

# At the Crossroads of Fashion, Sustainability and Counterfeiting? Blockchain.

---

## 7th Edition: Trends in Marketing Communications Law

Climate change and concern over what individuals can do to lessen their impact on the environment continue to be issues of concern in many sectors, including in the world of fashion. Consumers are reevaluating the consequences of their behavior, including taking steps to create a smaller carbon footprint. The focus in fashion has started to shift towards sustainability, which has manifested in a larger appetite among shoppers for second-hand and resale clothing, as well as increased attention to brands who can back up their sustainable bona fides.

Although the growing resale market for fashion is a boon for sustainability advocates, it presents certain risks for fashion brands and luxury consignment purveyors as they try to combat the rise in counterfeit goods in both the primary and secondary markets. It is estimated that, globally, counterfeiting has become a trillion dollar industry, which has caused total losses of up to \$98 billion dollars across the fashion, cosmetics and textile industries.

Enter blockchain technology. Blockchain, which gained prominence as the technology powering the cryptocurrency Bitcoin, is a generic term for technology that permanently stores records of transactions in an authenticated tamper-proof database. Blockchain databases are also decentralized and publicly available, providing an open and secure time-stamped record of transactions. Blockchain provides a unique solution for fashion brands seeking to crack down on sales of counterfeit goods.

For each individual item of inventory, use of blockchain would enable brands to record, and consumers and re-sellers to track, the history of the item at each step of the supply, manufacturing and shipping processes. Not only would this provide brands and retailers greater transparency in the supply chain process, but it would also enable them to identify disruptions quickly — and allow brands and retailers to promptly address those issues in order to get the product in the hands of consumers more efficiently. Blockchain technology allows consumers and resellers to verify that they are receiving legitimate, non-counterfeit goods while also allowing brands to easily identify illegitimate goods in the marketplace.

Additionally, the COVID-19 pandemic has presented new challenges for fashion supply chains, as worldwide disruptions in manufacturing caused by the virus have left many fashion brands and retailers without sufficient inventory to meet demand. The historical opacity in the supply chain process has made it difficult for brands and retailers to quickly identify these interruptions and rectify them. Transparency in the supply chain, especially through the use of blockchain technology, may help brands and retailers to expeditiously identify these problems faster, enabling them to pivot in order to reduce disruptions in getting products to consumers.

Moreover, blockchain tracking technology could provide consumers the ability to verify a brand's sustainability credibility by offering a complete picture of a product, from the earliest stages of development to the end product. For example, Danish designer Martine Jarlgaard has included scannable tags in all of her clothing. When a consumer scans the tag's QR code or NFC-enabled label, a full digital history of the production of the garment is viewable — from raw material all the way through to the finished garment.

Blockchain technology offers brands and consumers the opportunity to substantiate claims of authenticity and sustainability. Ideally, the ability to track the full production life cycle of a garment will both challenge widespread counterfeit culture and create greater transparency related to the growing focus on environmentally-friendly practices.

---

## Key Takeaways

- A growing emphasis on sustainability has consumers carefully selecting which brands they shop and has increased an uptick in the purchasing of second-hand clothing.
  - Blockchain is an attractive solution for brands that are looking to crack down on counterfeiting and want to substantiate sustainability claims.
  - Supply chain disruptions due to the COVID-19 pandemic have caused fashion brands and retailers to seek new ways to bring more transparency to the supply chain.
  - Using blockchain, brands would have the ability to track, and make publicly available, information regarding their inventory through every step of the supply, manufacture and shipping process.
- 

## Related People

### Brooke Erdos Singer

Partner

212 468 4940

[bsinger@dglaw.com](mailto:bsinger@dglaw.com)

### Alexa Rozell

Associate

212 468 4975

[arozell@dglaw.com](mailto:arozell@dglaw.com)