

JUNE 2008

**FASHION DESIGNER JOSEPH ABBOUD ENJOINED FROM USING HIS NAME IN BREACH OF HIS CONTRACT OF SALE**

In a significant June 5th ruling on the interface of contract and trademark law, U.S. Magistrate Judge Theodore H. Katz, of the United States District Court for the Southern District of New York, held that fashion designer Joseph Abboud, in using his name in connection with his new fashion line, had breached his contract of sale with JA Apparel Corp. and had committed trademark infringement. *JA Apparel Corp. v. Abboud*, 07 Civ. 7787 (THK) (S.D.N.Y. June 5, 2008). Kaye Scholer represented JA Apparel in the litigation.

As Judge Katz framed the issue: "This case presents the interesting and somewhat vexing issue of whether and how an individual, whose name and reputation have become clearly identified with a business and line of products, and which serve as its trademarks, can continue to use his name after he sells the business, its trademarks, and his name, for a considerable amount of money." Providing a clear answer, Judge Katz granted JA Apparel "sweeping injunctive relief." Distinguishing cases holding that "injunctions in trademark cases involving use of an individual's personal name should be narrowly tailored," Judge Katz held that "they do not involve a contract for the sale of the individual's name and the goodwill related thereto." Here, "Abboud sold his name for a substantial sum of money and is not an uninvolved bystander who is being precluded from earning a living or running a business under his own name."

The basic facts were not in dispute. On June 16, 2000, Joseph Abboud and his company, for \$65.5 million, sold to JA Apparel (a) "all of the Sellers' right, title and interest in . . . [t]he names, trademarks, trade names, service marks, logos, insignias and designations" that include the words "Joseph Abboud," and the related goodwill, and (b) "[a]ll 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 thereto or derivative thereof, either alone or in conjunction with other words or symbols . . . , for any and all products or services." In August 2007, Mr. Abboud announced his intention to use the name, mark or designation "a new composition by designer Joseph Abboud," as well as the name "Joseph Abboud," in advertisements for Mr. Abboud's new "jaz" line of menswear. JA Apparel sued, claiming, *inter alia*, breach of contract and trademark infringement. After "intensive documentary and deposition discovery" and a 6-day trial, Judge Katz, in a 91-page opinion, rejected each contract, trademark and First Amendment argument Abboud advanced.

At the outset, the Court held, as both parties agreed, that the contract was unambiguous and, thus, parol evidence was inadmissible. Applying the governing New York contract law, the Court rejected Abboud's argument that all that he sold was use of his name as a trademark and service mark: "The overarching, and ultimately fatal, flaw with this position is that it requires the Court to render meaningless or superfluous the words 'names . . . trade names . . . logos, insignias and designations,' which would, in turn, require the Court to be unfaithful to a bedrock principle of contract interpretation" – that "the Court is required to give meaning to every term in the Agreement."

The Court also rejected Abboud's argument, based on *Madrigal Audio Labs., Inc. v. Cello, Ltd.*, 799 F.2d 814, 823 (2d Cir. 1986), "that the traditional rules of contract interpretation do not apply in a situation where one party to a contract asserts that the other party sold an exclusive right to commercially use his name." In particular, the Court held that the express language in Abboud's contract with JA Apparel was different from the language at issue in *Madrigal*. There, the individual sold only the right to use his name as a "trade name or trademark," and, in an unappealed ruling, the district court had enjoined the defendant from using the phrase "Cello by Levinson," which is very similar to Abboud's proposed use of the phrases "a new composition by designer Joseph

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Abboud" and "by the award-winning designer Joseph Abboud." In addition, the Court explained, Abboud's position was contrary to *Levitt Corp. v. Levitt*, 593 F.2d 463 (2d Cir. 1979). In that case, "the infringing party ha[d] previously sold his business, including use of his name and its goodwill." *Id.* at 468. The Second Circuit held that "sweeping injunctive relief" was appropriate, and went on to warn that "to protect the property interest of the purchaser, . . . the courts will be especially alert to foreclose attempts by the seller to 'keep for himself the essential thing he sold, and also keep the price he got for it.'" *Id.* Also supporting his ruling, Judge Katz explained, was *Nipon v. Leslie Fay Cos. (In re Leslie Fay Cos.)*, 216 BR 117 (Bankr. S.D.N.Y. 1997), where Alfred Nipon, a well-known clothing designer, sold the existing trademarks in his name and the related goodwill. "[L]ike Abboud here," Nipon argued that he had the right to use the phrase "created by Albert Nipon" on a necktie label as a "permissible means to inform the public and industry of his association" with the tie's seller. *Id.* at 130. Relying on *Levitt*, the *Nipon* court held that this proposed use could easily confuse potential purchasers and, therefore, constituted trademark infringement. *Id.* at 124-32.<sup>1</sup>

Judge Katz also held that Abboud's proposed use of his name would constitute trademark infringement, finding that the *Polaroid* factors favored JA Apparel. JA Apparel owned valid registrations for the Abboud marks; the marks were strong; Abboud's proposed uses "are undeniably similar" to JA Apparel's Abboud marks; the goods and services were in "close proximity"; and there were "at least some instances of actual confusion in the industry." Next, the Court rejected Abboud's fair use defense under Section 33(b)(4) of the Lanham Act, 15 U.S.C. § 1115(b)(4). The Court held that Abboud was "not simply seeking to use his own name in order to identify himself in his business." Rather, as Abboud testified, "he wants consumers to know that he is the 'source' of his 'work,'" which is trademark use. Nor was Abboud using his name descriptively to describe the ingredients, quality or composition of his products, as opposed to their source. The Court further held that "it is very difficult, if not improper, to completely ignore the Agreement in the context of Abboud's 'fair use' defense." Having sold "all rights to use" any trademark or designation containing the words "Joseph Abboud, designed by Joseph Abboud, by Joseph Abboud, or anything similar to or derivative thereof," Abboud, in proposing to use "by the award-winning designer Joseph Abboud" and "a new composition by designer Joseph Abboud," "is attempting to use that which he expressly sold to Plaintiff," which is anything but fair.

Finally, the Court rejected Abboud's argument that his "ability to use his name to convey commercially valuable information to the public is protected commercial speech under the First Amendment": There is "no support for the proposition that a party cannot contract away his right to engage in what otherwise might be considered protected commercial speech."

With respect to relief, the Court held that each factor favored JA Apparel – irreparable injury, absence of available remedies at law, balance of equities, and the public interest against confusion. Accordingly, the Court permanently enjoined Abboud "from using his name to market, advertise, promote, sell, offer to sell, or otherwise distribute any goods or services . . . to the consuming public." Recognizing that Abboud has the right to compete with JA Apparel, the Court held, as JA Apparel had agreed, that Abboud could "personally present the 'jaz' line, to buyers at stores" and could "personally discuss his line and negotiate agreements with potential licensees." He further held, as JA Apparel also had agreed, that Abboud could "make public appearances at events or on television as, for example, a philanthropist or fashion commentator," provided that "those appearances are unrelated to the promotion or sale of goods and services."

Judge Katz's ruling is important in delineating the boundaries of the permissible post-sale use by a designer of his or her name, an issue that will become increasingly significant as more and more goods are sold under designer names, and as more and more designers – as Abboud, Halston and others have done – sell their names and businesses. If, notwithstanding the express terms of the contract of sale, Judge Katz had held that Abboud could identify his products as "by the award-winning designer Joseph Abboud" and "a new composition by designer Joseph Abboud," then not only would that ruling have called into question the rights of those who

<sup>1</sup> Judge Katz rejected Abboud's remaining arguments in short order. For example, that the contract did not say that Abboud sold the "exclusive" right to use his name was irrelevant because Abboud sold "all" rights to use his name, which is a "mere semantical variation that does not convey a different concept." Also beside the point is that Abboud did not execute a separate document of assignment for his name and trade name as he did with respect to the Joseph Abboud trademark, because in the contract of sale he clearly sold his name and trade name, and while the Lanham Act requires a separate registration of an assignment of a trademark, it "neither requires nor contemplates the registration or assignment of a personal name."

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previously had purchased designers' names, but, ironically, it would have reduced the likelihood that other designers could, as Abboud did, sell their names for a "handsome" sum. Under such a ruling, prospective purchasers would not have, as they do now under Judge Katz's decision, the contractual assurance that the designer would not turn around and, as the Second Circuit put it in *Levitt*, "keep for himself the essential thing he sold."

JA Apparel was represented by Thomas A. Smart, Phillip A. Geraci, John D. Geelan, and Richard A. De Sevo of Kaye Scholer.

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