LAW À LA MODE

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Fashion, Retail and Design Group

Contents

Editorial

The Middle East editorial team is delighted to bring you this Winter edition of *Law à la Mode*, the quarterly legal magazine produced by DLA Piper's Fashion, Retail and Design group for distribution to clients and contacts of the firm worldwide.

This edition also considers two very different employment regulations that are relevant to international retailers. First, we look at the rules governing the mandatory employment of women in female-related stores in Saudi Arabia (**page 4**). Second, we update you on the restrictions that apply to retailers' use of CCTV in France (**page 18**).

The Australian retail market has seen dramatic change over recent years. On the fashion front, international high street brands such as Gap, Zara and Topshop are making inroads into a market traditionally occupied by Australian domestic retailers. We examine what these changes mean for local Australian retailers (**page 15**). We also look at controversial proposals to extend Australian sales tax to overseas online purchases (**page 11**).

In an edition of *Law à la Mode* brought to you by DLA Piper's team in the Middle East, it is natural for us to sing the praises of Dubai as a retail destination. However, retailers unfamiliar with local law may encounter certain challenges in the legal landscape when franchising here, and we aim to shed some light on these on (**page 16**).

Finally, we conclude our Winter edition with the usual business round-up (**page 19**) and our calendar of upcoming fashion events (**page 20**), to ensure you remain fashion-forward no matter where you are.

We hope you enjoy this edition of *Law à la Mode*. If you have any comments, please get in touch with the Fashion, Retail and Design Group via our email address: fashion@dlapiper.com

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MANDATORY EMPLOYMENT OF FEMALES IN SAUDI ARABIA

KEY POINTS FOR RETAILERS

By **Basma Khashoggi** (Riyadh)

Aside from certain fields such as academia and medicine, historically, women in Saudi Arabia have been confined to the role of housewife. It was not until relatively recently that female employees started to form a significant part of the workforce.

As a result of a number of social developments – including the increasing numbers of female graduates; the economic and financial needs of the population; and a focus on increasing the number of Saudis in the private sector – a number of government policies have been introduced designed to increase the number of female workers in Saudi Arabia. The retail sector specifically witnessed the implementation of several government policies in this respect.

In 2011 and 2012, the Ministry of Labour (MOL) issued two ministerial Decisions requiring certain businesses in the retail sector to employ Saudi females. The 2011 Decision required shops selling beauty products and lingerie to employ

Saudi female shop attendants. In 2012, the requirement to employ Saudi female shop attendants was extended to include shops selling women's evening and wedding gowns, accessories and the traditional abaya garment.

The idea of female shop attendants in Saudi Arabia is not entirely new, as it was common for women to work in women-only boutiques (where men are not allowed entry). However, the Decisions mean that women are working in public places (subject to certain conditions), a practice previously uncommon in a country known for its public segregation of men and women.

The Decisions set out certain protocols for employing females. Key points for retailers currently trading in, or proposing to enter the Saudi market, are as follows:

- As a general rule, the law requires the segregation of male and female employees in the work place. Stores that sell items for men and women are an exception to this general rule, and employers may employ females as long as they work in separate sections of the store.
- Employees are required to abide by the Islamic dress code.
- Employers must take measures to accommodate the needs of their female employees, such as implementing strict security measures and providing closed and separate utilities for women.

However, there are several gaps in the Decisions in terms of substance and drafting. The Decisions only seem to address either boutiques that exclusively sell women's products, or large department stores that have distinct sections for different products. The law remains ambiguous when it comes to smaller stores that sell both male and female products, where those products are not in separate sections. This makes it difficult for business owners to simultaneously abide by the new obligation to employ females and the condition of segregation.

Moreover, the Decisions define women-related products as lingerie; evening and wedding gowns; abayas; and accessories, but do not address other women's apparel. This makes the position unclear for many stores that sell women's apparel extending beyond the limited scope of the definition of "female related products". Additionally, it is unclear what is meant by "accessories" and whether it includes bags and footwear or only ornamental accessories. However, the Decisions are relatively recent; it is likely that these ambiguities will eventually be explained or clarified, even if simply by practice.

Social response to the Decisions was varied and Saudi society was split between support and opposition of the Decisions. In May 2012, a case was made at the administrative court in Saudi Arabia by a businessman objecting to the compulsory nature of the Decisions. The court overturned the Decisions, stating that by allowing for the mixing of men and women the Decisions do not conform with Islamic traditions (as the court interprets them) and make women more vulnerable to harassment. The court's decision reflects the position of the more conservative segments of society. But, despite the judicial decision, the MOL, relying on previous decisions of the royal cabinet on providing more employment opportunities for women, is still applying the policies and carrying out enforcement measure to ensure compliance.

Although the Decisions address the employment of females in places that sell female-related products, these laws have paved the way for women's employment in the retail sector in general. As a result, in some parts of the country, there has been a general increase in female employees in shops selling generic items, such as furniture stores and supermarkets. Such anecdotal observations, however, may vary depending on the region: it is less common to see female employees in the more conservative and traditional regions of Saudi Arabia.

Social change almost always faces resistance. Although the changes introduced by the Decisions may be viewed as humble by some, in Saudi Arabia they are considered significant breakthroughs. Given that today, public attention has shifted towards promoting other rights and that government policies tend to eventually support and actively endorse rising demands, we could see further significant developments in the near future. Watch this space ●

NO LOGO REQUIRED BOTTEGA VENETA SECURES WEAVE TRADEMARK

By **Stefania Baldazzi** (Milan)

The luxury Italian brand Bottega Veneta has been granted trademark protection for its weave design.

The Trademark Trial and Appeal Board of the US Patent and Trademark Office (the TTAB) has ruled in favor of Bottega Veneta and granted registration to the weave pattern trademark.

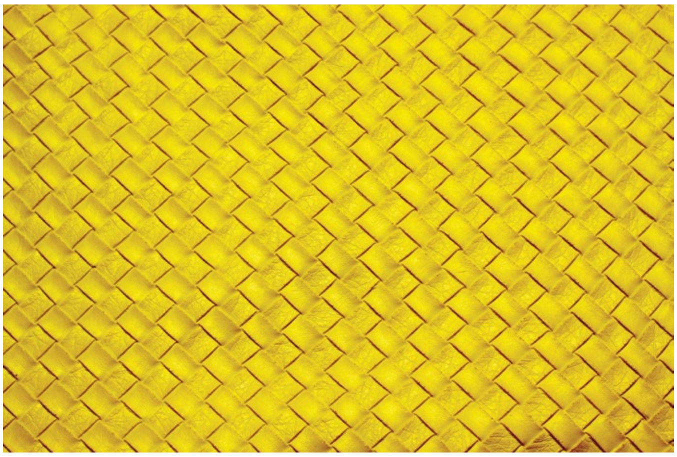
This is a very important decision for Bottega Veneta, given that the TTAB reversed the refusals made in 2009 of an application based on the Italian registration. According to the first instance decision, the mark was aesthetically functional and merely ornamental. Also, the description of the mark at the time appeared to be more expansive than the mark that the applicant wanted to register and therefore, the court refused registration.

During the appeal, the applicant limited the description of the mark which now consists of "*a configuration of slim, uniformly sized strips of leather, ranging from 8 to 12 millimetres in width, interlaced to form a repeating plain or basket-weave pattern placed at a 45-degree angle over all or substantially all of the goods. Color is not claimed as a feature of the mark*".

In addition, the applicant did not seek exclusive rights to all weave designs for identified leather goods and submitted a significant amount of evidence in support of its claim of acquired distinctiveness as a trademark, such as media coverage, declarations of consumers and advertising budget.

With its recent decision of 30 September 2013, despite the fact that such weave design is not inherently distinctive, the TTAB found that:

- the trademark has come to be recognized by consumers as a source indicator for Bottega Veneta's goods, and



- registering the mark would not have a significant effect on competition and, accordingly, a registration would not have a negative effect on the use of woven designs made from non-leather materials.

The TTAB also made it clear that its decision was based on Bottega Veneta's extremely narrow application for the exact pattern. The scope of Bottega Veneta's protection only extends to identical or near-identical designs which replicate each of the features described above.

Accordingly, "*bags and/or shoes that have a horizontal weave, or are not made of leather or materials that simulate leather, or have strips that are much wider than 8 to 12 millimeters, or have a weave pattern on only a portion of the product, or have a weave that is not a plain weave, are not persuasive evidence that third parties have a competitive need to use the particular weave design that applicant seeks to register*" and are not affected by Bottega Veneta's trademark.

(US Patent and Trademark Office's Trademark Trial and Appeal Board – Application Serial No. 77219184 – filed June 29, based on the Italian registration, for classes 18 and 25) ●

DESTINAZIONE ITALIA
ITALY'S NEW R&D TAX CREDIT

By **Fabrizio Capponi** and **Roberta Moscaroli** (Rome)

Italy is in the process of introducing a new tax credit on research and development activities.

The draft of the law decree, called Destinazione Italia, which is currently in the process of being approved by the Italian government, proposes to introduce a series of measures seeking to encourage inward investment in Italy. These measures include a tax credit for the period 2014 – 2016 on R&D expenses sustained by Italian resident companies (as well as subsidiaries of foreign groups and Italian branches of foreign companies).

The new tax credit is expected to be substantially different from similar incentives previously used in Italy. The tax credit in the previous law provision was equal to 10 percent of the cost related to designers, up to a maximum of €5 million per year. The new benefit is now expected to be recognised in the form of a tax credit on 50 percent of the increasing R&D costs registered during the three-year period, with a maximum amount of €2.5 million per year and a minimum amount of €50,000. The tax credit is expected to be exempt from direct taxes.

Moreover, eligible companies may choose whether the proposed credit will be reimbursed from the authorities or set off against the payment of other taxes. In practice, this means that the credit may become an immediate benefit on a company's cash position. This offers a significant tax advantage for businesses involved in design and manufacture. In particular, the new version of the tax credit is expected to have a positive impact on the level of investment in R&D equal to €600 million in 2014. Future plans to expand the level of funds invested in R&D are also anticipated.

The underlying idea of the proposals is that R&D activities are not only those relating to the "invention" of a new product/material, but also those seeking to improve the shape/exterior of an existing product (in other words, its style or design). DLA Piper's team in Italy is already verifying with the relevant ministry whether it is possible to include under the R&D activity either design costs incurred for in-house design activities or similar costs related to external activities provided by third parties. Our team was also extensively involved in a similar project in 2008 that resulted in similar advantages for players in the fashion market

SETTING UP A NEW FASHION BUSINESS

A legal and practical overview, including top tips from the British Fashion Council and NEWGEN MEN designer Diego Vanassibara

By **Ruth Hoy** and **Kokyee Ng** (London)

Setting up a fashion business is not just about having creative flair as a designer. In addition to being creative you need entrepreneurial skills, ambition, drive and commitment – not to mention financial backing, support, an understanding of the process and what it entails and a little bit of luck.

With that in mind, this article aims to give some guidance as to the key legal and practical issues to consider, as well some top tips from the BFC and NEWGEN MEN designer Diego Vanassibara.

1. Do your research

Believe it or not, this is actually more fun than it sounds. Firstly you need to determine what product(s) you are selling and what your business concept is. For example, are you selling ethically produced goods? Why? It is worthwhile heading down to the British Library and looking at existing market research (such as the reports produced by Mintel) to ascertain what the current consumer trends are. You can never be too thorough and it is important to get the concept right.

Who is your target customer? By "target customer" we don't just mean the customer's age or gender. You need to really understand your customer's purchasing habits: for example, where do they shop? How much do they spend? How often? What do they buy? There is little point in selling something in the hope that your target customer will buy it. Engage with your target customer and do some market research to minimise your risk.

2. Business structure and funding

You will need to determine your business structure and work out where your funding is coming from. There are lots of structures you can adopt depending on your situation but the most common are:

Sole trader: This means that you run the business yourself. Whilst you have complete control of the business and get to keep all the net profits, you also bear the costs yourself and have the risk of claims against your personally which means your personal assets may be at risk.

Private limited company: A company is a separate legal entity and the profits (or losses) are made by the company rather than you personally. A company is owned by shareholders and your risk is limited to the money that you have invested in the company (and any personal guarantee that you may have given). A company is incorporated through Companies House and a document known as the Articles of Association is put place which sets out the purpose of the company and how it is run. You might also need a Shareholders Agreement if there is more than one shareholder in the company.

Partnership: In a partnership you share the profits and costs (and therefore risk) with your fellow partners. The way in which the partnership is run is governed by what is known as a Partnership Agreement which sets out everyone's roles and responsibilities. You can limit your exposure by setting up a Limited Liability Partnership.

Unless you are fortunate enough to have family and friends who are able to loan you the capital required, most designers are reliant on bank loans or private equity investors when it comes to funding. Bank loans are self-explanatory and you are simply required to pay back the loan with interest. If you are relying on investors, it is likely they will want a share in your business so make sure you know how much of the business you are willing to give up and understand the role that the investor will play. For example, will they be a silent investor or will they want to have a say in how the business is run? When speaking to investors, ensure that you ask them to sign a Non-Disclosure Agreement ("NDA") to protect against them disclosing your confidential designs and information. It is also worthwhile having a look at the UK Business Angels Association's (BAA) website (http://www.ukbusinessangelsassociation.org.uk/) for information on early-stage investment in the UK, as well as investigating potential investment through Crowdfunding (i.e. when funds are collected through small contributions from a number of small parties to finance a venture). The BAA is the national trade association which represents angel and early stage investment in the UK and provides information and expertise on the angel market as well as a forum for facilitating interaction between investors.

In addition to bank loans and investment, you should find out if any grants, sponsorship or awards are available to you (for example through NEWGEN, CFE, the Business Growth Fund or the Regional Growth Fund).

3. The business plan

A business plan sets out your vision in detail and should cover, amongst other things, what your business concept is, who your target customer is, who your competitors are, what you hope to achieve broken down into key milestones, how and when you will achieve each milestone, what funding and resources are required etc. Most designers see the business plan as a tool for funding – it is much more than that – it's a step by step plan of how you are going to achieve your goals.

4. The brand and design methodology

Your brand: It is incredibly important to come up with a brand that distinguishes you and your products from those of your competitors. If your brand name is sufficiently distinctive to distinguish your goods from the goods of your competitors, then you might be able to register your brand name and/or logo as a trade mark. Having a trade mark registration enables you to stop others from using your trade mark without your permission. When registering a trade mark/logo, think about:

- What goods and services the brand needs to cover – this should not just be your current products, but any goods and services you might offer under the brand in future.
- Where in the world you need protection – think about protection in all countries where you will operate.

Your design process: You should think carefully about each stage of your design methodology. For example, will you be using any employees or freelancers to help design the products? If so, you will need to put in place relevant agreements. You should also think about whether your designs qualify for IP protection. There might be elements of your design that could be registered as a design or patent.

5. Sell, sell, sell!

Last but not least, you need to decide how your product will reach your customers.

Supply and distribution: With respect to suppliers, manufacturers and distributors, in addition to putting in place an NDA to protect your IP and any confidential information, you will also need to consider the terms of the Supply, Manufacturing and Distribution agreements. Consider key issues for your business such as, what are the payment terms? Is the manufacturer happy to work with small volumes in the initial stages? What are the lead times?

Will you sell the goods online, in store or both? If you are selling online then you will need to set up a website and register your web address. You will also need to put in place various policies for online trade such as your Terms and Conditions, a Data Protection policy and Privacy policy. Consumers are protected by statute in a number of jurisdictions, so need to make sure that you understand and comply with consumer laws in all jurisdictions where you will be trading. If you intend to use social media as a form of marketing, you will also need to understand the Terms and Conditions that apply to your use of a particular website or application and actively manage your online reputation. Whilst social media is a quick, easy and affordable way to promote your brand, it is also a double-edged sword and can damage the brand if not monitored and managed properly. ●

David Watts, Designer Business Support Adviser, British Fashion Council

1. In your opinion, what can the British government do to support up and coming designers?

DW: *The government is beginning to grasp the importance and scale of the fashion industry in the UK, but there certainly could be additional support given to emerging designers in the form of funded free business mentoring aimed at fashion/creative and start-up initiatives in particularly with business structure, operations and access to finance.*

2. What is the most common problem that new designers face when starting up a business and what can a designer do to overcome that problem?

DW: *The most common problem faced by new designers is finance and cash flow- they need cash in the bank. Unless designers get a sound basic knowledge of how their business operates, they will face untold problems for the outset. This involves real financial understanding – knowing how much money you are spending and how to cost your products correctly.*

3. What is the one piece of key advice that you would give to all new designers starting up a business?

DW: *Understand your own industry and seek out advice and mentoring. Build relationships with buyers and retailers as well as industry insiders as they need to be aware of the business and your creative handwriting if expected to engage with the products.*

Diego Vanassibara, men's footwear designer

1. What do you think the British government can do to support up and coming designers?

DV: *The government should ensure products such as footwear and clothing are included in trade negotiations between the EU and the US, and in the future Japan and China. The existing regime of import duties for footwear and clothing is making it unnecessarily difficult to grow in the global marketplace, especially in the aforementioned three giant markets. A second area of challenges is the lack of export finance solutions for SME's. There is a host of options for start-ups that cater for the domestic market that are not available to those exporting.*

2. What is the one piece of key advice that you would give to a new designer starting up a business (that you wish you yourself were given!)?

DV: *I would encourage them to build a good network of contacts in the industry right from the very beginning. Nurturing some of those relationships can be very useful by the time they launch their businesses, or present a first collection or an idea.*

3. What should new designers prioritise in terms of expenditure when faced with a limited budget?

DV: *It really depends on each brand. But the one thing that I think it would benefit all is to invest in the product, to ensure that there is a supply chain in place and that you can produce great samples and deliver amazing goods/*

AUSTRALIAN TREASURY **CONSIDERS CONTROVERSIAL REFORMS TO EXTEND SALES TAX TO OVERSEAS ONLINE PURCHASE**

Melinda Upton and Rebecca Kay (Sydney)

In recent months, the Australian federal Treasury has come under intense pressure from local retailers and state treasures to extend the Australian goods and services tax (GST) to overseas-purchased goods and services. On 27 November 2013, the Australian Federal Treasurer, Joe Hockey, met with state treasurers to discuss these controversial proposals for reform.

At present, goods and services purchased by Australian consumers from overseas are exempt from the 10 per cent GST, provided they are valued at less than AU$1,000. National retailers argue that this gives foreign retailers a price advantage and encourages Australian consumers to shop extraterritorially. In an era where the profile of international retailers in Australia is spiraling as ever-increasing numbers flock to the region's shopping malls and high streets, the threat looms large. Some national stores such as Myer believe the import loophole affects them so badly that they may even be forced to consider shipping products via New Zealand, so as to level the playing field with foreign competitors.

In support of their stance, retail groups have been keen to emphasize the tax revenue stream that reducing, or even removing, the GST threshold would generate. Russell Zimmerman from the Australian Retailers' Association commented recently on ABC News: *"The government, through the Productivity Commission Report, was told that if the threshold was lowered to $100 that there would be in excess of $500 million worth of tax collected. However, we believe that if the threshold was lowered to around about the $30 mark, collection of goods and services tax would be in excess of $1 billion"*.

However, not all are in favour of reform. Some economists point to research by the Productivity Commission in 2011, which concluded that the cost of administering the revenue collection against additional imports caught by an extension of GST would be higher than the amounts raised. It has also not gone unnoticed that the federal government had originally promised that GST would be sheltered from reform during its first term.

Consumer group CHOICE also warns that it is Australian shoppers who will bear the brunt of the proposed "Internet tax" : *"Australia does not need a new tax on the Internet designed to prop up parts of the local retail sector, hitting consumers with big costs and delays, and dragging down our competitiveness"* (Matt Levey, Choice campaign director). The pressure group also points to the results of a survey which it conducted in 2013, which found that only 12 percent of Australian consumers selected savings on duties and taxes by purchasing on overseas websites as a reason for shopping online. For most of those surveyed, factors such as convenience were felt to be more compelling.

At the November Treasury meeting in Canberra, the federal Treasury was presented with a range of potential options and state treasurers were given an opportunity to air their views. However, reports from the meeting were disappointingly vanilla. A statement released by Joe Hockey said, *"On GST, the states were provided with the material they had previously requested on the costs of any changes to the online threshold. They will now consider that advice…There was no agenda item to discuss any changes to the base or rate of the GST."* Indications are that a final decision has been deferred until March 2014.

For now then, it seems that Australian consumers are free to take advantage of the overseas GST exemption. However, the debate is far from off the agenda, and national retailers will be determined to get their proposed reforms in their shopping bags. ●

BLURRED LINES

CELEBRITY IMAGES IN ADVERTISING

Is My Use Commercial?

By **Airina Rodrigues** and **Kerry O'Neill** (New York)

The Internet and social media have created a marketplace in which fashion designers, retailers and distributors interact with consumers like never before. Pinterest, Twitter, Facebook and blogs allow companies to communicate directly with consumers and create a sense of familiarity in what once was once a more distant relationship. In the friendly atmosphere created by social media, companies can overlook that they are commercial entities with a primary agenda to market and sell, not media or content providers. For purposes of liability arising from advertising, the commercial/media distinction is illustrated by the increasingly common practice of using celebrity images and names in online content. In the United States, fashion retailers are subject to more restrictive legal rules when generating media content than are "pure" media providers taking similar actions online.

It matters who's talking

Laws governing the consumer relationship do not keep pace with constantly changing technology. As a result, the line that separates commercial speech from First Amendment-guaranteed free speech becomes blurred in the Internet age, along with a company's legal obligations and potential for liability.

Consider the following hypothetical example: Tina Teenager tweets a picture of Sally Celebrity wearing pink stilettos made by Joe's Shoes tagged #GreatShoes #JoesShoes, and a link to www.JoesShoes.com. Tina's use is not commercial (assuming she has no undisclosed material connection to Joe's Shoes[1]). But if Joe's Shoes tweets the exact same thing on its company Twitter account, this may be considered commercial use, and Sally Celebrity may have a cause of action against Joe's Shoes for infringement of her right of publicity.

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[1] Under FTC guidelines, "material connections" that consumers would not expect (i.e. payments or free products) between advertisers and endorsers must be disclosed.

Misappropriation, false endorsement, right of publicity

Any celebrity who appears on a company's blog, website, Facebook page or Twitterfeed without authorization may have a claim against that company in the US for misappropriation, infringement of her right of publicity and/or false endorsement.

Actions for misappropriation of a name or personality and the right to publicity are recognized in a majority of US jurisdictions, either by statute, common law or both. For a cause of action to accrue, states recognizing these rights require a defendant to use a plaintiff's likeness for "commercial purpose or advantage." Advertisements generally fall within this category. A Facebook page is not necessarily an advertisement, but a company may have difficulty arguing that a company-sponsored Facebook page has no commercial or advertising purpose. Some states recognize a newsworthiness exception to liability for such claims (including for media commentary on fashion and celebrity style), but if a person's likeness is published for a primarily commercial purpose, this exception will not be available, even if there is some public interest in the underlying message. The distinction is fine, as the media engages in reporting and commentary for profit motive. But a company whose primary business is selling fashionable goods will not enjoy the same leeway.

False endorsement is an action based in US trademark law, the crux of which is that use of a celebrity's name or personality creates a likelihood of confusion among consumers as to the celebrity's sponsorship of, or affiliation with, the product.

Lawyers dream of an ideal world where, for every tweet, Facebook post and Pinterest pin, there is a validly executed endorsement agreement, complete with consent, waiver of privacy rights, assignment of intellectual property rights and an indemnification. However, in the real world:

- Endorsement agreements take time to negotiate (and in fashion, one day you are in and the next you are out).
- Even though the use is fleeting or incidental, the cost to procure a consent may not be.

But there is risk in ignoring the real world:

- "We took it down immediately" is not a valid defense; once use occurs, the cause of action accrues.
- Every individual has a cause of action for misappropriation of name or likeness, whether that individual is a celebrity or not.
- Celebrities are suing with increasing frequency as a result of the ease with which their images may be copied and disseminated over the Internet. Even if a company has rights to use a photograph, right of publicity does not automatically transfer with copyright. Here are some recent examples:
  - In 2013, actor Reese Witherspoon alleged that her likeness was exploited in a product advertisement on a website.
  - In 2013, actors Bradley Cooper and Liam Neeson alleged that their images were used in advertisements without permission.
  - In 2012, actor Sandra Bullock claimed that her name and likeness were used in advertisements relating to watch products without her permission.
  - In 2009, actor Woody Allen sought US$10 million in damages for infringement of his right of publicity and false endorsement when the defendant used a still from the motion picture *Annie Hall* on a billboard.

Best practices for staying out of the hot zone

Today, marketing through tweets, Facebook pages and blogs matters. But in the US, fashion retailers will likely not receive constitutional free speech immunity from the claims detailed above. Accordingly, companies who wish to reduce their risk of liability should:

- Perform an audit of any current uses of celebrity images in all marketing media to ensure that necessary consents and releases have been obtained
- Secure consents and releases if a company wishes to use such images

If celebrity images are important to marketing strategy, consider contracting with a marketing company to secure images and consents on the company's behalf. The contract with the marketing company should include robust warranty and indemnification provisions to ensure that all necessary rights to such images have been obtained and that the marketing company will fully indemnify the company in the event of third-party claims ●

GREEN SHOOTS?
Increase in retail IPOs

By **Laura Kichenside** and **Caroline Grange-Fielder** (London)

The past year has seen a resurgence of activity in capital markets, including a number of high-profile flotations. This has been viewed as a strong indication of growing confidence in the markets following the recession.

In particular, a number of fashion and retail businesses have chosen to undertake public listings combined with fundraisings on a variety of stock exchanges, both in the UK (on the Main Market and on AIM) and internationally, demonstrating the gradual recovery of a sector which suffered more than most during the global financial crisis.

Examples of fashion and retail companies which have chosen to list in recent months include:

- Bonmarché, the UK fashion retailer aiming at female over-50s. It floated on London's AIM market via an IPO and placing in November at a price of 200p per share, giving the company a valuation of £200million
- Conviviality Retail, owner of UK liquor store chain Bargain Booze, which commenced trading on AIM (and also raised funds by way of a placing) in August, and
- Claire's Inc, parent company of international accessories chain stores Claire's Accessories, which announced its intention to float on the New York Stock Exchange in May.

In addition, Obuv Rossi, the shoe retailer, is considering floating on the Moscow Stock Exchange.

The Bonmarché IPO is particularly notable as a significant turnaround for the business: it was bought out of administration only last year by Sun European Partners from its former parent company Peacocks (which maintains its own high street fashion presence in the UK). This is an indicator that not only are retail and the high street fashion market emerging from the downturn, but that, with appropriate backing and management, brands can still position themselves to experience significant growth and recovery and reach a point where they are able to bring themselves to market.

Analysts anticipate that in the coming year fashion, retail and consumer businesses will account for a significant portion of upcoming IPOs, both in the European markets and globally. This is viewed as a sign that the global economy is returning to health. Consumer spending is increasing as a result of more disposable income, which is fundamental to the growth and success of such businesses. The recent and upcoming IPOs will also demonstrate to other fashion and retail companies that accessing funds via public equity is an achievable option for their business

INTERNATIONAL FASHION RETAILERS AND THE AUSTRALIAN FASHION MARKET

CAN AUSTRALIANS COMPETE?

By **Melinda Upton** and **Carly Roberts** (Sydney)

Challenges faced by Australian fashion labels, including Lisa Ho, Kirrily Johnstone and Alannah Hill, have left many wondering whether Australian fashion retailers can compete with international players like Zara, Topshop and GAP.

The entry of international competitors into the Australian fashion market is posing challenges for domestic retailers. In the last three years, Zara, Topshop, GAP and Hollister have all opened flagship stores in Australia, and with the impending entry of Swedish label H&M and Japanese label Uniqlo to the market, it seems that international arrivals will only increase. But the question is: can Australian labels compete?

Australia's geographical isolation has traditionally discouraged international retailers from setting up shop here. However, online shopping has allowed international retailers to test the waters (online) and ascertain whether it would be profitable to enter the Australian market in a bricks-and-mortar arrangement.

For some domestic retailers, the competitive advantages of international retailers seem daunting. International retailers generally have the benefit of economies of scope and scale, due to the size of their operation and often to the efficiencies created by vertical integration. This allows these retailers to offer a wide variety of goods at a low price. International retailers' significant profit margins also give them more bargaining power to secure highly sought-after store locations. Disappointingly for domestic retailers, Australian shoppers often associate international fashion brands with a certain cachet and may be more likely to purchase goods from an international retailer like Zara than from a domestic retailer like Cue.

In order to remain profitable in this environment, domestic retailers should use their knowledge of the local market to differentiate themselves from international competitors. For example, Australian brands might:

- Offer distinctive in-store experiences
- Produce unique designs that are not available from international retailers and
- Have an online presence to compete in the cloud.

A key to survival in today's market might be providing the consumer with an exceptional online shopping experience – perhaps offering an easy-to-use, customisable interface and local services such as same-day delivery to customers within city CBDs. Australian retailers could also use global consumer take-up of online fashion retail to expand their customer base internationally through online sales.

It is clear that a growing list of international retailers have expansion into Australia on their radar. It is therefore vital that domestic retailers devise effective methods of remaining afloat in the turbulent waters that are surely ahead

FASHION BRAND FRANCHISING IN THE UAE

AVOIDING 5 POTENTIAL PITFALLS

Challenges and Opportunities in the Emirates

By **Katie Withers** and **Miranda Showler** (Dubai)

As the home of the world's largest shopping mall – which had more than 65 million visitors in 2012 – Dubai's credentials as a leading global fashion destination cannot be doubted. The UAE retail market proved surprisingly resilient during and after the global financial crisis, and instability elsewhere in the region has further enhanced its attractiveness.

The availability of many international brands and fashion collections in the UAE is a direct result of the popularity of the franchise model. Many retailers have concluded that franchising is ideally suited to Middle Eastern markets, where US and European brands are highly sought after.

However, franchising in this region brings its own challenges. In particular, several features of UAE law and the UAE legal system need to be addressed by the parties, over and above those issues that typically form the basis of franchisor/franchisee negotiations. Some of the common pitfalls encountered by international brands wishing to appoint a franchisee in the UAE are discussed below.

1. Regional vs. national rights

It is typical for a franchisee to request a territory covering multiple countries, partly because many Middle Eastern markets are still relatively undeveloped. In many cases, rights are granted across the entire Gulf Cooperation Council (GCC) – the United Arab Emirates, Kingdom of Saudi Arabia, Oman, Kuwait, Qatar and Bahrain). This often means that development obligations cover multiple countries and that franchise agreements entered into pursuant to those obligations may require localisation in more than one country to ensure that they are capable of local enforcement.

Although the GCC is often treated as a single territory for franchise purposes, it comprises six different legal systems. Local advice is essential. Where entry into a territory is unplanned, it can have a negative impact on a franchisor's timelines and budget.

2. Foreign ownership

Foreign retailers have the option of setting up a limited liability company (LLC) in the UAE to operate their store. Importantly, a UAE national or a company wholly owned by UAE nationals must hold at least 51 percent of the shares in an LLC. Similar rules apply in the other GCC countries although the percentage of share to be "locally" held differs.

This rule is often overlooked when appointing a single master franchisee to cover the whole region. The master franchisee will itself need to comply with local ownership rules. In many GCC countries, the LLC ownership rules are relaxed to some extent where one of the shareholders is a GCC national. However, the point often overlooked by international franchisors is that the entity it appoints for the GCC will not necessarily be entitled to trade in every country, and additional companies (possibly bearing the franchisor's trading name) will need to be incorporated.

3. The Agency Law

This is perhaps the key issue to be considered by prospective franchisors entering the UAE market. Under UAE law, the term "agency" covers a wide range of relationships, including the appointment of distributors, licensees and franchisees. Registration under the Agency Law confers certain enhanced rights on the "agent" at the expense of the franchisor. It can be extremely difficult to terminate a registered agreement (or even allow it to expire), and under UAE law the agent is also entitled to significant compensation at the end of a franchise relationship. If a franchisee registers its agreement under the Agency Law, it will be able to block imports of any products covered by the franchise which are being shipped to other consignees. In practice, this gives a franchisee an immensely strong negotiating position and best practice for franchisors is to take steps to ensure that no registration under the Agency Law occurs.

4. Choice of foreign law

While parties are free to choose a foreign law to govern their agreement, if the agreement pertains to activities that are being conducted in the UAE, or if the defendant is a UAE individual or company, then local courts may assume jurisdiction in the event of a dispute. The UAE court may apply the chosen foreign law, but there is a risk that:

- provisions or legal concepts will not be applied correctly or
- any provision which is inconsistent with local UAE law (including Sharia law and local customs) will be deemed to be unenforceable and the court will apply UAE law instead.

There are also certain circumstances (such as registration under the Agency Law) where the local courts will ignore the parties choice of law and apply UAE law in all cases.

The UAE courts' approach to the parties' choice of law is a key factor in the popularity of arbitration in the Dubai International Financial Centre (DIFC), which applies the London Court of International Arbitration rules. Enforcement of DIFC awards in the UAE is likely to be more straightforward than enforcing a foreign court judgment or a foreign arbitral award.

5. Protecting intellectual property

All of the tools that are required by international franchisors to protect their franchise systems are available in the UAE. UAE law protects confidential information and copyright and allows a franchisor to register trademarks and designs (as well as patents). Registration of trade marks in the UAE is voluntary but is highly advisable because there is very little protection for unregistered marks without an international reputation.

Enforcement of IP rights through the UAE courts can be particularly challenging. Decisions of UAE courts are rarely published and there is no doctrine of precedent, both of which make the outcome of a dispute difficult to predict. There is also no specialist court for IP disputes, and the UAE courts will assume jurisdiction over any dispute involving UAE-registered IP.

The availability of remedies for infringement is also an area in which UAE law is still developing. For example, UAE law does not explicitly provide trademark owners with the right to apply for an injunction. The UAE courts have granted stop orders to successful applicants in limited circumstances, although infringement cases can take years to resolve.

Potential pitfalls can be easily addressed

Many of these potential pitfalls can be easily overcome by franchisors who take timely advice on local law. Simple changes to a standard franchise agreement may significantly reduce the franchisor's risks. Similarly, ensuring that registrations for all relevant IP rights are obtained in advance, and across the franchise territory, will place a prospective franchisor in a stronger position when negotiating with local franchisees ●

IN FOCUS

RETAILERS' USE OF CCTV IN FRANCE

By **Mathilde Halle** (Paris)

In-store CCTV systems are used all over the world. They help ensure the security of individuals and goods; identify thieves and aggressors; and discourage customer and employee theft. However, in France the implementation of a CCTV system and the use of CCTV footage is restricted by law in light of the potential for infringement of privacy rights.

In France, employee privacy rights are protected – even in the workplace. If an employer wants to use in-store surveillance recordings as evidence of employee misconduct, several conditions must be satisfied:

- If employees are within camera range, the employer must first inform and consult with the company's works' council and inform each employee individually of the implementation of a CCTV system. Notices must also be posted to alert anyone entering the store that the premises are under CCTV surveillance and provide information on how to request a copy of relevant footage.
- Cameras filming in any public space must be authorized in advance by the local prefecture (which may take several months). If cameras are filming (and the images are recorded) in areas closed to the public, such as stock rooms, the retailer must file a declaration with the French data protection authority before filming begins.
- Cameras may film store entrances and exits, cashier desks, aisles or storage rooms – but cameras are strictly forbidden within dressing rooms and restrooms.
- Filming must be restricted to the extent necessary for the protection of the employer's security. In this regard, the French data protection authority considers that continuous monitoring of employee activity in order to verify proper job performance is illegal. The authority has imposed a fine against an employer in this regard. Permanent monitoring is, however, tolerated in limited cases. For example, the French data protection authority considers that it is permissible to monitor an employee who handles money, such as at a cashier desk. In such a case, however, the camera should film the cash handling rather than the employee.
- CCTV footage may be preserved for no longer than one month.

Recent court cases in France have taken a more balanced approach to employee privacy by upholding an employer's right to use CCTV footage as evidence to dismiss an employee, even when the works council had not been consulted. In both cases, an employee had been dismissed for theft in the workplace outside normal working hours and the conduct was captured on CCTV. Although the employees attempted to argue that the CCTV system was illegal because the company's works council had not been informed, the courts considered that the employer did not have an obligation to inform and consult the works council because the CCTV systems in question were operated only to ensure security within the store, not to monitor employees' activities during working hours ●

BUSINESS ROUND-UP

The news and the views

New York, London, Milan, Paris … and soon Dubai?

by **Lamia Kheir Bek** and **Miranda Showler** (Dubai)

Dubai is already a global fashion hotspot, but, in a push to promote the Emirate as a distinguished location for the design and fashion industry, several initiatives are under way.

Signaling Dubai's commitment to the fashion center, this summer saw the launch of the Dubai Design and Fashion Council, set up to promote the Emirate as a centre for design and fashion. The Council's mandate is to deliver a strategy that will outline and guide the growth and development of the Emirate's fashion industry. It is also entrusted with supporting local talent through design events and initiatives.

In addition, the Dubai Design District is now under construction. Dubbed "an ecosystem that fosters opportunities in luxury, design, retail and hospitality," the District will consist of office space for designers together with a convention centre which will be home to fashion and design exhibitions, conferences and events, as well as residential units, hotels, and food, beverage and retails outlets. The goal is for the District to become the platform where local talents and international fashion houses can converge.

INTA holds its first conference in the Middle East

by **Katie Withers**

The increasing popularity of brand expansion into the Middle East has been well documented, and this trend is equally clear from the International Trademark Association's decision to hold its first conference on trademark issues in MENA in Dubai in early December.

The theme of the two-day conference was "Hot Trademark Topics in the Middle East, Africa and South Asia (MEASA) Region." The event served the rising numbers of multinational trademark owners who are expanding across the Middle East and surrounding regions.

One sign of the importance of the event: its opening speaker was His Excellency Mohammed Ahmed Bin Abdul Aziz Al Shehi, the under secretary of the UAE Ministry of Economy (the ministry responsible for IP).

Honing in on legal issues in trade mark protection in the Middle East, the INTA event drew together regional government officials, brand owners and other IP professionals to examine such issues as trade mark valuation, dispute resolution, the Internet, licensing and public-private partnerships to combat counterfeiting ●

Winter Calendar – January to March 2014

Our round-up of what's on where you are…

Compiled by **Katie Withers**

JANUARY 2014

Fashionline – La moda 3.0

When: 24 January 2014

Where: Milan Stock Exchange

FEBRUARY 2014

A/W London Fashion Week

When: 14 to 18 February 2014

Where: various locations

MARCH 2014

Fashion Access Fair

When: 31 March to 2 April

Where: Hong Kong Convention and Exhibition Centre

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