

## JA Apparel V. Joseph Abboud: A Cautionary Tale

*Law360, New York (March 03, 2010)* -- Not surprisingly, many fashion designers choose to use their personal names as brand names. The obvious appeal is that the designer will automatically be associated with her work, and will gain personal acclaim for a favorably received product line.

However, as most recently illustrated in the dispute between fashion designer Joseph Abboud and JA Apparel Corp., there are pitfalls inherent in using a designer's personal name as a brand name.

### The Abboud Case

Fashion designer Joseph Abboud began selling his men's clothing line in 1987 under the trademark JOSEPH ABBOUD. Due to the commercial success and critical acclaim of JOSEPH ABBOUD clothing and accessories over the years, Mr. Abboud and the JOSEPH ABBOUD brand became well-known and respected in the fashion industry.

In 2000, Abboud entered into an agreement to sell all of his rights in and to the "names, trademarks, trade names, services marks, logos, insignias and designations[1]" and "all rights to use and apply for the registration of new trade names, trademarks, service marks, logos, insignias and designations containing the words 'Joseph Abboud,' 'designed by Joseph Abboud,' 'by Joseph Abboud,' 'JOE' or 'JA,' or anything similar to or derivative thereof, either alone or in conjunction with other words or symbols ...," to JA Apparel, for \$65.5 million. *JA. Apparel Corp. v. Joseph Abboud et al.*, 591 F. Supp. 2d 306, 312 (S.D.N.Y. 2008).

Abboud later decided to create and market a new high-end men's clothing line under the trademark JAZ. The designer's new venture attracted significant attention from the press, including news articles reporting Joseph Abboud's intentions to use his personal name in connection with marketing and advertising for the JAZ clothing line.

For example, it was reported that Abboud intended to use the tag line "a new composition by designer Joseph Abboud" in promotions for his new clothing line. *Id.* at 315.

JA Apparel thereafter brought suit against Abboud in the United States District Court for the Southern District of New York seeking, among other things, an injunction preventing the designer from using his name commercially in connection with the promotion and sale of products which competed with JA Apparel's products. *Id.*

The district court found the language of the parties' agreement "unambiguously provided for the sale of all the rights in the Joseph Abboud name to JA Apparel for commercial purposes," and permanently enjoined Abboud from using his personal name "to sell, market, or otherwise promote, goods, products, and services to the consuming public." *Id.* at 337.

The court held that Abboud was not enjoined from identifying himself when personally showing his clothing line to buyers or when negotiating with potential licensees, and was not restricted from making personal appearances that are not for the purpose of promoting goods, products or services.

The district court specifically noted that “what may have constituted a permissible use of Abboud’s name under the Lanham Act is largely foreclosed by the express terms of the Agreement.” *Id.* at 327.

Nevertheless, the court considered Abboud’s fair use arguments and ultimately found them without merit because, while his proposed use of phrases such as “a new concept by Joseph Abboud” may have a descriptive component, Abboud’s intention in using such phrases to identify himself as the source of the goods is tantamount to trademark use. *Id.* at 330-31.

On appeal, the Second Circuit reversed on the basis that the contract language did not unambiguously confer all commercial rights in the name Joseph Abboud to JA Apparel, and remanded the case for a consideration of extrinsic evidence concerning the parties’ intent on this issue.

The Second Circuit further determined that because the district court’s fair use analysis relied upon its finding that the contract unambiguously transferred all commercial rights in Abboud’s name, should the district court find in Abboud’s favor on the contract claim, it must consider Abboud’s fair use arguments, including a specific examination of Abboud’s proposed advertisements for his new clothing line.

On remand, upon an examination of the extrinsic evidence, the district court determined the parties’ agreement only transferred trademarks, service marks, trade names and brand names associated with the name Joseph Abboud, not all “commercial rights” in the name.

In light of its new findings, the court thereafter reconsidered Abboud’s fair use arguments in connection with each of the proposed advertisements introduced at trial, and issued a modified injunction.

Specifically, the court prohibited Abboud from using his personal name “as a trademark, service mark trade name or brand name” or in any manner on the clothes themselves, hangtags, clothing labels or packaging. The court further held that should Abboud use his name in connection with promotions or advertisements, the name:

[M]ust be used descriptively, in the context of a complete sentence or descriptive phrase, and must be no larger or more distinct than the surrounding words in that sentence or phrase.

Abboud is to prominently display his trademark “jaz” (or any other trademark) elsewhere in the advertisement, both to alert consumers that “jaz” is the source — in the trademark sense — of the new clothing line, and to minimize any resulting confusion.

Finally, should Abboud use his name as proposed [in certain exhibits which include language indicating the clothing line was created by designer Joseph Abboud] or anything similar, he must include a disclaimer of any affiliation with JA Apparel and products sold under the Joseph Abboud trademarks. The disclaimer must be displayed in a font that is no smaller than the accompanying text in which Abboud uses his name.

*JA Apparel Corp. v. Abboud et al.*, --- F. Supp. 2d ---, 2010 WL 103399 at \*20 (S.D.N.Y. 2010).

## **Lessons Learned**

While the Abboud decision may provide some guidance to designers who wish to sell their namesake trademarks, the court’s analysis illustrates the inherent challenges in reconciling the rights of a buyer who pays dearly for all

rights and goodwill associated with the trademarks, with that of the designer's post sale rights to use his or her personal name in the trade.

For example, while the decision would counsel a designer to use clear and unambiguous language in any agreement to sell the trademark rights in her personal name, such as an explicit reservation of her right to use her name in a descriptive manner to identify her other projects in the industry, there will inevitably be a difference of opinion regarding what constitutes descriptive or "fair use."

The fair use analysis is highly subjective and fact specific, and does not provide the designer bright line rules for what post sale use of her name is acceptable, even where it is clear the only rights she transferred were trademark rights. See, e.g. *Nipon v. Leslie Fay Companies Inc. (In re The Leslie Fay Companies, Inc.)*, 216 B.R. 117, 128 (Bankr. S.D.N.Y. 1997) ("Each case must be judged under its own 'circumstances of the relevant business and its consumers.'").

Even disclaimers such as those mandated by the court in *Abboud* are often not held sufficient to preclude a likelihood of confusion necessary to make a trademark infringement claim. For example, in *Nipon*, supra, apparel designer Albert Nipon transferred all rights to his ALBERT NIPON trademarks and trade names to Leslie Fay in a bankruptcy sale. *Id.* at 124.

The designer later began designing ties under the brand name AMERICAN POP. The labels on the ties prominently displayed the AMERICAN POP trademark and beneath in smaller type the phrase "created by Albert Nipon." *Id.* at 124-25.

Hangtags on all of the ties had the same label together with the disclaimer: "This garment is not licensed or under the authorization of the owner of the Albert Nipon Registered Trademarks." *Id.* at 125.

The court found the disclaimer insufficient to prevent consumer confusion likely to result from use of the Albert Nipon name on labels, hangtags, advertising and promotional materials, and issued an order enjoining such use.

See also *Home Box Office Inc. v. Showtime/The Movie Channel Inc.*, 832 F.2d 1311, 1315-16 (2d Cir. 1987) (finding a disclaimer in promotional materials not sufficient to dispel likelihood of confusion and noting academic literature positing that disclaimers are often not effective); *Paul Frank Industries Inc. v. Sunich*, 502 F. Supp. 2d 1094, 1098 (C.D. Cal. 2007) (disclaimer not sufficient to avoid likelihood of confusion where sight and sound of designer's full name — PAUL FRANK SUNICH — is so similar to trademarks of designer's former company — PAUL FRANK).

Particularly in the case of designer clothing and accessories, such a disclaimer could arguably cause more harm than good to a person who purchases the designer's trademarks and associated goodwill, because such a disclaimer disavows the designer's relationship with the purchased trademarks, which may result in consumers shunning the old brand in favor of the designer's new products.

## **Best Practices**

An up-and-coming designer should avoid using her personal name as a trademark for a number of reasons. Unlike fanciful, arbitrary, or suggestive trademarks, a mark which is primarily a personal name is not entitled to trademark protection absent a showing of secondary meaning. See *Trademark Manual of Examination Procedure* §1211 et seq.; *Abraham Zion Corp. v. Lebow*, 761 F.2d 93, 104 (2d Cir. 1985).

This general rule applies to surnames, first names and combinations thereof. *Brown v. Quiniou*, 744 F. Supp. 463, 469 (S.D.N.Y. 1990) (first name requires proof of secondary meaning to acquire trademark protection); *Yarmuth-*

Dion Inc. v. D'ion Furs Inc., 835 F.2d 990, 993 (2d. Cir. 1987) ("Peter Dion" is a name which is only protectable when it acquires secondary meaning).

In order to prove secondary meaning, the designer must prove that the public associates the mark exclusively with one seller or "source" by the proffer of evidence such as advertising expenditures, consumer surveys, media coverage, length and exclusivity of use, and attempts to plagiarize the mark. Yarmuth-Dion, 835 F.2d at 993-94; Brown, 744 F. Supp. at 469-70.

Therefore, a relatively unknown designer may have problems protecting her personal name as a trademark unless and until her name acquires distinctiveness in the marketplace.

Even after a personal name acquires trademark protection, a designer may lose control of her trademarks due to changes in corporate structure, disputes with business partners, bankruptcy, or voluntary sale.

While in the best case scenario the designer will receive ample monetary consideration in exchange for the transfer of ownership of her namesake marks, she will necessarily lose control over the quality and nature of products associated with her personal name.

Moreover, as demonstrated in the Abboud case, even where only trademark rights are transferred, the designer will be restricted in her ability to use her personal name in connection with activities within the industry, because her name has become "a symbol of the corporation and its past accomplishments and [has lost] its individual identity." Levitt Corp. v. Levitt, 593 F.2d 463, 468 (2d Cir. 1979).

Courts are particularly likely to issue broad-based restrictions upon a designer's post-sale use of her personal name if the designer has willingly sold the trademark rights and goodwill in her personal name. See Abboud, 2010 WL 103399 at \*14; Levitt, 593 F.2d. at 468; Nipon, 216 B.R. at 124.

For all of the foregoing reasons, an up-and-coming designer would be well advised in choosing a mark which is arbitrary or fanciful, rather than using her personal name as the trademark for her products. The designer may still ensure she is associated with her trademark and designs by using her name descriptively in press and promotions of the brand.

This approach will allow the designer to obtain enforceable trademark rights in her brand from the first promotion and sale of her products, and gain notoriety for her work, while avoiding the risks inherent in using her personal name as trademarks.

Particularly given the difficulty in protecting the intellectual property associated with fashion designs, a designer should seize the opportunity to create a strong and enforceable brand name which will protect her interests from the start of her career into the uncertain future.

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[1] Which were specifically identified in a schedule to the agreement, including the mark Joseph Abboud and variations thereof.