentic Chanel buttons into costume jewelry.[1] Similarly, Rolex sued Californienne over its customized pre-owned Rolex-brand watches, but the case was settled before decision.[2] Nike also recently [brought suit](#) against MSCHF over its "upcycling" of Nike sneakers into "Satan shoes," which was also settled prior to decision.

However, this is a fairly novel area for courts—and one recent decision illustrates that these cases often are not clear-cut. In the 2021 landmark decision *Hamilton International Ltd. v. Vortic LLC*, the U.S. District Court for the Southern District of New York held that the defendant's conversion of the plaintiff's antique HAMILTON pocket watches into wristwatches did not infringe the plaintiff's rights because the defendant's ads and website contained "full disclosure" that the defendant's watches were created with HAMILTON pocket-watch parts. Moreover, the court held that the defendant's watch-faces' display of the HAMILTON mark was permissible even if the defendant gets some advantage from the plaintiff's mark.[3] This case is pending appeal before the U.S. Court of Appeals for the Second Circuit—but, if upheld, it could act as a potential barrier to brand owners' enforcement against upcyclers.

Hamilton establishes that the line between permissible upcycling and infringement is far from clear and requires a careful fact-specific inquiry. Brands should rely on trusted intellectual property counsel to navigate this unsettled legal space.

## **Sustainable Practices to Satisfy Market Demand**

It is unclear where the case law on upcycling will land, but in the meantime, there is certainly a consumer demand for upcycled products. It is for this reason, perhaps, that brands have begun proactively partnering or directly competing with smaller-scale upcyclers.

For example, The RealReal and Los Angeles-based upcycling experts Atelier & Repairs recently teamed up to create "[ReCollection 01](#)," which transforms unsold or damaged pieces from Balenciaga, A-COLD-WALL\*, Jacquemus, Dries Van Noten, Ulla Johnson, Stella McCartney, Zero + Maria Cornejo, and Simone Rocha into one-of-a-kind garments. Similarly, Altuzarra's Re-Crafted Collection and Loewe's [The Surplus Project](#) upcycle fabrics from past seasons to create new pieces. Relatedly, luxury conglomerate LVMH recently launched an online marketplace for "[deadstock](#)" (or unused fabric or leather).

## Takeaways

There is consumer demand for eco-friendly upcycled goods, and the law for addressing upcycler misappropriation in the courts is still developing. Nonetheless, fashion and apparel companies should be careful to protect their brands from misuse.

A brand faced with an infringing upcycler still has tools to address misappropriation without involving courts. For example, "informal enforcement" through demand letters, business-to-business discussions, and/or take-down requests can go a long way in addressing infringement. Brand owners should leverage trusted intellectual property counsel to craft an enforcement plan based on the facts of the specific infringement at hand.

On the other hand—and as demonstrated by several of the examples above—brands can hedge against third-party misuse by proactively producing their own upcycled merchandise. Intellectual property counsel can also help brands navigate establishing upcycling partnerships and product streams, including through licensing agreements, cobranding agreements, merchandising agreements, and other contractual arrangements. By participating in the circular economy, fashion and apparel brands can contribute to sustainability while properly controlling their trademarks downstream.

## Endnotes

[1] *Chanel, Inc. v. Shiver and Duke, LLC*, 1:21-cv-01277 (S.D.N.Y. 2020).

[2] *Rolex Watch U.S.A., Inc. v. Reference Watch LLC d/b/a La Californienne, Courtney Ormond, and Leszek Garwacki*, 2:19-cv-09796 (C.D. Cal. 2019).

[3] *Hamilton International Ltd., v. Vortic LLC*, 486 F. Supp. 3d 657, 668 (S.D.N.Y. 2020) (citing *Champion Spark Plug Co. v. Sanders*, 331 U.S. 125, 130 (1947) (noting that it can be "wholly permissible" that the "second-hand dealer gets some advantage from the trade mark")).

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