

Own-name brands: are they worth it?

THE CASE:

Millen v Karen Millen Fashions Ltd and Anor
Court of Appeal of England and Wales
15 January 2016

When fashion designer Karen Millen sold her eponymous business in 2004 trademarks bearing her name went with it, but does that stop her using her own name in other business ventures? **Rachel Cook** discusses

Fashion designer Karen Millen was last month back in the news and back in dispute with the operator of the Karen Millen brand, Karen Millen Fashions. Millen sold the business in 2004 to Mosaic Fashions, with the designer giving the new owners various restrictive covenants over her future use of the name Karen Millen, KM or K.Millen or any others confusingly similar to them. In 2011 Karen Millen Fashions sued Millen. Those proceedings were settled, but subsequently Millen issued further proceedings against Karen Millen Fashions and Mosaic Fashions US.

Separate proceedings are also ongoing in the US courts in connection with US trademarks filed by Millen for word marks such as KAREN BY KAREN MILLEN and HOME BY KAREN MILLEN. The bone of contention is the extent to which Millen is restrained from using her own name in a business.

I made this – what's in a name?

Eponymous brands are common in the fashion industry. Some of the largest, most famous corporate brands, such as Gucci, Chanel, Louis Vuitton and Christian Dior, were all named after real people.

However, the role of the founder becomes more difficult with the involvement and interests of investors, when the name of the founder is also at the same time the asset of the business. There are a number of high-profile fashion designers who have lost control of their own names. Neither Thierry Mugler nor Herve Leger are involved with their eponymous brands any more. Calvin Klein retains a financial stake in the brand that bears his name, but has no creative control over the company's product lines.

Roland Mouret lost control of his name to his business partners following managerial difficulties. Having founded a new brand under

a different name, he came full circle, ultimately buying back the right for an undisclosed sum.

If I didn't make it – then is the public deceived by the trademark?

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Elizabeth Emanuel, who rose to prominence after designing Princess Diana's wedding dress, tried to use the courts to reclaim her name. By 1996 she was conducting her business through Elizabeth Emanuel plc, which owned the business of designing and selling clothing as well as all its assets, including its trading goodwill and an application for the trademark ELIZABETH EMANUEL. In September 1997, following financial difficulties, Elizabeth Emanuel plc assigned its business to another company that then changed its name to Elizabeth Emanuel International. Emanuel worked as an employee for Elizabeth Emanuel International for a month and then she left.

While she also left her name behind, in 1998 she opposed a further trademark application made in respect of ELIZABETH EMANUEL and followed this with an application for the ELIZABETH EMANUEL trademark to be revoked. Her argument was that there was a genuine risk that the average consumer would be confused when buying products bearing the ELIZABETH EMANUEL trademark.

Article 3(1)(g) of the First Trade Marks Directive states that in order to be refused or declared invalid, trademarks would need to be “of such a nature as to deceive the public, for instance, as to the nature, quality or geographical origin of the goods or services”. For Emanuel a part of the nature of goods bearing the ELIZABETH EMANUEL mark was that she had been involved in their creation. The trademark owner's argument was that, in practical terms, this would make it impossible to assign a business together with the goodwill and the trademark.

The case ended up in the Court of Justice of the European Union (CJEU) in 2006. The CJEU held that to refuse registration under Article 3(1)(g) there must be actual deceit to a sufficient serious risk of consumers being deceived. The court noted that while the average consumer might imagine when buying an ELIZABETH EMANUEL product that Emanuel was involved in the design, the characteristics and qualities of that product were guaranteed by the trademark owner. The name Elizabeth Emanuel in and of itself was not enough to deceive the public about the nature of the goods.

The judgment, while not stated on its face, underlined that a trademark is an article of property, which can be bought and sold as any other asset. To have allowed ‘own-name’ trademarks to have become a special class outside would have undermined this principle

and also could have acted to unwind countless transactions connected to the sale of brands.

Most recent claim by Karen Millen

So what grounds are being relied on by Millen? As part of the 2004 sale of Karen Millen Holdings Limited (KMHL), Millen agreed with clause five of the Share Purchase Agreement (SPA) to not directly or indirectly “at any time after completion in any connection with any business which is similar to or competes with the business of the KMHL Group (not only in the United Kingdom but anywhere in the world) use the name Karen Millen or any other name confusingly similar thereto (including names which use, as a prefix or suffix KM or K.Millen).”

However, Millen argues that no company now exists that has standing under the terms of the SPA to enforce the covenant. Therefore, she claims she is released from it. KMHL was acquired by a group of investors including the Icelandic private equity fund Baugur. The companies referenced in the restrictive covenant were Mohave (the rollover purchaser), Noel (the cash purchaser), the rollover purchaser’s group (Mohave and each of its affiliates) and the KMHL Group (KMHL and each of its subsidiaries).

KMHL was caught up in the Icelandic financial crisis in 2008. The fallout led to KMHL and Mohave entering administration in March 2009. Both these companies were then ultimately dissolved. Mosaic US, one of the defendants in Miller’s claim, was incorporated in 2001 and as at 2004 was a subsidiary of KMHL, falling within the definition of a group member of KMHL. Karen Millen Fashions was incorporated in 2009 and is now a sister company of Mosaic US.

Karen Millen Fashions and Mosaic US assert that they are entitled to enforce the obligations in clause five against Millen on the basis that they are successors in title through sales made by the administrators or, in the case of Mosaic US, because the undertaking was given for its benefit as a member of the KMHL Group.

But in Millen’s submission, Mosaic US cannot be a member of KMHL’s Group because that requires KMHL itself to still exist, which it has not since December 2011. Further, as KMHL no longer exists then the party, whose interests and goodwill the covenant was intended to protect, also no longer exists and it is by extension impossible for Millen to compete with KMHL’s business.

While the covenant refers to successors in title and clause 11 of the SPA addresses assignment, in Millen’s argument these fall down for the same reason. She argues that the assignment clause only permits transfers to group members provided that the transferee

stays within the group. There can be no group members or group without KMHL and so the assignment to Karen Millen Fashions is void and unenforceable.

If Millen is correct then the terms of the SPA fall away in their entirety and any restraints to use her name under the SPA would be lifted.

However, Millen’s alternative argument is that even if the restrictions in the SPA are effective, her obligations are limited to competing with the business that existed as at 2004 and in relation to the IP rights that existed at that time. This could open to Millen the possibility of using her name in relation to products that were not being sold by KMHL as at 2004 outside of the EU (which is governed by a settlement agreement between the parties). This would relate in particular to homeware. As stated above, Millen has already applied for US trademarks, which are being challenged in the US courts.

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Karen Millen Fashions and Mosaic US are counterclaiming for an injunction that Millen is restrained from carrying on any business selling any goods and services covered by her US trademark applications by reference to the name Karen and/or Karen Millen or any other confusingly similar name anywhere in the world. In addition, they are requesting an order that Millen give her express consent for their current and future trademark applications.

The claim is due to reach trial in June 2016. As stated above, the parties have reached a settlement previously. However, disputes between Millen and the current operators of Karen Millen have been ongoing for around five years. This could be seen as Millen’s last roll of the dice. If she loses then it is difficult to see where else her argument could go and

this finality could on one hand be attractive to Karen Millen Fashions. But the flipside is that the risks are high. The arguments put forward by Millen, while of radical effect in the context of the particular SPA, are limited to their facts and would not have significant wider impact on own-name trademarks in the way that success for Emanuel would have. It remains to be seen as trial approaches whether commercial risk will be outweighed by legal certainty and an accommodation is reached.

Are there any steps that an own-name brand owner can take?

In reality, practical steps are limited: if you want outside investment or to sell the brand then the *quid pro quo* of any investor will be restrictions on use. An investor is not going to pay millions for you to be free to take the major asset of the brand and immediately start to undermine it if things don’t work out. Even to get minimal relaxations may have a cost in terms of the purchase price or may result in a flat no.

It may be possible to agree with a purchaser that you would be free to sell certain types of goods and services. For instance, Millen could have sought to agree a carve-out for homeware, which might have been agreed in 2004. The difficulty with this approach is that fashion brands have increasingly morphed into lifestyle brands, which means clothing, bags and accessories go hand in hand with wider goods such as perfume, beauty (make-up and cosmetics), bedding and linens, decoration and furniture.

It could be possible to try to agree a time-limited restriction. Millen agreed not to use her name at any time. A purchaser may consider that after a certain length of time the business will be established as having a life separate to its founder.

The better approach may be to accept that in any future business venture you would need to use a completely different name or to think carefully before you use your own name as a brand in the first place. A name gives the perception of a personalised touch and can allow consumers to form a closer bond with a brand. But does it need to be your name or even a real name? After all, Ted Baker was not actually founded by a person with that name.

Author



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