A PROPOSAL FOR AN ALTERNATE DISPUTE RESOLUTION PROCESS FOR THE FASHION INDUSTRY AFTER THE INNOVATIVE DESIGN PROTECTION AND PIRACY PREVENTION ACT

David Reap*

I. INTRODUCTION

Imagine the following: photographers snap pictures of Lara Stone¹ strutting down the runway at a Marc Jacobs² fashion show. Meanwhile, the rest of the crowd at the New York State Armory,³ where Marc Jacobs holds fashion shows, remains motionless. They are captivated by the dress Stone wears. It is like nothing they have seen before.

A few days later, a young fashion designer, who is yet to get her big break, is browsing the fashion website www.WWD.com, Women’s Wear Daily,⁴ when she sees an image of the Marc Jacobs dress. She stares at the picture for several seconds and then—aha!—she gets an idea for her own design. She grabs a pencil and begins sketching the design, which is loosely based on the design she just saw. Months later, the designer debuts her design at a fash-

* The author would like to thank David Althoff, a 2004 Cardozo graduate, for his guidance and help with this Note. Indeed, it was Mr. Althoff who recommended that this topic was worthy of exploration in a Note; needless to say, I am so very grateful for his recommendation. I would also like to thank Cardozo Professors Susan Crawford and Barbara Kolsun, who took time from their busy schedules to offer some extremely useful feedback.


² Marc Jacobs, who as a design student at Parson’s School of Design was awarded some of the school’s highest honors like Design Student of the year, is now the head designer of his eponymous, world-famous label Marc Jacobs. Marc Jacobs Biography, MARC JACOBS DESIGNS, http://marcjacobsdesigns.com/marc-jacobs-biography (last visited Feb. 16, 2011).

³ The New York State Armory is located on Lexington Avenue between 25th street and 26th street. The Armory, long since used for military purposes, now serves as a place for some of the most revolutionary art exhibitions. 69th Regiment, http://www.sixtyninth.net/armory.html (last visited Feb. 16, 2011).

ion show. Now it is her design that captivates the crowd. This is her breakthrough moment. She proceeds to have a successful career, all thanks to that design which gained her notoriety.

Things could have been different for the young fashion designer. For instance, she could have seen the image of the design on the internet and arrived at her own idea for a design, but then decide not to produce the design. Why? As a designer without many resources she cannot risk having to defend a copyright infringement lawsuit against Marc Jacobs, the designer of the dress on which she based her design.

The passage of the Innovative Design Protection and Piracy Protection Act (IDPPPA) could mean that for younger, unproven designers without many resources this second set of events is more likely to occur than the first set of events.

This Note will explore the way alternative dispute resolution can be used to ensure that the proposed IDPPPA meets its stated goal without unnecessarily chilling creative efforts of unproven designers. Though the bill is aimed at stopping the proliferation of design copying (knockoffs), insiders are concerned that the bill will dissuade designers from producing designs that merely incorporate elements from other designs (“inspired-by” designs). Some believe that the judiciary will interpret the IDPPPA expansively, resulting in the punishment of designers who produce knockoffs as well as those who draw inspiration from other designs. However, a chilling effect could be mitigated if an alternative dispute resolution process is established by the fashion industry. An arbitration panel, equipped with an internal appellate procedure and the ability to appeal decisions to the court system, would enable designers seeking to produce inspired-by designs to quickly secure some guarantee that they will not be liable for copyright infringement. This Note will propose the creation of such a panel and will draw on several models—the National Advertising Review Council, the Uniform Domain Name Dispute Resolution Policy and Professor Michael Carroll’s Free Use Board—to suggest the panel structure would preserve the fashion industry’s innovative spirit after (despite?) the IDPPPA.
2012] ALTERNATE DISPUTE RESOLUTION PROCESS 623

II. BACKGROUND

A. Why Fashion Designs are not Eligible for Copyright Protection: They are “Useful Articles”

A “useful article” is defined by the Copyright Act of 1976 (the Act) as “an article having intrinsic utilitarian value that is not merely to portray the appearance of an article or to convey information.”5 Useful articles, then, are items that are considered inherently utilitarian—items that are not, in other words, solely created as a work of art.6 Fashion designs are denied copyright protection because clothing is considered a useful article.7 Some “useful articles” are afforded copyright protection, though, “if, and only to the extent that, such design[s] incorporate[ ] pictorial, graphic and sculptural features that can be identified separately from, and are capable of existing independently of, the utilitarian aspects of the article.”8 This protection comes from § 102 of the Act, which makes “pictorial, graphic or sculptural” works eligible for copyright protection.9 Thus, those elements of an article that fall under this category that are conceptually separable from the utilitarian elements of the article are eligible for protection.10 This “separability” test is an extremely difficult criterion to meet as “courts have excluded most industrial designs from copyright protection.”11 Only one category of useful designs is given explicit copyright protection: designs for vessel hulls, which are protected by Chapter 13 of the Act.12

B. The Design Piracy Prohibition Act (DPPA)

In 2006, Representative Bob Goodlatte (R-VA) and six co-sponsors introduced the DPPA into the U.S. House of Representa-

---

6 Id.
7 BRIAN T. YEH, CONGRESSIONAL RESEARCH SERVICE, COPYRIGHT PROTECTION FOR FASHION DESIGNS: A LEGAL ANALYSIS OF LEGISLATIVE PROPOSALS IN THE 111TH CONGRESS 1 (2010).
10 YEH, supra note 7.
11 Id. at 1.
The bill proposed expanding the category of designs for useful articles afforded copyright protection under Chapter 13 of the Copyright Act to include fashion designs. The bill was backed by New York’s Council of Fashion Designers of America (CFDA).

1. The Content of the DPPA

What Qualifies as a Fashion Design: Under the DPPA, “fashion design” is defined as “the appearance as a whole of an article of apparel, including its ornamentation . . . and includes original elements of the article of apparel or the original arrangement or placement of original or non-original elements are incorporated in the overall appearance of the article of apparel.”

Term of Protection: If determined to be a “fashion design” under the DPPA, the design would be afforded three years protection. This term of protection would begin when either the design is registered or when the design becomes public, whichever comes first.

Application for Registration: To be entitled to this protection, the designer must submit an application for registration to the Register of Copyrights no later than six months after the design is first made public. Further, the application must include a description and visual depiction of the design to be included in a searchable electronic database. The Register would compile the depictions into a freely accessible database which would include not only registered designs, but also those that “have been denied registration, have been cancelled or have expired.”

Copyright Enforcement: To enforce copyrights, like the designer of a vessel hull, a fashion designer would need to submit an application for registration to the Register of Copyrights. Thus, a
copyright infringement lawsuit can be instituted only after registration of the design.\textsuperscript{22}

\textit{Limitations on Infringement:} A design is not considered infringing if the design 1) is “original and not closely and substantially similar in overall visual appearance to a protected design;”\textsuperscript{23} 2) “merely reflects a trend”\textsuperscript{24} (the bill defines “trend” as “a newly popular concept, idea, or principle expressed in, or as part of, a wide variety of designs of articles of apparel that create an immediate amplified demand for articles of apparel embodying that concept, idea, or principle”\textsuperscript{25}); or 3) is “the result of an independent creation.”\textsuperscript{26}

2. The DPPA’s Demise

The DPPA’s passage was derailed by the efforts of the American Apparel & Footwear Association (AAFA), which anticipated that the bill would harm rather than help the industry.\textsuperscript{27} The AAFA sent a letter to members of Congress, which stated their objections to the DPPA:

[T]he legislation would create incredible ambiguity that would wreak havoc in the fashion industry. If enacted, these bills would make legitimate companies, and their legitimate designs, vulnerable to a litany of excessive litigation and bogus claims. The inherent subjectivity in both the ‘substantial similarity’ standard for infringement and the ‘distinguishable variation over prior work’ standard for protection would expose footwear and apparel companies, retailers, designers and ultimately the consumer to unneeded costs and uncertainty that could stifle fashion design innovation.\textsuperscript{28}

The AAFA is widely credited as the reason why DPPA “never made headway in Congress.”\textsuperscript{29}

\textsuperscript{22} Id. at 5.
\textsuperscript{23} H.R. 2196 § 2(e)(3).
\textsuperscript{24} Id.
\textsuperscript{25} H.R. 2196 § 2(a)(10).
\textsuperscript{26} Id.
\textsuperscript{27} Ederer & Preston, supra note 13.
\textsuperscript{29} Ederer & Preston, supra note 13.
C. The Innovative Design Protection and Piracy Prevention Act (IDPPPA)

The CDFA and AAFA worked together to change the language of the DPPA in order to address the concerns of the AAFA, but the two groups failed to reach a satisfactory compromise.\textsuperscript{30} Despite the DPPA’s reintroduction in the Senate in 2007 by Senators Charles Schumer (D-NY), Orrin Hatch (R-UT), Lindsey Graham (R-SC) and Hillary Clinton (D-NY), and in the House in 2009 by Representatives William Delahunt (D-MA), Jerrold Nadler (D-NY), and Charles Rangel (D-NY), the bill was stalled in both instances as a result of the AAFA’s lobbying efforts.\textsuperscript{31} Sen. Schumer, frustrated with the AAFA’s consistent success, pressed the CFDA and the AAFA to jointly produce new legislation agreeable to both organizations. The result of the cooperative efforts of the CFDA and the AAFA is the IDPPPA. The IDPPPA was introduced in the Senate by Sen. Schumer on August 5, 2010. The IDPPPA, in contrast to the DPPA, is supported by both the CFDA and the AAFA “whose members together represent a majority of the creative designers, manufacturers, and suppliers in the fashion industry.”\textsuperscript{32} The bill has bipartisan support and is expected to pass in the near future.\textsuperscript{33}

1. The Content of the IDPPPA

What Qualifies as a Fashion Design: Like the DPPA, the IDPPPA defines a “fashion design” as “the appearance as a whole of an article of apparel, including its ornamentation . . . and includes original elements of the article of apparel or the original arrangement or placement of original or non-original elements are incorporated in the overall appearance of the article of apparel.”\textsuperscript{34} However, the IDPPPA adds two more criteria for qualification as a fashion design, providing that the original elements of the design must “be 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.”\textsuperscript{35}

\begin{footnotesize}
\begin{itemize}
  \item \textsuperscript{30} \textit{Id.}
  \item \textsuperscript{31} \textit{Id.}
  \item \textsuperscript{32} \textit{Id.}
  \item \textsuperscript{34} S. 3728 § 2(7)(A)-(B).
  \item \textsuperscript{35} S. 3728 § 2(7)(B)(i)-(ii).
\end{itemize}
\end{footnotesize}
result, fewer fashion designs will qualify for protection under this more stringent standard.  

**Term of Protection:** The term of protection under the IDPPPA is the same as that of the DPPA: three years from the time of first public appearance or from registration, whichever comes first.

**Application for Registration:** The IDPPPA does not require registration for fashion designs to be copyrightable; nor does it require registration before a designer may bring a copyright infringement lawsuit. Instead, copyright protection is triggered upon creation of the fashion design. As a result, designers do not know what designs will be deemed protected by copyright. The IDPPPA also does away with the DPPA’s provision that established a free, searchable electronic database.

**Copyright Enforcement:** As noted above, under the IDPPPA, designers need not register their designs in order to be afforded copyright protection.

**Limitations on Infringement:** Under the DPPA, a design would not be considered infringing if the design was not “substantially similar in overall visual appearance to the original elements of the protected design.” The IDPPPA substitutes the term “substantially identical” for “substantially similar.” The IDPPPA defines “substantially identical” as “an article of apparel that is so similar in appearance as to be likely to be mistaken for the protected design, and contains only those differences in construction or design which are merely trivial.” Similar to the DPPA, designs that are the result of an independent creation are protected. However, unlike the DPPA, the IDPPPA does not afford designs that merely reflect a trend copyright protection. However, the IDPPPA does protect an individual who “produce[s] a single copy

---

36 See generally YEH, supra note 7.
37 S. 3728, 111th Cong. § 2(d) (2010).
38 S. 3728 § 2(f)(2).
39 YEH, supra note 7, at 5.
41 YEH, supra note 7, at 6.
42 S. 3728 § 2(f)(2).
43 H.R. 2196 § 2(c)(2).
44 S. 3728 § 2(c)(3)(A).
45 S. 3728 § 2(a)(1).
46 S. 3728 § 2(c)(3)(B).
47 H.R. 2196 § 2(c)(2).
of a protected design for non-commercial personal use or for the use of an immediate family member. 48

2. Where the IDPPPA Currently Stands

Although the IDPPPA was unanimously approved by the Senate Judiciary Committee on December 1, 2010, Senator Dianne Feinstein (D-CA) “reined the bill back into the Committee for further discussion.” 49

3. Competing Views as to the Effect of the IDPPPA

C. Scott Hemphill, a professor at Columbia Law School, and Jeannie Suk, a professor at Harvard Law School, who are vocal supporters of the IDPPPA, co-wrote an article in 2009 in which they stated that “the goal of a fashion design law should be to protect originality but not to limit creativity. To do that, we have to make space for the inspired-bys while stopping the knockoffs.” 50 Supporters of the IDPPPA, like Hemphill and Suk, believe that the bill meets this goal, while those opposing the bill believe it does not.

Those opposing the bill argue that the IDPPPA will stifle overall innovation in the fashion industry because there will be uncertainty as to what qualifies as a “unique, distinguishable, non-trivial and non-utilitarian variation over prior designs” and as to where the line between inspired-bys and knockoffs will be drawn under the new law. Staci Riordan, an attorney for Fox Rothschild, LLP, and editor of Fashion Law Blog, argues that, since the IDPPPA does not require registration for copyright protection, it may be difficult for designers to know which designs are copyrightable: “[F]ashion designs will automatically be protected so designers don’t have to register the designs with the Copyright Office, saving the designer a $35 fee. Interestingly, Counterfeit Chic (Susan Scafidi’s, founder of the Fashion Institute at Fordham Law School, blog) is touting this point as a victory, but . . . how could one verify that a design is ‘new and unique’ if there is no public

48 S. 3728 § 2(i)(1).
database to search?" Concurring with Riordan, Johanna Han, a blogger for the Design Observer Group, writes “Now that this final version of the bill has eliminated a searchable registry of protected designs, I’m not sure how designers will be able to figure out what they are not allowed to make.”

Furthermore, Kal Raustiala, a professor at UCLA Law School, and Christopher Sprigman, a professor at UVA Law School, argue that the IDPPPA will be interpreted expansively, so that copyright infringement lawsuits could be instituted against those designers who produce knockoffs as well as those who produce inspired-bys. Raustiala and Sprigman write that the risk is that once [the IDPPPA is] in the hands of lawyers and judges, such a law would expand in a way that harms many designers and consumers. Plaintiffs’ lawyers would make creative arguments, and judges would tend to interpret the bill’s language expansively. This has been the pattern in copyright for decades.

Such a circumstance would harm unproven designers the most because “[d]esigners who can’t afford legal counsel will worry about being accused of copying.” If designers are dissuaded from incorporating elements from one another’s designs to create new designs, the fashion industry as a whole could be significantly harmed. Raustiala and Sprigman argue that designers’ ability to create designs based on the works of others, which creates trends, benefits the fashion industry. They write, “[t]he interesting effect of copying is to generate more demand for new designs, since the old designs—the ones that have been copied—are no longer special. The overall result is greater sales of apparel. We call this surprising effect the ‘piracy paradox.’”

Thus, the IDPPPA, in creating uncertainty, could result in fashion trend monopolies, a situation described by James Surowiecki in The New Yorker in 2007. Fashion designers would be

---


53 Raustila & Sprigman, supra note 40.

54 Riordan, supra note 51.

“able to milk a trend for years . . . had the designers who came up with the pinstripe or the stiletto heel been able to bar others from using their creations, there would have been less innovation in fashion, not more.”

Those supporting the bill argue that the high threshold requirements to prove the existence of a copyrightable fashion design will discourage baseless copyright infringement lawsuits. Additionally, they argue that the “substantially identical” standard will limit liability to designers of knockoffs, and exclude designers of inspired-bys. For instance, at a hearing on the DPPA (which contained a “substantially close” rather than the IDPPPA’s “substantially identical” standard for copyright infringement) in front of members of Congress, Scafidi commented,

The language of [the DPPA], particularly if amended to clarify that only ‘closely and substantially similar’ copies will be considered to infringe upon registered designs, is likewise well crafted to both promote innovation and preserve the development of trends. As with other forms of literary and artistic work, copyright law is clearly capable of protecting specific expressions while allowing trends and styles to form.

4. Analysis

Although supporters of the IDPPPA claim that the bill is an improvement of the DPPA because it provides clearer guidelines to designers, the IDPPPA may end up creating more uncertainty than the DPPA may have. This will likely place great strain on younger fashion designers who do not have the resources to defend a copyright infringement lawsuit.

Lack of a searchable database: One provision contained within the DPPA that would have greatly benefited younger designers was the requirement that designs be registered on a free online database. With access to such a database, designers could search to see if a particular design that they want to emulate or build upon is copyrightable. If the design was not on the database, designers could then produce their designs without fearing a suit for copy

58 A Bill to Provide Protection for Fashion Design: Hearing on H.R. 5055 Before Subcomm. on Courts, the Internet and Intellectual Property, 109th Cong. 83 (2006) (statement of Susan Scafidi, Associate Professor of Law, Southern Methodist University) [hereinafter Hearing].
right infringement. If the design was on the database, then the designer could either contact the copyright owner and obtain a license to produce the design or produce the design and hope that a court would not find his or her design to be “substantially similar” to the copyrighted design. Crucially, the presence of such a database would eliminate uncertainty on the part of designers who wish to produce designs that are inspired by the works of other designers. Because the IDPPPA does not require designers to register their designs to gain copyright protection, a similar database like that under the DPPA is impossible. Any database created under the IDPPPA would be incomplete: many designs that would be entitled to copyright protection would not appear on the database as designers would not be forced to register their designs to obtain protection (only the designs of those designers who voluntarily chose to register their designs would appear).

*Higher Threshold for Protection*: As a response to concerns like the one above, supporters of the IDPPPA point out that the bill’s higher threshold for copyright protection of fashion designs will eliminate uncertainty because fewer designs will be entitled to copyright protection. The problem with such an argument is that designers will still have difficulty determining what designs are copyrightable. Critically, under the IDPPPA, for copyright protection a design must “provide a unique, distinguishable, non-trivial and non-utilitarian variation over prior designs for similar types of articles,” but no guidance exists as to what this language means or how it will be interpreted. In fact, some have argued that a literal reading of this standard by courts would provide virtually no designs with copyright protection. Riordan illustrates this point through the following example:

[S]o many designers mistakenly believe that their creation is new. But almost all the design[s] we see these days pull inspiration from the art of past designers. A great example is Diane Von Furstenberg and the wrap dress. She claims to have invented it, but fashion history students know that [Claire] McCardell introduced the wrap dress in the 1940’s.59

Similarly, David Wolfe testified before Congress when it was considering the DPPA, and commented on how difficult it would be to determine whether a fashion design was original: “Originality in fashion design is questionable when designers are explicitly influenced by so many sources. There was little originality in the ‘midi’
CARDOZO J. OF CONFLICT RESOLUTION [Vol. 13:621

skirts that became popular in the 1970’s because those designers were inspired by the costumes in Bonnie and Clyde, which were in turn inspired by the 1920’s.”60 Accordingly, Blakely predicts the following could occur

[r]ight now, designers [pour] [sic] over vintage magazines and patterns and visit museum archives in order to find inspiration for next season’s look, cherry picking design elements that feel fresh and in line with the current zeitgeist . . . [t]hose archives could become battlefields where litigants try to find evidence to support their assertion that a design is or is not unique . . . some powerful people may attempt to limit access to particularly rich collections of designs history and some unscrupulous types may destroy or hide rare materials that prove their new design isn’t as unique as they claim.61

Riordan also argues that if courts were to adopt a literal meaning of the bill, then “[n]o one would be able to create a ‘fashion design’ that qualifies under the IDPPA as written, making [the bill] needless and irrelevant.”62 Raustiala and Sprigman echo this point: “Some designers, believing that every clothing design is a reworking of something we’ve seen before, question whether the proposed law would matter. Indeed, if the legislation were applied exactly as it’s written, with its stringent standard of uniqueness, it would matter very rarely.”63 But, such language may likely be interpreted loosely by judges, and it is difficult to predict just how “loose” their interpretation of the language would be.

“Substantially Identical” Standard: Although the IDPPPA has a more stringent standard for copyright infringement than the DPPA, this too will likely engender uncertainty. Under the DPPA, a design would have been considered infringing if it were “substantially similar in overall appearance to a protected design.”64 This “substantial similarity” standard is the prevailing test for infringement in copyright law. Under the landmark case of *Arnstein v. Porter,*65 for a successful copyright infringement lawsuit, a plaintiff must prove that his or her work was copied by the defendant and that the copying amounts to improper appropriation. Once the plaintiff has shown that its work was copied (either through admis-

---


61 Blakely, supra note 52.

62 Riordan, supra note 51.

63 Raustila & Sprigman, supra note 40.

64 H.R. 2196 § 2(e)(3).

65 154 F.2d 464 (2d Cir. 1946).
sion from the defendant or circumstantial evidence) the plaintiff must show that the defendant’s work is “substantially similar” to his or her own. Raustalia and Sprigman explain the different “articulations” of the standard used by the various federal circuit courts:

Courts have set out varying articulations of the test for substantial similarity, all of which have focused on the subjective impressions of the notional ‘ordinary observer.’ The Seventh Circuit directs fact finders to inquire ‘whether the accused work is so similar to the plaintiff’s work that an ordinary reasonable person would conclude that the defendant unlawfully appropriated the plaintiff’s protectable expression by taking material of substance and value.’ The Ninth Circuit has relied on the intuition of idealized customers, holding that ‘a taking is considered de minimus [and thus insufficient to support infringement liability] only if it is so meager and fragmentary that the average audience would not recognize the appropriation.’ The Second Circuit has articulated a similar test: ‘[t]wo works are substantially similar when the ordinary observer, unless he set out to detect the disparities, would be disposed to overlook them, and regard [the] aesthetic appeal [of the two works] as the same.’

Critically, as the Second Circuit wrote in Peter Pan Fabrics v. Martin Weiner, “[t]he test for infringement of copyright is of necessity vague . . . . [i]n the case of designs, which [] addresses [] the aesthetic sensibilities of an observer, the test is, if possible, even more intangible.” In addition to the “substantial similarity” standard’s inherent vagueness, designers would not have had the benefit of any case law to help guide them when deciding whether to take the risk to produce designs that were inspired by other designers’ designs.

Though the IDPPPA’s more stringent standard is thought by some to result in less confusion, it may produce more confusion as it is a standard not previously used in copyright law. Although the “substantially similar” standard is vague, lawyers and judges have experience using this standard. On the other hand, it is less predictable how the “substantially identical” standard will be used by the courts. On this point, Cherie Yang, a student at Columbia law school, writes,

Foremost on the minds of many is how the courts will interpret the high ‘substantially identical’ standard, as it appears to be ex-

67 274 F.2d 487, 489 (2d Cir. 1960).
tremely ambiguous . . . how would a judge determine whether or not a design is ‘substantially identical to another’? For example, does it have to be a line for line, color for color copy? Even fashion insiders are unclear about whether a given article of clothing could be considered ‘substantially identical’—it will be very intriguing to see how our fashionable judges interpret this.68

There is some indication that courts may look to trademark law when using this new standard. For instance, in her first blog post since the announcement of the IDPPPA, Scafidi described the new “substantially identical” standard as one “largely borrowed from trademark.”69 Still, no consensus exists that courts will look outside of copyright law in interpreting and applying “substantially identical.”

III. DISCUSSION

For the reasons mentioned above, designers without the resources to defend expensive copyright infringement lawsuits likely would be dissuaded from producing designs that they may have otherwise produced because of uncertainty as to what qualifies for an original design and what constitutes infringement under the IDPPPA (what makes one design “substantially identical” to another). An alternate dispute resolution process for the fashion industry should be created to provide designers with quick and inexpensive determinations as to whether producing a design would constitute infringement. Establishing such a process would be consistent with the IDPPPA’s primary purpose: ending the proliferation of knockoffs while ensuring the continuous produc-


69 Susan Scafidi, IDPPPA: Introducing the Innovative Design Protection and Piracy Prevention Act, a.k.a Fashion Copyright, COUNTERFEIT CHIC (Aug. 6, 2010), http://www.counterfeitchic.com/2010/08/introducing-the-innovative-design-protection-and-piracy-prevention-act.html. In trademark law, for a plaintiff to make a successful case of infringement, the plaintiff must show that the defendant created a likelihood of confusion between the plaintiff and defendant’s marks. Depending on the jurisdiction in which the case is litigated, the court will consider a combination of several factors to determine whether a plaintiff has shown a likelihood of confusion. For instance, the Second Circuit uses a combination of factors known as the Polaroid factors, including: 1) the strength of the plaintiff’s mark; 2) the proximity of the goods; 3) the similarity of the marks; 4) evidence of actual confusion; 5) similarity of the marketing channels used; 6) the degree of caution used by the typical consumer; and 7) the defendant’s intent. See, e.g., Polaroid Corp. v. Polaroid Elecs. Corp., 287 F.2d 492, 495 (2d Cir. 1961).
tion of inspired-by designs. Thus, the creation of an arbitration panel would complement the IDPPPA, filling in the gaps left by the bill which can only be sorted out by the courts as the case law develops. Designers need a source they can consult providing them with guidance as to whether their actions will subject them to liability. An arbitration panel can fill this role; the presence of such a panel can help to ensure that the IDPPPA does not result in a chilling effect in which designers no longer produce inspired-by designs.

This Note recommends establishing an arbitration panel for the fashion industry and proposes a structure that borrows components from alternate dispute resolution mechanisms like the National Advertising Review Council (NARC), the Internet Corporation for Assigned Names and Numbers’ (ICANN), Uniform Domain Name Dispute Resolution Policy (UDRP) and Professor Michel Carroll’s Fair Use Board. This Note proposes a general framework for the arbitration panel by extrapolating useful components from the previously mentioned alternate dispute resolution mechanisms.

A. The National Advertising Review Council (NARC)

NARC oversees the advertising industry’s self-regulating alternate dispute resolution process. NARC was established in 1971 by the Association of National Advertisers (ANA), the American Association of Advertising Agencies (AAAA), and the American Advertising Federation (AAF), with the guidance of the Council of Better Business Bureaus (CBBB). Under NARC’s alternative dispute resolution mechanism, complaints are brought against advertisers by consumers, competitors or NARC monitors for false advertising and are brought before the National Advertising Division (NAD), NARC’s forum for resolving advertising disputes.

---

1. An Overview of NARC’s Alternative Dispute Resolution Process

Submissions: First, the complainant submits a brief letter to NAD explaining why a particular advertisement is false.\textsuperscript{72} NAD decides whether the complaint is meritorious, and if so, it notifies the advertiser, who is required to respond within 15 days.\textsuperscript{73} Once the advertiser responds, the complainant must submit a further response in 10 days.\textsuperscript{74} At that point, no further submissions from either party are required, but NAD may ask for any additional submissions it deems necessary.\textsuperscript{75}

Option of Conferences: The challenger and advertiser may each request to meet with NAD either individually or jointly.\textsuperscript{76}

Decision: NAD will send its decision to the advertiser three to four months after receiving the complainant’s initial submission.\textsuperscript{77} The decisions present the complainant’s and advertiser’s arguments and explain the reasoning behind NAD’s determination.\textsuperscript{78}

Appeal: If NAD finds against the advertiser, the advertiser can add an Advertiser’s Statement to the decision, indicating its intent to comply with the decision or to appeal to the National Advertising Review Board (NARB) within 10 days.\textsuperscript{79} NARB consists of 85 elected member advertising professionals. These professionals are divided into three categories: Public/Academia; Advertiser; and Advertising Agency.\textsuperscript{80} NARB appeals are heard by a panel of five professionals that are made up of three Advertisers, one Advertising Agency and one Public/Academia member.\textsuperscript{81} The complainant and advertiser submit materials and then present their arguments at a hearing before the panel. NARB panels issue decisions a month later.\textsuperscript{82}

\textsuperscript{72} David H. Bernstein, \textit{How to “Litigate” False Advertising Cases Before the NAD,} 720 PLI/PAT 225 (2002).
\textsuperscript{73} \textit{Id.} at 262.
\textsuperscript{74} \textit{Id.}
\textsuperscript{75} \textit{Id.}
\textsuperscript{76} \textit{Id.} at 263.
\textsuperscript{77} \textit{Id.}
\textsuperscript{78} \textit{Id.}
\textsuperscript{79} \textit{Id.} at 282.
\textsuperscript{80} \textit{Id.} at 265-66.
\textsuperscript{81} \textit{Id.} at 266.
\textsuperscript{82} \textit{Id.}
2. Analysis

NAD is described as “a quicker, cheaper, easier” alternative to litigation for false advertising that often results in a “more professional decision.” NAD’s decisions are available to the public in print (a publication called *NAD Case Reports* is released ten times per year), as well as online in an electronic database, which has promulgated a body of case law that advertising lawyers have found extremely useful.

Self-regulation of the advertising industry offers several benefits that government regulation does not. These benefits of self-regulation include:

- self-regulatory systems handle matters more speedily, more simply and with less “red tape” than government regulatory mechanisms or court processes; a self-regulatory code can be updated more readily than new or revised governmental legislation can be enacted; self-regulation creates and maintains public confidence in advertising; self-regulatory systems can have a broader scope, dealing more easily with matters of taste and decency, especially because it can adapt to sometimes rapidly changing mores and social norms; and a self-regulatory system can help achieve better understanding and cooperation with legislators, educators, students, consumers and officials in government bureaucracies, which in turn helps stem unwise or unwarranted regulatory activity.

Still, there are disadvantages associated with self-regulation:

- it is difficult to get 100 percent cooperation and to police the seemingly ever-present small number of unscrupulous advertisers; self-regulatory systems do not have adequate powers, either to stop advertising quickly (as by temporary injunction) or to force compliance once an abuse has been determined; it is . . . . difficult to obtain adequate financing to provide a staff and resources that are able to cover more than the most egregious offenses; and many complaints cannot be handled to the satisfaction of consumers, consumerists, consumers groups and competitors.

---

83 Id. at 260.

84 Id. at 260-61.


86 NARC has no power to enforce NAD’s decisions; advertiser compliance with NAD is voluntary. Bernstein, suprab note 72, at 263.

87 Dickson, suprab note 71, at 119.
Although compliance with NARC is voluntary, it can refer advertisers who do not comply with its decisions to government agencies like the Federal Trade Commission (FTC) for enforcement proceedings. Further, these government agencies are likely to penalize advertisers more harshly (through sanctions and imposing requirements like mandatory production of compliance reports) than NAD. For this reason among others, the compliance rate with NAD’s decisions is over 95%.

B. Internet Corporation for Assigned Names and Numbers’ Uniform Domain Name Dispute Resolution Policy

Upon the recommendation of the World Intellectual Property Organization (WIPO), the UDRP was established in 1999 by the Internet Corporation for Assigned Names and Numbers (ICANN). The establishment of the UDRP was intended to counteract “cybersquatting,” which is the registration of a domain name (a website address) similar to a trademark for an illegitimate purpose [like] selling the domain name to a competitor of the trademark owner and preventing the trademark owner from using the name, or deflecting traffic from the (famous) trademark owner onto the registrant’s own site in an attempt to increase traffic and advertising revenue.

The UDRP’s alternative dispute resolution process “operates on a fast-track basis.” The process takes place entirely online and is completed in 45 days. A further testament to the UDRP’s commitment to offering speedy resolutions is its requirement that pleadings not exceed 5,000 words.

---

88 Bernstein, supra note 72, at 264.
89 Id.
90 Id.
94 Id.
95 Smith & Wilbers, supra note 91, at 224.
1. An Overview of ICANN’s UDRP

Submissions: A complaint is sent to a UDRP dispute resolution service provider by a party asserting trademark rights. In its complaint, the complainant seeks to establish that: 1) “the domain name is identical or confusingly similar to a trademark or service mark in which the complainant has rights; 2) the domain name holder has no rights or legitimate interests in respect of the domain name; and 3) the domain name has been registered and is being used in bad faith.”96 Once the registrant of the domain name, the respondent, receives notification of the complaint, it has 20 days to send its response to the UDRP dispute resolution provider and the complainant.97

Panel Formation: The parties then choose “external, independent trademark law experts” to serve on a panel that will issue a decision from a list provided by the UDRP dispute resolution provider.98 The parties can choose whether the panel will be single-member or three-member. Once assembled, the panel has 14 days to submit its decision to the UDRP service provider.99

Posting of Decision: Soon after the parties are notified of the panel’s decision, the decision is posted on the UDRP’s Legal Index, which serves as an electronic database that is available to the public for free viewing of all UDRP decisions.100

Appeal: If the complainant receives a favorable determination, it may either request the domain name’s transfer to itself or cancellation. The respondent has a 10 day window to challenge the transfer of its domain name in federal court.101

2. Analysis

Under the UDRP, those who want to register a domain name must enter into a contract with one of several domain name registrars.102 ICANN, the gatekeeper of the domain name registration system, requires the domain name registrars to include a condition of mandatory participation in the UDRP in their contracts with

96 Id. at 221.
97 Id. at 216.
98 Id.
99 Id. at 223.
100 Id. at 226.
101 Id. at 217.
102 Hornle, supra note 92, at 255.
those seeking to register a domain name. 103 The UDRP, then, “[l]ike arbitration . . . is based on a contractual regime.” 104 Respondents do not often exercise their 10 day window to challenge a UDRP panel’s decision in court. Nicholas Smith and Erik Wilbers explain that,

where UDRP transfer decisions imply a finding of bad faith, usually on the basis of defined examples, most [r]espondents would not expect to do better in court. The prospect of a court awarding damages to the [c]omplainant may further increase [r]espondents’ reluctance; from this perspective, some [r]espondents may view a UDRP decision as a benign sanction compared to the court alternative. 105

Although the UDRP arrives at resolutions quickly and at a low cost, it also has several drawbacks. For one, because there are no uniform rules and arbitrators are not required to follow precedent (although some arbitrators may voluntarily rely on past decisions in coming to resolutions), arbitrators often produce inconsistent decisions. 106 Furthermore, as there is no appellate procedure in place in the UDRP, these inconsistencies are never resolved. 107 Along the same lines, the absence of an appellate procedure allows poor decisions to not only “cause unfairness to the disputing parties, but also potentially be advertently or inadvertently followed by future panels, resulting in further injustice.” 108 Although it is common that traditional forms of arbitration lack consistent precedent “it is particularly troublesome where very similar cases appear with great regularity, as they do in most UDRP arbitration cases.” 109 Also, as previously stated, because there is no appellate procedure, parties may only challenge an unfavorable decision in court, which can be expensive and time consuming. 110

To some, the UDRP’s relationship with the court system decreases its effectiveness. As section 4(k) of the UDRP demon-

103 Id.
104 Id.
105 Smith & Wilbers, supra note 91, at 228-29.
107 Id.
108 Yun Zhao, Reflection on the Finality of Panel’s Decisions in Domain Name Dispute Resolution Process, with Reference to China’s Practice, 26 J. MARSHALL J. COMPUTER & INFO. L. 395, 400 (2009).
109 Id.
110 Id.
2012] ALTERNATE DISPUTE RESOLUTION PROCESS 641

strates, the UDRP permits parties to file a lawsuit “before, after or during the administrative proceedings.”111 In this way, a “part[y] [can] seek independent judicial resolution of domain name disputes, regardless of whether [the party’s UDRP] proceeding reached a conclusion.”112 Accordingly, because the UDRP “contemplates the possibility of parallel legal proceedings” ICANN appears not to have intended for “UDRP panel decisions to be binding on courts.”113 Additionally, courts have given UDRP decisions little or no deference at all; in several cases courts chose not to mention UDRP decisions related to the matters before them, like in Referee Enterprises, Inc. v. Planet Ref, Inc.,114 and in at least one case, Weber-Stephen Prods. Co. v. Armitage Hardware Building Supply,115 the court explicitly stated that federal courts were not bound by UDRP decisions.116 Some critics have argued that this makes the UDRP a “mere formality” and that the goal “of efficient resolution of domain name disputes [is] be[ing] frustrated.”117

However, the UDRP’s relationship with the court system may also be seen as beneficial. Judicial review of UDRP decisions seems appropriate when the UDRP is viewed as a process “not meant to replace litigation” but as “an additional forum for dispute resolution, with an explicit right of appeal to the courts.”118 Additionally, the availability of judicial review increases the likelihood of participation in the UDRP process as parties might not participate without such a guarantee (“although domain name registrants are bound by contracts to participate in UDRP proceedings, the availability of effective judicial review reduces their incentive to attempt to pre-empt UDRP proceedings by filing suit”).119 This guarantee is essential since although the UDRP is quick and inexpensive, the result of this quickness and inexpensiveness is a sacrifice in “reliability and validity.” Providing parties with the ability to appeal UDRP decisions in court—in which the court may give little

112 Id.
116 Zhao, supra note 108, at 401.
117 Id. at 411-12. Zhao argues, however, that the UDRP should make some procedural changes if its decisions are to become binding, such as developing a “two-tier system” which gives parties an opportunity to appeal, improving reliability of UDRP decisions. Id. at 409-11.
118 Sorkin, supra note 113, at 51.
119 Id.
deference to the UDRP decision—mitigates some of the negative effects of the UDRP.120

C. Michael Carroll’s Fair Use Board

Under the Fair Use doctrine, those seeking to use copyrighted material may be immune from a copyright infringement suit, by way of an affirmative defense, if the use of the copyrighted material is motivated by, for instance, educational purposes. Unfortunately, however, many would-be fair users are deterred from using copyrighted material because of uncertainty as to what constitutes fair use.121 The affirmative defense of Fair Use can be found in § 107 of the Copyright Act:

Notwithstanding the provisions of sections 106 and 106A, the fair use of a copyrighted work, including such use by reproduction in copies or phonorecords or by any other means specified by that section, for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright. In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include—(1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes; (2) the nature of the copyrighted work; (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and (4) the effect of the use upon the potential market for or value of the copyrighted work.

Because § 107 gives judges wide interpretive discretion in determining what constitutes Fair Use,

potential fair users who seek to make public use of another’s work often are deterred from engaging in a desired use by the uncertain scope of the fair use doctrine coupled with the high costs of litigation and the potentially enormous statutory damages that a court could award if it disagreed with the user’s fair use judgment.122

---

120 Id. at 52
1. An Overview of the Fair Use Board

*Submissions*: To begin the process, the potential fair user submits its proposed use to the Fair Use Board with proof that notification has been served upon the copyright holder if the copyright holder can be located.\(^{123}\) The copyright holder then has 10 days to respond as to whether it will participate, not participate (the board would then make an independent fair use judgment), or seek declaratory relief in the court system and terminate the administrative process.\(^{124}\) If the copyright holder chooses to participate, the potential fair user would then submit a response within 7 days.\(^{125}\)

*Decision*: The Fair Use Board has 45 days to issue a decision.\(^{126}\) The decision is posted on the Copyright Office’s website.\(^{127}\) The posting of decisions would serve “to assist the public in monitoring the Fair Use Board’s performance.”\(^{128}\)

*Appeal*: Either party has a 10 day window to appeal to the Register of Copyrights.\(^{129}\) Additionally, either party may appeal the Register of Copyrights’ decision to a federal circuit court, which would review *de novo* the record made during the Fair Use Board’s administrative proceedings.\(^{130}\)

2. Analysis

Carroll’s Fair Use Board remains untested. It is difficult to predict how the implementation of the Fair Use Board would impact potential fair users. One consequence could be that potential fair users may have more leverage in negotiating licenses to use copyrighted works because copyright holders may wish to avoid the administrative proceedings of the Fair Use Board.\(^{131}\)

The board’s “decision would be nonprecedential in that a favorable fair use ruling would insulate only the petitioner from liability for the use described in the petition.”\(^{132}\) Like the UDRP, “the owner could terminate the administrative process by filing suit for declaratory judgment in the case of a proposed use or for copy-

\(^{123}\) *Id.* at 1125.
\(^{124}\) *Id.* at 1126.
\(^{125}\) *Id.*
\(^{126}\) *Id.*
\(^{127}\) *Id.*
\(^{128}\) *Id.*
\(^{129}\) *Id.*
\(^{130}\) *Id.* at 1127.
\(^{131}\) *Id.* at 1129.
\(^{132}\) *Id.* at 1126.
right infringement in the case of an existing use.”133 Also similar to the UDRP, as the standard for judicial review would be de novo, the courts would serve as an “important check on legal errors.”134

The Fair Use Board would help individuals that are “poorly financed potential fair users who currently must sacrifice their expressive freedom in the face of increasingly aggressive and unreasonable demands from powerful copyright owners.”135 The benefit of the Fair Use Board was illustrated by Hannibal Travis, a law professor at Florida International University College or Law, during a panel discussion on intellectual property:

[w]ith regard to fair use, there is some merit to the idea that Mike Carroll . . . has suggested, of having . . . preapproval proceedings . . . where let us say somebody in the position of XM Satellite Radio could go to an agency and say, here is my business model, will it be destroyed in two years due to copyright litigation, and enjoy some kind of . . . reassurance that what it is planning is worth investing in on a large scale.136

IV. PROPOSAL

A. The Adoption of an Alternative Dispute Resolution Process for the Fashion Industry

Compared to the advertising industry’s formation of NARC, the fashion industry will likely feel much less pressure from outside the industry to create a fashion arbitration panel. For this reason, establishing such a panel could prove difficult. Still, those in favor of establishing a panel could be successful if they frame the issue appropriately to industry leaders.

NARC was formed as a result of outside pressure exerted on the advertising industry. In the late 1960s and early 1970s, the public became angered at and distrustful of the industry.137 This anger and distrust led to increased government regulation.138 As a result,

133 Id.
134 Id. at 1128.
135 Id.
138 Id.
numerous trade organizations within the industry approached the Council for Better Business and sought to create their own self-regulatory body that would enable industry leaders to police advertising instead of the government.139 Reflecting the sentiment of industry leaders at that time is an address by Victor Elting Jr., chairman of the American Advertising Federation (AAF), in 1970 to the Chicago Advertising Club.140 Elting called for the formation of a body similar to NARC by reasoning, “There are ticking sounds that we hear in all the pressure groups, congressional hearings, and other forums that are meeting to decide our fate. Let’s defuse them by having the strength and courage to determine our fate for ourselves.”141 Eric J. Zanot, a professor at the University of Maryland and an NARB member, describes the circumstances that led to the formation of NARC as follows:

Advertising self-regulation is . . . reactive—a response to external social, economic and political forces impinging upon advertising, including the threat of government intervention. Although altruism has not been absent, self-regulation is defended as enlightened self-interest: to curtail deceptive advertising is to dampen public criticism and forestall legislation.142

Accordingly, members of the industry wanted to gain back the public’s trust, which is reflected in NARC’s mission statement:

NARC’s mission is to foster Truth [sic] and accuracy in national advertising through voluntary self-regulation. The self-regulatory system developed by NARC supports advertiser compliance by focusing on three goals: minimize governmental involvement in the advertising business; maintain a level playing field for settling disputes among competing advertisers; and foster brand loyalty by increasing public Trust [sic] in the credibility of advertising.143

In contrast, there is no outside influence persuading leaders in the fashion industry to adopt an arbitration panel. Unlike the impact of false advertising, the effect on the public is less significant. That said, if trend monopolies developed as a result of the IDPPPA’s passage, consumers would likely have to pay more for certain types of clothing as competition decreases.144 This could re-

139 Id. at 5.
140 Id. at 7-8.
141 Id.
142 Id. at 5.
144 Surowiecki, supra note 56.
result in public frustration and losses in clothing sales, signifying to the fashion industry that an arbitration panel may be useful in placating the public and stimulating business. However, if the IDPPPA’s effect on the public is limited then the formation of an arbitration panel likely would have to be the result of pressure from within the fashion industry. Such pressure may begin at the ground level from individuals like Riordan calling attention to the way that the IDPPPA will disadvantage younger fashion designers who are just beginning their careers and cannot afford to defend copyright infringement lawsuits.

Ultimately, however, the adoption of such a panel will depend upon the backing of the industry’s major trade organizations, like the CDFA and AAFA, much like the adoption of NARC depended on the collective efforts of the ANA, AAAA, and AAF. The adoption of the panel would be consistent with the CDFA and AAFA’s goals: stopping the proliferation of knockoffs without disrupting innovation. By establishing an arbitration panel, industry leaders would be able to ensure that innovation continues rather than relying on the courts to take into account the industry’s special needs.145

Still, major trade organizations may not be persuaded that such a panel would be needed. Additionally, some, like Riordan, feel that the CDFA and AAFA are primarily concerned with the interests of established fashion houses rather than young designers, and may be unwilling to advocate for the creation of a panel that would primarily benefit young designers.146 Thus, those who wish to present their case to the CDFA and AAFA should argue that the IDPPPA will negatively impact the fashion industry as a whole, not only eliminating opportunities for unproven, younger designers but also resulting in an increase in litigation costs for established fashion houses. Proponents of a fashion arbitration panel must stress that this mechanism will save time and money for the established fashion houses as well as unproven fashion designers, benefiting everyone in the industry.

145 For example, Riordan expresses concern in one blog post discussing how judges are ill equipped to be deciding cases that would require a deep knowledge of the way designs are created. She writes, “only an article that is ‘unique, distinguishable, non-trivial and non-utilitarian variation over prior designs for similar types of articles,’ qualify as a fashion design. As a member of the fashion community, I shudder to think how a judge is going to determine THAT. . . .” Riordan, supra note 51.

B. An Overview of an Alternate Dispute Resolution Process for the Fashion Industry

The benefit of an alternate dispute resolution process is that designers would have greater assurance that producing an inspired-by design will not subject them to a copyright infringement lawsuit in the future. The introduction to this Note illustrates how this process will benefit younger designers.

Once a designer conceptualizes an idea after being inspired by another designer’s design, he or she may submit this design to the fashion arbitration panel established by the fashion industry. If the applicant-designer receives a favorable decision, then he or she could move forward with the production of the design with greater confidence. Essentially, the panel would remove some of the risk of putting a design into production, thus eliminating concern that the IDPPPA would stifle creation. Critically, the fashion industry’s alternate dispute resolution process would have to include the ability to come to speedy decisions (so designers can take advantage of trends) at a low cost (so young designers, who are the subject of concern, could take advantage of this process).

1. Features of the Alternative Dispute Resolution Process

   Internal Appellate Procedure: As previously discussed, one of the major weaknesses of the UDRP is the lack of an internal appellate procedure, which leads to some poor decisions and overall inconsistency between decisions.\(^{147}\) When an alternate dispute mechanism lacks an appellate procedure, a party who receives an unfavorable decision’s only recourse is to appeal the decision in court rather than within the less expensive and less time consuming framework of the alternate dispute mechanism. In contrast to the UDRP, both NARC and the Free Use Board have internal appellate procedures,\(^{148}\) which help to instill confidence in these alternate dispute mechanisms and also decrease the instances of appeal to the court system.\(^{149}\) It could be argued that the goal of an alternate dispute resolution mechanism should be to produce speedy resolutions, and that the addition of an appellate procedure would slow this process. First, a similar timeframe like that of NARC’s appellate process, which spans only a month, could be a realistic possibility for the fashion arbitration panel. Second, though the

\(^{147}\) Rohrer, supra note 106.

\(^{148}\) Bernstein, supra note 72, at 282; Carroll, supra note 122, at 1126.

\(^{149}\) Bernstein, supra note 72, at 264; Carroll, supra note 122, at 1128.
overall process maybe somewhat lengthier, designers would have more confidence in the fashion arbitration panel and may feel less inclined to challenge an unfavorable panel decision in court.

Role of the Court System: In a manner similar to the UDRP, the fashion industry should ensure that parties have the opportunity to appeal the panel’s decisions to the federal court system. This too will help instill confidence in the alternate dispute resolution process, as parties that agree to participate in the system will not be forced to forgo an opportunity to “have their day in court.” Additionally, the ability to appeal the panel’s decision is especially appropriate in this circumstance as parties have no obligation to participate in the process (parties are not bound to participate through clauses in contracts like they are in the UDRP). Indeed, if participation in the alternate dispute resolution process is to be encouraged, the ability to appeal decisions is essential. Including this feature, however, does have some drawbacks. For the most part, this will favor established fashion houses that have money to appeal the panel’s decisions to the court system. But, if the panel gains a reputation for producing quality decisions that courts leave intact, both younger designers and established fashion houses will be motivated to take advantage of the speedy, cost efficient alternate dispute resolution process and be less inclined to appeal decisions in court (saving time and money).

Use of the Internet: Critically, like the UDRP, the alternate dispute resolution process should take place entirely online. Online alternate dispute resolution generally offers several benefits that traditional alternate dispute resolution models cannot:

[It] make[s] it possible for anyone to transmit significant quantities of information to anyone else over virtually any distance instantaneously. [It] make[s] it possible for disputants to communicate interactively without being present at the same place. [It] make[s] it possible for participants to communicate asynchronously, that is, without being connected to the same system at the same time. [It] facilitate[s] the storage, retrieval, review, and reuse of existing information.

---

150 Smith & Wilbers, supra note 91, at 217.
151 Sorkin, supra note 113, at 51.
152 Hornle, supra note 92, at 225.
153 Id.
154 Magee, supra note 93, at 206.
2012] ALTERNATE DISPUTE RESOLUTION PROCESS 649

Applied to the fashion industry, online alternate dispute resolution would reduce costs associated with mailing paper work and travel, which is beneficial to younger designers. Still, because the alternate dispute resolution process would take place online, parties would not be able to communicate face-to-face with one another or the arbiters. As a result, parties may feel less satisfied by a decision because they did not get the opportunity “to tell [their] version of the case directly to the opposing party and to express accompanying emotions [which] can be cathartic for [the] participants.”\footnote{Nicole Gabrielle Kravec, Dogmas of Online Dispute Resolution, 38 U. Tol. L. Rev. 125, 130 (2006) (quoting Joel B. Elsen, Are We Ready for Mediation in Cyberspace?, 1998 BYU L. Rev. 1325 (2001)).} In addition, the arbiters do not have the opportunity to evaluate the statements made by the parties by looking to the parties’ expression of emotion.\footnote{\textit{Id.}} These costs may be outweighed, however, by the time and money young designers would save as well as some of the costs associated with establishing an arbitration panel and paying those serving as arbiters.

\textit{The Burden of Proof}: Under the IDPPPA, a designer sued for copyright infringement for producing an “inspired-by” design has two available means of defense. First, the designer could argue that the design he or she was inspired by is not “a unique, distinguishable, non-trivial and non-utilitarian variation over prior designs for similar types of articles” and hence not copyrightable. Second, the designer could argue that, even if the design he or she was inspired by is copyrightable under the IDPPPA, his or her design is “not substantially identical in overall appearance” to the copyrightable design. Before moving forward, it is important to note the impact that these defenses have on those would-be plaintiffs suing for copyright infringement. If a responding designer is successful in the first defense, the impact on the plaintiff is that he or she may not sue any other designer for copyright infringement, as it was shown in court that the plaintiff does not have a copyrightable design. However, if the responding designer is successful in the second defense, the effect of the lawsuit is more localized. The plaintiff is prevented from suing only that individual designer for that particular design in the future.

With this in mind, when structuring an alternate dispute resolution process, it should be taken into account that there likely would be a higher participation rate by established fashion houses if the panel only heard claims that a proposed design is not “sub-
stantially identical” to another design (so that the panel would not be determining whether certain designs are copyrightable, even at a preliminary stage subject to judicial review). The benefit of this system may be illustrated as follows: If a younger designer submits a design to the panel asking it to determine whether his or her design is “substantially identical” to the design of an established fashion house, the fashion house is less likely to appeal the panel’s decision if the effect of this decision is localized (now only that designer may produce the design). If the panel were deciding whether the fashion house’s design is copyrightable, the fashion house would have more motivation to resort to the court system if it receives an unfavorable decision because the panel’s decision may have a more widespread, and hence costlier, effect. In this way, the panel would be deciding individual cases with localized effects thus making the participation of established fashion houses more likely.

While it could be argued that this process takes a valuable tool away from designers seeking insulation against a future copyright infringement lawsuit, the crucial factor in establishing an effective alternate dispute resolution process is a high participation rate among members of the fashion industry.

2. The Process

An applicant-designer who wanted to obtain a decision from the fashion industry’s arbitration panel would, like the Fair Use Board, submit his or her design to the panel and notify the “copyright holder”\textsuperscript{158} of the design that he or she was inspired by.\textsuperscript{159} Also, like the Fair Use Board, the “copyright holder” would have the option to participate or not participate, in which case the panel would make an independent assessment.\textsuperscript{160}

Additionally, when the applicant-designer wishing to obtain a decision submits his or her initial papers to the panel, he or she should include pictures of his or her design as well as the design that he or she was inspired by. The papers submitted online should seek to show how the designer’s design is not “substantially identical” to the design that he or she was inspired by, by referencing the pictures submitted. If the other party chooses to participate, he or

\textsuperscript{158} Again, the panel would not be determining what designs are copyrightable, thus the maker of the design that the applicant-designer was inspired by is referred to here as the “copyright owner.”

\textsuperscript{159} Carroll, supra note 122, at 1125.

\textsuperscript{160} Id. at 1126.
2012] ALTERNATE DISPUTE RESOLUTION PROCESS 651

she should be given a reasonable period to respond, such as 15 days. Once the submissions portion of the alternate dispute process comes to a close, a panel would decide whether the two designs are “substantially identical.”

The panels, like those in NARC and the UDRP, should be composed of professionals in the fashion industry who have intimate knowledge of the history of fashion and an understanding of the mental processes of a designer—something that judges are unlikely to possess. For this reason, both parties may be likely to consider a determination by the panel more fair than a determination made by “outsiders” to the fashion industry. After a decision is rendered by a panel, both parties would have the opportunity to appeal to an appellate panel.

As stated previously, the panel’s decision should be reviewable by the court system and parties should have an opportunity to bring their case before courts at any time in the alternate dispute resolution process (like in the UDRP and Free Use Board). The fashion alternate dispute process is not meant to serve as a substitute for the court system, but a complimentary process that can help designers obtain speedy resolutions at a lower cost.

3. The Philosophy Behind the Alternative Dispute Resolution Process

The philosophy behind the fashion industry’s alternate dispute resolution process mirrors that behind the Fair Use Board: the process would serve to fill a gap that currently exists in the court system. The limits of the Fair Use doctrine have not been well defined by the courts. Similarly, the courts are unlikely to provide adequate instruction as to what constitutes infringement under the IDPPPA in the immediate future. In both situations, individuals who either wish to take advantage of the Fair Use doctrine, or who want to produce inspired-by designs, are left with little guidance as to whether they will be liable for copyright infringement in the future. The creation of a mechanism that allows these individuals to obtain decisions relatively quickly alleviates some concern regarding a copyright infringement lawsuit, enabling them to create an artistic work and profit from the sale of that work when this may not have otherwise occurred.

161 Bernstein, supra note 72, at 265-66; Smith & Wilbers, supra note 91, at 219.
162 Dulhos, 321 F. 3d at 371; Caroll, supra note 122, at 1126.
163 Caroll, supra note 122.
V. CONCLUSION

The IDPPPA, created to halt the proliferation of knockoffs, may have the unintended effect of chilling innovation in the fashion industry. Younger designers with few resources may be dissuaded from producing inspired-by designs because of a fear that the IDPPPA’s language will be interpreted expansively, subjecting them to suit for copyright infringement. This problem should be addressed from within the fashion industry since experts know best how to resolve issues arising in the field. Thus, industry leaders should express their commitment to ensuring continual innovation by establishing a panel that would implement and oversee an alternate dispute resolution process. With such a process in place, uncertainty created by the IDPPPA, which could dissuade designers from producing inspired-by designs, can be effectively mitigated.