

# CONTRACTUAL RELATIONS REGARDING THE USE OF OBJECTS IN THE FASHION INDUSTRY

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**Annotation.** This article examines the legal regulation of contractual relations in the fashion industry, one of the key sectors of the creative economy, where intellectual property constitutes the primary asset and source of commercial value. The fashion industry encompasses the production, promotion, and sale of clothing, accessories, cosmetics, and other fashion-related goods, which requires comprehensive legal support. The study focuses on the significance of contractual models governing relationships between designers, brands, manufacturers, and distributors, as well as the specifics of license agreements and franchise agreements.

The article emphasizes that contracts in the fashion industry are not merely formal instruments for structuring legal relations but also serve as key mechanisms for commercializing creative outputs. Particular attention is paid to contracts involving the use of intellectual property rights, including copyrights, industrial designs, trademarks, patents, and other intellectual property objects. License agreements in the fashion sector are analyzed in detail, including mandatory provisions such as the subject of the license, exclusivity, territorial scope, duration, royalties, compliance with brand standards, sublicensing, restrictions on design modifications, and more. Examples of licenses used by prominent global brands such as Gucci, Louis Vuitton, Nike, and Adidas are provided.

Licensing in the fashion industry is shown to be a strategic tool for market expansion, product line diversification, and revenue generation. In the Ukrainian legal context, the absence of specialized legislation addressing the specifics of the fashion industry is noted. Despite the existence of general norms in the Civil and Commercial Codes, legal regulation remains fragmented and insufficiently adapted to the dynamic and global nature of the industry, creating risks for market participants, complicating rights protection, and fostering legal uncertainty.

The article concludes by highlighting the need for developing specialized legal recommendations, standardized contractual models, and improvements in legislation governing the fashion business.

**Key words:** intellectual property, contractual relations, fashion industry, license agreement, franchise agreement, trademark, brand use, legal protection of design, legal relations in the fashion sector.

## 1. Introduction.

The fashion industry is one of the most dynamic and creative sectors of the modern economy, integrating elements of art, culture, design, and business. A significant portion of the value of fashion products lies not in their physical characteristics but in intangible assets such as designs, brands, and unique stylistic solutions. Consequently, intellectual property objects – including industrial designs, trademarks, copyrights, know-how, and commercial names – play a key role in the activities of designers and fashion brands.

Contractual relations play an increasingly important role in ensuring the legal use, transfer, and commercialization of rights to these objects, including license agreements, franchise agreements, confidentiality agreements, and comprehensive agreements for protecting creative outputs. In practice, the conclusion of such agreements often encounters legal conflicts, the absence of appropriate contractual models, and challenges in protecting the parties' rights, particularly in cross-

border contexts.

Given Ukraine's European integration course, studying contractual relations in the fashion industry contributes to harmonizing national legislation with European standards, which is vital for Ukrainian fashion brands entering international markets. Considering the significant contribution of creative potential to modern economies, legal regulation of the fashion industry has both theoretical and practical importance.

## 2. Literature review.

Various Ukrainian scholars have explored aspects of contractual regulation of objects in the fashion industry, including H. Androshchuk, M. Bychkivska, V. Hryshkin, K. Ivanova, I. Zaitseva-Kalaur, A. Kyrlyuk, O. Koval, Yu. Kuznetsova, V. Liakhov, Ye. Nedohibchenko, B. Paduchak, O. Pluta, N. Samolova, N. Fedorova, V. Fomishina, O. Cherniak, and others.

Despite the rapid development of the fashion industry in Ukraine and globally, contractual regulation of legal relations in this sector remains under-researched in national legal doctrine. The lack of specialized legislation tailored to the fashion industry results in fragmented legal regulation. Comprehensive studies on the legal nature of contracts in the fashion industry, cross-border aspects, and other related topics are limited. Legal relations are primarily governed by general civil and commercial law principles, which often fail to account for the specific characteristics of the fashion sector, including the creative process, product seasonality, and the commercial value of aesthetics.

Additional unresolved issues include the legal formalization of authorship, defining the scope of rights transferred under contracts, and the legal consequences of breaching obligations. Problems such as counterfeiting, unfair competition, and inadequate protection of objects outside traditional intellectual property categories are particularly pressing.

**3. The aim of this article** is to examine contractual mechanisms for using intellectual property objects in the fashion industry and to identify the peculiarities of their legal regulation in the context of the sector's contemporary development.

## 4. Presentation of the main material.

The fashion industry encompasses the production, distribution, and commercialization of clothing, accessories, cosmetics, and other fashion goods. Legally, it is a complex sector integrating civil, labor, commercial, and intellectual property law. In civil law terms, the fashion industry is characterized by the critical importance of protecting creative outputs. Intellectual property is a key resource determining market competitiveness. Creativity and innovation form the basis of product value, underscoring the need for legal protection of intellectual assets. Contractual models in the fashion industry are crucial for balancing creators' rights (designers, brands) with the opportunities for commercialization, use, and promotion of products. The main types of contracts, their specificities regarding intellectual property law, common challenges, and key conditions to be explicitly stated are analyzed below.

Intellectual products such as designs, brands, trademarks, and copyrights are not only legal objects but also high-value assets. Legal regulation must therefore consider the creative process, rapidly changing trends, and globalization. This study focuses on general contract characteristics in the fashion industry, along with license agreements and franchise agreements.

As O. Pluta notes, "A modern fashion company can operate in various organizational and legal forms, from sole proprietorships to multinational conglomerates, requiring diverse approaches to the legal structuring of business relations, primarily through contractual frameworks. The differentiated nature of the fashion industry necessitates numerous civil-law agreements with designers, marketing agencies, distributors, etc."

Contracts in the fashion industry are legal transactions between participants (designers, manufacturers, retailers, distributors) aimed at regulating the use of products, intellectual property, or services related to the production and sale of fashion products. Their content governs the rights and obligations of parties in the creation, production, distribution, and commercialization of fashion products—clothing, footwear, accessories, jewelry, decorative elements, and more. These agreements often include provisions on intellectual property rights management, use of production facilities, marketing strategies, and ethical production standards.

M. Bychkivska highlights that “there is a temporal and structural gap between the creation of designer solutions in fashion houses and their market release, requiring adaptation of the consumer sector to new trends. Professional distributors and branded stores play a crucial role by selecting commercially promising items from designer collections to establish market presence.”

License agreements and franchise agreements are widespread in the fashion industry, serving as primary mechanisms for legally transferring intellectual property rights. They specify conditions for rights transfer, including duration, territory, usage methods, restrictions, royalties, quality standards, control mechanisms, and party responsibilities.

In Ukraine, according to Article 1107 of the Civil Code of Ukraine, “The exercise of property rights in intellectual property is carried out through license agreements, agreements on the transfer of exclusive rights, and other contracts for using intellectual property rights.” Similar provisions exist in Chapter 16 of the Commercial Code of Ukraine.

As K. Ivanova notes, “A distinguishing feature of a license agreement is that the holder of property rights to an intellectual property object is already known at the time of contract conclusion, unlike agreements on service-related objects, where the rights holder is initially established.” She also emphasizes the need to clearly define conditions for technology use, territorial scope, sublicensing, and field of application.

A license agreement in the fashion industry is a primary method of exercising intellectual property rights. It is concluded between the rights holder (designer company or brand) and a counterparty granted the right to use a trademark, design, copyright, or technology within a defined territory, period, and scope. Key provisions include exclusivity, royalty terms, duration, territorial restrictions, product quality requirements, brand standards, sublicensing, and grounds for termination or revocation.

License agreements are closely linked to product seasonality, rapidly changing trends, global competition, and the need to maintain brand image. They are often international, governed by private international law, and may involve foreign law as the governing system. Licensing enables brands to scale operations, expand product lines, and optimize investments while maintaining brand control. Global brands like Gucci, Louis Vuitton, and Nike actively use license agreements to produce goods beyond their core assortment (perfumes, eyewear, home goods), generating additional revenue while retaining brand oversight.

Franchise agreements also play a significant role, transferring a comprehensive bundle of rights, including trademarks, technology, design, service standards, and marketing tools. This model effectively scales business and facilitates entry into new markets. For franchisors, it reduces operational costs; for franchisees, it provides access to a well-known brand. M. Bychkivska notes that despite licensing efficiency, market participants increasingly prefer the franchising model for business expansion, integrating brand, marketing, and organizational strategies while scaling without opening new branches.

Franchise agreements in the fashion industry are typically international and promote the dissemination of innovation. Terms may vary depending on brand strategy – for example, H&M limits franchising in favor of opening company-owned stores in key markets. Franchising fosters modern business practices, cost optimization, international market integration, advertising efficiency, business process standardization, and profitability.

Thus, forming contractual relations for using intellectual property in the fashion industry requires a systematic approach, given the sector’s dynamic and transnational nature. The absence of specialized legislation in Ukraine poses legal challenges, including uncertainty, risks of unfair copying, rights abuse, and underdeveloped contractual practices. Transnational business necessitates consideration

of jurisdictional complexities and international legal regimes, highlighting the need to harmonize contract regulation and align national legislation with international intellectual property standards.

## 5. Conclusions.

The study of contractual mechanisms for using intellectual property in the fashion industry and their legal regulation under contemporary industry conditions leads to the following conclusions:

Contractual relations regarding intellectual property use in the fashion industry are complex and multifaceted, requiring a systematic regulatory approach.

License agreements are the primary form of transferring intellectual property rights, defining conditions, scope, territory, duration, and parties' rights and obligations, while accounting for seasonal collections and rapidly changing trends.

Franchise agreements transfer comprehensive rights over brand, design, technology, and marketing strategies, representing a complex contractual mechanism requiring careful regulation.

Confidentiality agreements protect trade secrets during collection development, marketing campaigns, and production. Other agreements sublicensing, agency, distribution support the fashion product lifecycle.

In Ukraine, the absence of specialized fashion industry legislation complicates the formation of a unified legal policy. Existing IP-related laws do not reflect the sector's specificity, creating legal uncertainty. Contractual gaps increase the risks of rights violations, unlawful copying, and unfair competition.

The transnational nature of the fashion industry further complicates legal enforcement due to varying market regimes, international treaties, and jurisdictional issues.

Recommendations include developing standardized contracts for the fashion business to avoid common disputes, creating specialized contractual models, improving IP registration and protection procedures, and analyzing relevant case law.

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