Nineteen Hundred and Twenty-two
NYIPLA®
New York
Intellectual Property
Law Association

IP TRANSACTIONS BOOTCAMP: DAY 4 –TRADEMARK & COPYRIGHT AGREEMENTS

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Meet the Instructors & Disclaimer

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Nineteen Hundred and Twenty-two NYIPLA®

Fundamentals of Copyright Rights

What is a Copyright? (©)

- Protects original, creative works
- Protects "expression" but not "ideas"
- Paintings, Photographs
- Novels
- Songs
- Movies & Commercials
- Software
- Characters

How do I obtain a copyright?

- Copyright exists from the moment the work is created and fixed in a tangible medium
- Registration is **not** required to have rights
- Registration **is** required to bring suit for infringement of **U.S. work**
- Rights can also be obtained by assignment

Main Copyright Disputes

- **Ownership:**

  Who owns the rights?

- **Protection:**

  Is the work original / entitled to protection?

- **Liability:**

  Were protectable elements copied?

  Fair use?

The Misunderstood Concept of Copyright “Work for Hire”

Employee

- Employer owns the work automatically if created by an employee within the scope of the employee’s job responsibilities

Non-Employee

- Non-employee owns unless there is an agreement
- Needs to be an assignment or “work for hire agreement” (but agreeing to treat as “work for hire” only counts for specific types of works like motion pictures)

Fundamentals of Trademark Rights

What Is a Trademark (™ or ®)?

- Words -- Brands
- Symbols
- Distinctive, non-functional features
- Product or packaging designs

How do I obtain a trademark?

- Rights can be obtained either:
  - By registration
    - state
    - federal
- By use (common law)
- By assignment, provided the good will is also assigned
- Rights are territorial

Main Trademark Disputes

- **Protection:**
  Is the mark distinctive / entitled to protection?
- **Priority:**
  Who was first?
- **Liability:**
  Is confusion likely?
  Is dilution likely?

Quirky Trademark Concepts

Quality Control

- Licensor must control the quality of the Licensee's use of the mark
- Licenses without quality control result in loss of trademark rights

Good Will

- Assignments of trademarks must include the good will associated with the mark
- Assignments without good will result in loss of trademark rights
- Intent-to-use applications can only be assigned in certain circumstances

Matching Fundamentals with Transaction Goals

Transaction Goal Questions

- **Assignment or License?**
- **Selling off part of a business – who gets the name?**
- **Selling off a business named after the owner**
- **Who polices the mark for infringement – licensee or licensor?**
- **License terms relating to bankruptcy**

Joseph Abboud Dispute

- TRANSFER PROVISION

Upon the terms and subject to the conditions of this Agreement, on the Closing Date (as hereinafter defined), the Sellers shall sell, convey, transfer, assign and deliver to the Buyer, and the Buyer shall purchase and acquire from the Sellers, all of the Sellers' right, title and interest in and to:

(A) The names, trademarks, trade names, service marks, logos, insignias and designations identified on Schedule 1.1(a)(A), and all trademark registrations and applications therefor, and the goodwill related thereto (collectively, the "Trademarks"), together with all causes of action (and the proceeds thereof) in favor of the Sellers heretofore accrued or hereafter accruing with respect to any of the Trademarks, and all other Intellectual Property (as hereinafter defined).

Joseph Abboud Dispute

- NON-COMPETE PROVISION

For the two-year period immediately following the expiration of the Personal Services Period (the “Restricted Period”), Abboud agrees that he will not, directly or indirectly through any partnership, corporation, limited liability company, trust or other entity, be associated as an owner, director, officer, employee, consultant or other participant with, any person, group, business enterprise or other entity which is engaged in or proposes to engage in the business of designing, licensing, manufacturing, marketing or distributing any products or services which are or would be competitive with the business of the Buyer as then conducted or as such business may be reasonably expected to be conducted in the future anywhere in the world.

Chapter 20

Trademark Licenses

June 2021

§ 20:1 Introduction

"License" means permission. The licensee is permitted by the licensor (trademark owner) to use the mark under certain conditions. These conditions are usually (but not always) spelled out in a license agreement.

§ 20:2 The Requirement of Quality Control

A writing is not required for a trademark license to be valid under U.S. law. The indispensable condition of a valid trademark license is that the licensor control the nature and quality of the goods or services sold under the mark. Control by the licensor is necessary to ensure that the licensee's products are of equal and consistent quality to the products associated with the licensor's mark.

Protection of the public by assuring that a trademark represents a consistent standard of quality is a central purpose of trademark law. If licensees could deviate willy-nilly from the quality standards established by the licensor, the mark would no longer signify a certain standard of quality and the public would be deceived.[1]

> Courts have long imposed upon trademark licensors a duty to oversee the quality of licensees' products. The rationale for this requirement is that marks are treated by purchasers as an indication that the trademark owner is associated with the product. Customers rely upon the owner's reputation when they select the trademarked goods. If a trademark owner allows licensees to depart from his quality standards, the public will be misled, and the trademark will cease to have utility as an informational device. A trademark owner who allows this to occur loses its right to use the mark.[2]

[1] Ky. Fried Chicken Corp. v. Diversified Packaging Corp., 549 F.2d 368, 387 (5th Cir. 1977).
[2] *Id.* (citations omitted).

§ 20:3 The Consequences of Failure to Control Quality

The penalty for failure to control quality is a harsh one. The license is deemed a "naked" license and the licensor's mark is deemed "abandoned."[3]

Naked (or uncontrolled) licensing occurs when a licensor allows a licensee to use the mark on any quality or type of goods the licensee chooses.[4] A naked license can cause the mark to lose its significance in the eyes of the purchasing public,[5] is considered inherently deceptive, and thus constitutes an abandonment of the licensor's rights.[6]

Not all trademark-related agreements with others are licenses. Coexistence agreements, for example, are not licenses, and there is no need for the control over the quality of the other party's goods. Similarly, agreements permitting another company to phase out use of a mark in the context of a settlement of a dispute are not licenses and thus do not require quality control to be exercised, cannot be used to support a claim of naked licensing, and should not result in abandonment.[7]

If there is naked licensing, what happens? How extensive is the abandonment? Are the owner's rights in the mark completely forfeited—or just rights to the specific products or geographical area covered by the naked license? In *Barcamerica*, the licensor's registration was cancelled.[8] In *Sheila's Shine*, a case finding abandonment because of the lack of adequate control, the court preserved the licensor's rights in the geographic area where abandonment had not been proven.[9]

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[3] Under the Lanham Act, a mark is deemed "abandoned," inter alia, "[w]hen any course of conduct of the owner, including acts of omission as well as commission, causes the mark to become the generic name or otherwise to lose its significance as a mark." 15 U.S.C. § 1127(b). This definition comes into play in the licensing context when a licensor's failure to control quality (an act of omission) causes the mark to lose its significance as an indication of origin. The mark is then deemed abandoned.

[4] 3 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS & UNFAIR COMPETITION § 18:48 (5th ed.).

[5] *Id.*

[6] Stanfield v. Osborne Indus., Inc., 52 F.3d 867, 871 (10th Cir.) (citing First Interstate Bancorp v. Stenquist, 16 U.S.P.Q.2d 1704, 1706 (N.D. Cal. 1990)), *cert. denied*, 516 U.S. 920 (1995); Barcamerica Int'l USA Tr. v. Tyfield Imps., Inc., 289 F.3d 589 (9th Cir. 2002) (abandonment by failure to control quality of licensed wine; occasional random wine testing insufficient to satisfy quality control requirement in license; summary judgment affirmed). *Cf.* Monster, Inc. v. Dolby Labs. Licensing Corp., No. 4:12-cv-02488-YGR, 2013 WL 367160 (N.D. Cal. Jan. 29, 2013) (occasional lapses in trademark use policing program insufficient to create material issue of fact *re* Monster's claim that Dolby abandoned its trademark rights through naked licensing; Monster's claim dismissed on summary judgment).

[7] Exxon Corp. v. Oxxford Clothes, Inc., 109 F.3d 1070 (5th Cir. 1997).

[8] Barcamerica Int'l v. Tyfield Imps., Inc., 289 F.3d 589 (9th Cir. 2002).

[9] Sheila's Shine Prods., Inc. v. Sheila Shine, Inc., 486 F.2d 114, 125–26 (5th Cir. 1973).

§ 20:4 The Heavy Burden of Proof

Considering the dire consequences of trademark abandonment, it is not surprising that absence of quality control is tough to prove. The party alleging insufficient control must meet a high burden of proof.[10]

- In *Sheila's Shine*, the court tolerated three to six years of benign neglect by the licensor, but it drew the line at eleven years.[11]
- In *Kentucky Fried Chicken*, the court required "only minimal quality control."[12]
- In *LDP*, the court stated that naked licensing requires a showing that the licensor exercised *no control* over the goods' production. The case involved a potential adidas licensee working on a collaboration where a formal agreement was never reached. The potential licensee did produce and sell some merchandise after adidas approved several designs but sued adidas after the talks fell through and asserted an abandonment claim as to the adidas marks on grounds of naked licensing. On adidas's motion to dismiss and a cross-motion for partial summary judgment by LDP, the court rejected the naked licensing claim. LDP argued that the failure of adidas to physically inspect the final merchandise constituted naked licensing, but the court found this type of inspection was not required: adidas did exercise control over the designs.[13]
- In *Berkshire Fashions*, the failure of a licensee to make royalty payments did not render a license naked.[14]
- In *Penta Hotels*, the Connecticut federal district court ruled that defendant had not met the high burden of proof necessary to establish abandonment.[15]

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[10] U.S. Jaycees v. Phila. Jaycees, 639 F.2d 134, 140 (3d Cir. 1981).
[11] Sheila's Shine Prods., Inc. v. Sheila Shine, Inc., 486 F.2d 114, 123–25 (5th Cir. 1973).
[12] Ky. Fried Chicken Corp. v. Diversified Packaging Corp., 549 F.2d 368, 387 (5th Cir. 1977).
[13] LPD N.Y. LLC v. Adidas Am., Inc., 295 F. Supp. 3d 275 (E.D.N.Y. 2017).
[14] Berkshire Fashions, Inc. v. Sara Lee Corp., 725 F. Supp. 790 (S.D.N.Y. 1989), *aff'd mem.*, 904 F.2d 33 (2d Cir. 1990).
[15] Penta Hotels Ltd. v. Penta Tours, 9 U.S.P.Q.2d 1081, 1087, 1107–09 (D. Conn. 1988) (control exercised by representatives' inspections deemed sufficient).

§ 20:5 Methods of Quality Control

The judicial reluctance to find abandonment is reflected not only by the heavy burden of proof, but also by the acceptance of diverse methods of exercising control. These methods run the gamut from written contract to oral contract to no contract. In other words, quality control may be implemented through provisions agreed to orally or in writing, or through the actual exercise of control even though there is no oral or written contract. Some courts even allow the licensor to sit back and rely on the licensee's quality control.[16] However, some courts have found that reasonable reliance on the licensee's own quality control is not alone sufficient.[17]

In *Midwest Plastic*, the court stated that a licensor does not need to show that its quality control efforts are comprehensive or extensive. The required control is to be "reasonable control, that is, such control as is practicable under all the circumstances of the case."[18] The control must be control over the qualities and characteristics which the mark symbolizes to the public.[19]

§ 20:5.1 Written Contract

The written contract providing for quality control is called a trademark license agreement.[20] Typical trademark license provisions, including quality control provisions, are:

- licensee's acknowledgment of licensor's right to control quality;

[16] Land O'Lakes Creameries, Inc. v. Oconomowoc Canning Co., 221 F. Supp. 576, 581 (E.D. Wis. 1963), *aff'd*, 330 F.2d 667, 670 (7th Cir. 1964); Stanfield v. Osborne Indus., Inc., 52 F.3d 867, 872 (10th Cir. 1995) (licensor justifiably relied on licensee for quality control where special relationship existed between the parties).

[17] First Interstate Bancorp v. Stenquist, 16 U.S.P.Q.2d 1704, 1707 (N.D. Cal. 1990). *See also* Barcamerica Int'l USA Tr. v. Tyfield Imps., Inc., 289 F.3d 589 (9th Cir. 2002) (licensor's testimony that he relied on the reputation of the world-famous winemaker employed by licensee and occasional informal tasting of the wine by licensor's principal is not sufficient to show exercise of quality control); FreecycleSunnyvale v. Freecycle Network, 626 F.3d 509 (9th Cir. 2010) (reliance on licensee's own quality control efforts is relevant factor, but does not by itself show the absence of a naked license).

[18] Midwest Plastic Fabricators v. Underwriters Labs., 906 F.2d 1568, 1573 (Fed. Cir. 1990).

[19] Crystal Entm't & Filmworks, Inc. v. Jurado, 643 F.3d 1313 (11th Cir. 2011) (new band members found to own trademark for band, despite their signing two license agreements acknowledging management company's ownership of mark, because band members control the qualities and characteristics for which the band is known by the public).

[20] See Appendix A for a for a trademark license agreement template.

- licensee's agreement to quality standards established by licensor. Standards may vary from the specific, for example, adherence to a certain formula, to the general, for example, adherence to the quality of sample products approved by licensor;
- licensor's right to inspect licensee's premises to observe the manufacturing process;
- licensee's provision of samples to licensor on a regular basis, for example, every six months, or when requested by licensor;
- licensor's approval of licensee's packaging, advertising, and manner of trademark use;
- licensee's agreement that his use inures to benefit of licensor;
- licensee's agreement that his use will cease upon termination of license with all rights reverting to licensor;
- licensee's acknowledgment of validity of mark, ownership by licensor, and agreement not to challenge ownership or validity.[21]

Not all of these provisions are required. However, some form of quality control is necessary. And even when the right to control quality is clear in the written agreement, this may not be enough. To many courts, the important point is whether control is, in fact, exercised by the licensor, not just whether there is an acknowledged right to control.[22]

In addition, the license will usually define the:

- products or services to be licensed;
- geographical territory in which the licensee is permitted to sell and advertise;
- exclusive or nonexclusive nature of the grant;
- royalty payments (if any);
- ability of either party to assign, or of the licensee to sublicense;
- methods of termination;

[21] *See infra* section 20:7, "Licensee Estoppel."
[22] Dawn Donut Co. v. Hart's Food Stores, Inc., 267 F.2d 358, 368 (2d Cir. 1959).

- dispute resolution mechanisms; and
- applicable law.

The license agreement, like any contract, should clearly define the parties' rights. If the licensor wants to retain the right to use or license use of the mark on the same goods or on other goods in the licensee's territory, he had better say so specifically. The licensor of the mark SHONEY'S learned this lesson the hard way. The license, limited to use on restaurants in a specific geographical area, granted "the exclusive right to use the Shoney's System, trade names and marks within the Licensed Territory." But when the licensor licensed the name to another party for different services—motels—in the same area, the restaurant licensee protested. In a two-to-one decision, the Fourth Circuit held that the motel license was a breach of the agreement with the restaurant licensee.[23] The court considered it perfectly reasonable to give wider protection to the licensee than the specific licensed use.

§ 20:5.2 Oral Contract

A trademark license can be oral as well as written.[24] Of course, written licenses are preferable because their existence and specific provisions are easier to prove in court. Oral licenses are least likely to run into trouble where a parent company licenses its subsidiary. Control by the parent over the quality of the wholly owned subsidiary's products may be assumed because of the corporate structure.[25] But where the subsidiary owns the mark and licenses it to the parent, control by the subsidiary is not so readily assumed. Control is not automatic just because both companies have the same directors, officers, and locations.[26]

§ 20:5.3 Control in Absence of Contract

The absence of a contract, written or oral, is not fatal to the trademark license. The test is whether quality control was, in fact, exercised:

> The absence, however, of an express contract right to inspect and supervise a licensee's operations does not mean that the plaintiff's method of licensing failed to comply with the

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[23] Shoney's, Inc. v. Schoenbaum, 894 F.2d 92, 97 (4th Cir. 1990).
[24] Council of Better Bus. Bureaus, Inc. v. Better Bus. Bureau, Inc., 200 U.S.P.Q. 282, 289 (S.D. Fla. 1978).
[25] TMEP § 1201.08(b).
[26] Rockland Exposition, Inc. v. All. of Auto. Serv. Providers of N.J., 894 F. Supp. 2d 288 (S.D.N.Y. 2012) (corporations do not become "related companies" under the Trademark Act merely by virtue of having the same stockholders, directors, or officers, or by occupying the same premises).

> requirements of the Lanham Act. Plaintiff may in fact have exercised control in spite of the absence of any express grant by licensees of the right to inspect and supervise.
>
> The question, then, with respect to both plaintiff's contract and non-contract licensees, is whether the plaintiff in fact exercised sufficient control.[27]

Sufficient quality control to defeat a claim of abandonment may be exercised through the licensor's reasonable inspection of the licensee's goods.[28] One court refused to grant summary judgment on the theory of inadequate control where the licensor inspected the licensee's goods by viewing and purchasing them in the marketplace.[29] A licensor should keep records proving steps taken to monitor the quality of a licensee's goods or services.

§ 20:5.4 Control by Reasonable Reliance on Licensee

A number of courts have found sufficient quality control where the licensor reasonably relied on the licensee's quality control.[30] In the *Land O' Lakes* case, the contract required the licensee to use "best efforts to preserve the high standard and goodwill" of the mark.[31] The licensor did no product testing of its own, but relied on the control exercised by the licensee. The licensee did not manufacture the goods (canned vegetables), but applied its label to goods supplied by various companies.

The district court in *Land O' Lakes* noted that it was incumbent on the licensee to handle quality merchandise to safeguard its market as well as the contractual right to use the mark. The court of appeals deemed the licensor's reliance on the licensee's quality control "the taking of reasonable measures to protect the quality of the goods bearing the mark."[32]

In affirming the district court, the Seventh Circuit pointed to the absence of complaints about quality during the forty years of the license arrangement. The court of appeals also referred to the

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[27] Dawn Donut Co. v. Hart's Food Stores, Inc., 267 F.2d 358, 368 (2d Cir. 1959).

[28] Carl Zeiss Stiftung v. V.E.B. Carl Zeiss, Jena, 293 F. Supp. 892, 918 (S.D.N.Y. 1968), *modified as to damages and aff'd*, 433 F.2d 686 (2d Cir. 1970), *cert. denied*, 403 U.S. 905 (1971).

[29] Weber-Stephen Prods. Co. v. N. Am. Prods., Inc., No. 82C6542, slip op. (N.D. Ill. 1983).

[30] Land O' Lakes Creameries, Inc. v. Oconomowoc Canning Co., 221 F. Supp. 576, 581 (E.D. Wis. 1963), *aff'd*, 330 F.2d 667, 670 (7th Cir. 1964); Moore Bus. Forms, Inc. v. Ryu, 960 F.2d 486, 489 (5th Cir. 1992) (quoting Taco Cabana Int'l, Inc. v. Two Pesos, Inc., 932 F.2d 1113, 1121 (5th Cir. 1991), *aff'd*, 505 U.S. 763 (1992)). *But see* First Interstate Bancorp v. Stenquist, 16 U.S.P.Q.2d 1704, 1707 (N.D. Cal. 1990) (reasonable reliance on licensee's own quality control not alone sufficient).

[31] Land O' Lakes Creameries, Inc. v. Oconomowoc Canning Co., 221 F. Supp. 576, 581 (E.D. Wis. 1963), *aff'd*, 330 F.2d 667, 670 (7th Cir. 1964).

[32] *Id.*

presence of the licensor's name on the licensee's label. Since customers could send complaints directly to the licensor, the licensor presumably would hear about any quality problems.

While use of the licensor's name on the licensee's label was noted in finding that the licensor exercised quality control in *Land O' Lakes*, this is not a requirement for a valid license.[33]

The reasonableness of the licensor's reliance on the licensee may depend on the licensee's past experience with the product, the licensee's expertise and reputation, and the fact that quality was maintained.[34] The proof in these cases is very much in the pudding. The argument goes like this: if, in fact, quality has been maintained, there has been no deception, the mark has not lost its significance as an indication of origin, and there has been no abandonment.[35]

§ 20:5.5 Appointment of Quality Control Agent

It is perfectly proper for the licensor to designate a third party as an agent for performing quality control inspection and testing. An agent will not, of course, set the standards. He will only determine if the licensee's products meet the standards set by the licensor.

§ 20:5.6 Too Much of a Good Thing

In rare circumstances, even a good thing like quality control can be overdone. Some methods of control in the past have been found to run afoul of the antitrust laws. *Siegel v. Chicken Delight* found the requirement that the licensee purchase supplies such as paper plates, cups, and spices from the licensor a prohibited tie-in.[36] The court noted that there are acceptable alternatives for controlling quality of supplies that do not unduly restrict competition, such as the setting of quality specifications.

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[33] Pneutek, Inc. v. Scherr, 211 U.S.P.Q. 824 (T.T.A.B. 1981).

[34] Doeblers' Pa. Hybrids, Inc. v. Doebler, 442 F.3d 812, 824 (3d Cir. 2006) (a "special relationship" between licensor and licensee may serve to justify licensor's reliance where the parties "were closely held business entities owned and managed by family members and which included a high degree of interlocking ownership and control"). *Cf.* Eva's Bridal Ltd. v. Halanick Enters. Inc., 639 F.3d 788 (7th Cir. 2011) (licensor's mere belief in licensee's high standards not reasonable reliance; supervision required for trademark license does not require "high quality" goods, but rather "*consistent* quality"; mark abandoned where licensor retained no control via the license agreement, the course of performance, or the appearance and operation of defendant's business).

[35] 15 U.S.C. § 1127; Arner v. Sharper Image Corp., 39 U.S.P.Q.2d 1282, 1287 (C.D. Cal. 1995).

[36] Siegel v. Chicken Delight, Inc., 448 F.2d 43 (9th Cir. 1971), *cert. denied*, 405 U.S. 955 (1972).

Cases decided some years after *Siegel v. Chicken Delight* have clarified that many trademark license requirements are not illegal tie-ins. In *Baskin-Robbins*, the license required the licensee to purchase ice cream from the licensor. The court noted that the mark (BASKIN-ROBBINS) and the product (ice cream) are "inextricably interrelated in the mind of the consumer."[37] Because the trademark serves to identify the quality of the product, the trademark and the product are not separate items for tie-in purposes.[38]

§ 20:6 Patent and Trademark Office Procedure Regarding Licensing

§ 20:6.1 Use by Related Company

The licensor may rely on controlled use by the licensee to support the licensor's trademark application.[39] This qualifies as use by a "related company." Use by a related company "shall inure to the benefit of the registrant or applicant for registration."[40]

"Related company" is defined by the 1988 Trademark Revision Act as follows:

> The term "related company" means any person whose use of a mark is controlled by the owner of the mark with respect to the nature and quality of the goods or services on or in connection with which the mark is used.[41]

The flip side does not hold true: Use of a mark by the controlling trademark licensor/owner does not inure to the benefit of its licensee and the licensee cannot rely on the licensor's prior use to establish priority.[42]

§ 20:6.2 Disclosure of Related Company Use in Application

It is no longer necessary for the applicant licensor relying solely on a licensee's use to recite in the application that use is by a related company.[43] If the specimens indicate that another

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[37] Krehl v. Baskin-Robbins Ice Cream Co., 664 F.2d 1348, 1354 (9th Cir. 1982).

[38] *Id.* For a more recent discussion showing the difficulty of establishing a tying claim in the context of franchise agreements under the antitrust laws as now interpreted, see Rick-Mik Enters., Inc. v. Equilon Enters. LLC, 532 F.3d 963, 974 n.3 (9th Cir. 2008) (explaining that the test applied by *Siegel* is no longer relevant).

[39] *See* 15 U.S.C. § 1055; *see also* TMEP §§ 1201.01, 1201.03(f).

[40] 15 U.S.C. § 1055.

[41] 15 U.S.C. § 1127.

[42] Moreno v. Pro Boxing Supplies, Inc., Opposition Nos. 91214580 and 91214877, Cancellation No. 92058878, 124 U.S.P.Q.2d 1028 (T.T.A.B. Sept. 8, 2017) (precedential). The correct petitioner or opposer entitled to rely on the licensor's prior use would be the licensor, not the licensee.

[43] TMEP § 1201.03(a).

company is involved, the applicant may be asked to explain to the trademark examiner the nature of the relationship, that is, a license, and how control is exercised so that the use inures to the benefit of the applicant.[44]

§ 20:6.3 Related Registrants: The **Wella** *Soap Opera*

Before 1986, the Trademark Trial and Appeal Board had consistently rejected efforts by separate but related legal entities to register the same or confusingly similar marks in the separate company names.[45] Registration of the same mark was denied even where applicant was completely controlled by registrant, for example, a wholly owned subsidiary.[46] All filings for confusingly similar marks should be owned by the same entity, in other words.

This policy was put out to pasture by the Federal Circuit in the 1986 *Wella* case.[47] It took three more *Wella* decisions, however, before agreement was reached as to just what standard should be applied to permit related-company registrations.[48]

Under current Patent and Trademark Office practice, a related-company application will be accepted where:

1. Applicant affirmatively asserts that applicant and registrant constitute a single source and hence there is no likelihood of confusion; and
2. The evidence supports a finding of unity of control over use of the trademark. This evidence may consist of a declaration that:
   - either applicant or registrant owns all of the other entity;
   - either applicant or registrant owns substantially all of the other entity and controls its activities, including the selection, adoption and use of trademarks.[49]

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[44] TMEP § 1201.03(a).

[45] *See, e.g.*, *In re* Citibank, N.A., 225 U.S.P.Q. 612 (T.T.A.B. 1985); *In re* Champion Int'l Corp., 220 U.S.P.Q. 478 (T.T.A.B. 1982); Int'l Radio & Elecs. Corp. v. Crown Radio Corp., 150 U.S.P.Q. 394, 396 (T.T.A.B. 1966); *In re* Air Prods., Inc., 124 U.S.P.Q. 81 (T.T.A.B. 1960).

[46] *See*, *e.g.*, *In re* Citibank, N.A., 225 U.S.P.Q. 612 (T.T.A.B. 1985).

[47] *In re* Wella, A.G., 787 F.2d 1549 (Fed. Cir. 1986).

[48] *In re* Wella, A.G., 230 U.S.P.Q. 77 (T.T.A.B. 1986); *In re* Wella, A.G., 5 U.S.P.Q.2d 1359 (T.T.A.B. 1987); *In re* Wella, A.G., 858 F.2d 725 (Fed. Cir. 1988).

[49] TMEP § 1201.07(b)(ii). This evidence was missing in Noble House v. Floorco Enters., Cancellation No. 92057394 (T.T.A.B. Apr. 4, 2016) (precedential). The Board granted the Noble House petition to cancel Floorco's registration on the basis of abandonment where (1) the marketing, nature, and quality of the

More detailed evidence is required where applicant and registrant are wholly owned by a third common parent or have certain shareholders, directors, or officers in common.[50]

Related companies for the purpose of permitting registrations of the same mark to separate legal entities should not be confused with related companies under 15 U.S.C. § 1055. "Related company" is defined under 15 U.S.C. § 1055 by control over use of the mark (for example, licensor/licensee). The unity of control required for registrations to separate legal entities is control over operations and activities of the party generally, not merely control over use of the mark.[51]

It may also be possible to overcome a refusal to register the mark to a related company by submitting a consent agreement to establish no likelihood of confusion.[52] Care should be taken in drafting such an agreement so that it does not contain broad statements of no likely confusion which could be used against the parties by a nonrelated third-party user. The best practice, in any event, is to have all related marks owned by one corporate entity with licenses to subsidiaries as needed. That way, the registration process is streamlined by avoiding objections based on ownership of previously registered similar marks in another entity name. Enforcement is also easier, as the appropriate plaintiff (the registrant) is readily identified.

§ 20:7 Licensee Estoppel

The doctrine of licensee estoppel precludes the licensee from challenging the ownership and validity of the licensor's mark.[53] The theory is that the licensee who benefits from the use of the mark should not be allowed to have his cake and eat it too:

> In any case the fact that Soft Water entered into this franchise agreement with Union, thereby recognizing the validity of the trademarks at least for the purposes of the contract, estops it from now claiming that the trademarks are not valid. Defendant cannot on the one hand acknowledge the validity of the trademark and on the other hand [when it becomes convenient] claim that the

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goods was controlled by Floorco's parent Furnco; and (2) there was no agreement between Furnco and Floorco.

50 TMEP § 1201.07(b)(iii).

51 TMEP § 1201.07(b)(iv).

52 TMEP § 1201.07(b); *see also In re* Sumitomo Elec. Indus., Ltd., 184 U.S.P.Q. 365 (T.T.A.B. 1974).

53 Union Tank Car Co. v. Lindsay Soft Water Corp., 257 F. Supp. 510, 516 (D. Neb. 1966), *aff'd sub nom.* Heaton Distrib. Co. v. Union Tank Car Co., 387 F.2d 477 (8th Cir. 1967); *see also* Creative Gifts, Inc. v. UFO, 235 F.3d 540, 548 (10th Cir. 2000) (licensee estoppel prevented defendants from arguing defense of naked license; district court's injunction prohibiting defendant's use of trademark affirmed).

> trademark is not valid and cannot be enforced because of abandonment. The contract itself is enough reason that this defense cannot be allowed.[54]

There is some question as to the duration of the estoppel. A number of courts have held that the estoppel applies only to facts arising during the licensed use. In other words, if the factual basis for the licensee's challenge occurs after termination of the license, licensee estoppel does not apply:

> [A]fter expiration of the license, a former trademark licensee may challenge the licensor's title on facts which arose after the contract has expired. *Callmann, supra* at 454; Medd v. Boyd Wagner, 132 F. Supp. 399 (N.D. Ohio 1955). Thus a licensee affirms his licensor's ownership of the mark by entering into the agreement, but the straight jacket effect does not last interminably. In the present case, however, the facts upon which *Bankers* relies arose during the course of its ten-year agreement with the PGA, so it is estopped to argue abandonment.[55]

The licensor may try to guard against the licensee's challenge based on facts arising after termination of the license by a specific contract provision. For example, the license can provide that the licensee will never challenge licensor's ownership and validity of the mark.[56]

§ 20:8 Licensing and Product Liability

If a licensee sells a defective product, the licensor may be subject to product liability claims where he participated significantly in the design, manufacture, promotion, and sale of the product.[57] However, where a licensor is a "mere licensor" and has nothing to do with the actual manufacture and distribution of the product, the licensor may not be held liable.[58] A licensor's liability may vary depending upon which state's law applies to the claim.[59]

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[54] *Id.*, 257 F. Supp. at 516. *See also* John C. Flood of Va., Inc. v. John C. Flood, Inc., 642 F.3d 1105 (D.C. Cir. 2011) (licensee estopped from asserting that licensor abandoned the mark through naked licensing, even though licensor had ceased monitoring the licensee since 1991 when licensor went bankrupt and bankruptcy court had enjoined licensor's former owners from continuing to use the mark).

[55] Prof'l Golfers Ass'n of Am. v. Bankers Life & Cas. Co., 514 F.2d 665, 671 (5th Cir. 1975); *see also* WCVB-TV v. Bos. Athletic Ass'n, 926 F.2d 42, 47 (1st Cir. 1991).

[56] *See* Beer Nuts, Inc. v. King Nut Co., 477 F.2d 326, 328–29 (6th Cir.) (enforcing contract provision that licensee would never challenge mark on grounds of descriptiveness), *cert. denied*, 414 U.S. 858 (1973). *Cf.* Idaho Potato Comm'n v. M&M Produce Farm & Sales, 335 F.3d 130 (2d Cir. 2003) (in context of certification marks, public interest in free competition among products that meet certification standards outweighed interest in enforcing contract provision).

[57] Torres v. Goodyear Tire & Rubber Co., 901 F.2d 750 (9th Cir. 1990).

[58] Burkert v. Petrol Plus of Naugatuck, Inc., 216 Conn. 65, 579 A.2d 26, No. 13732 (Conn. 1990).

[59] *See, e.g.*, J. Lewis, *TM Licensors Beware: Your Product Liability Risks May Vary*, www.tuckerellis.com/webfiles/TM%20Licensors%20Beware%20Your%20Product%20Liability%20Risks%20May%20Vary.pdf.

A licensor can guard against possible product liability claims by providing for indemnification by the licensee and that the licensee carry product liability insurance in a specified amount naming licensor as an additional insured party.

§ 20:9 Licensing and Antitrust Liability

A licensor that grants an exclusive license can be pushed into the backfield if the license violates the antitrust laws. For example, in *American Needle*, the Supreme Court found that (1) the NFL is not one body but consists of thirty-two "independent centers of decision-making"; and (2) when the NFL granted an exclusive trademark license to a distributor, the thirty-two teams were acting in concert such that their actions were subject to Sherman Act rule of reason analysis.[60] A licensor can guard against possible antitrust liability claims by maintaining legitimate pro-competitive reasons to justify the exclusive arrangement.

§ 20:10 Effect of Terminating License on Bankrupt Trademark Owner

The termination of a trademark licensee's rights when the trademark owner goes bankrupt is a tangled web:

- In 1985, the Fourth Circuit in *Lubrizol*, in the context of a patent license, held that rejection of an intellectual property owner's rights by a bankrupt licensor terminated the licensee's rights even if termination drastically disrupted the licensee's operations.[61]
- "Congress sprang into action, drafting Section 365(n) to reverse *Lubrizol* and ensure the continuation of patent (and some other intellectual property) licensees' rights."[62] Thus, section 365(n) of the Bankruptcy Act as amended in 1988 provides the following rule for some types of intellectual property licenses: If the debtor-licensor rejects the agreement, the licensee can continue to use the property (typically, a patent), so long as it makes whatever payments the contract demands. But section 365(n) does not cover trademark licenses.

[60] Am. Needle, Inc. v. Nat'l Football League, 130 S. Ct. 2201 (2010).
[61] Lubrizol Enters., Inc. v. Richmond Metal Finishers, Inc., 756 F.2d 1043 (4th Cir. 1985).
[62] Mission Prod. Holdings, Inc. v. Tempnology, LLC, 139 S. Ct. 1652, 1664 (2019).

- In 2010, the Third Circuit in *In re Exide Technologies* held that a perpetual royalty-free exclusive trademark license subject to New York law was not executory and could not be rejected under section 365 of the Bankruptcy Code.[63]
- In 2012, the Seventh Circuit in *Sunbeam* expressly rejected *Lubrizol* in a trademark context, holding that a trademark licensee's rights do not automatically terminate when the bankrupt owner rejects the license agreement.[64]
- In 2014, the Eighth Circuit, sitting en banc in *Lewis Brothers Bakeries*, held that a perpetual, royalty-free trademark license under Illinois law could not be rejected, because it was one part of a larger agreement that the company had substantially performed.[65]
- In 2016, the U.S. Bankruptcy Appellate Panel for the First Circuit in *Tempnology* declined to follow the Fourth Circuit's 1985 *Lubrizol* decision. As noted, *Lubrizol* held that the debtor-licensor's rejection of an intellectual property license under Bankruptcy Code section 365(a) deprived licensee of all its rights to the intellectual property. *Tempnology* found that rejection of the license does not terminate licensee's right to use.[66]
- On May 17, 2018, the U.S. Bankruptcy Court for the District of Connecticut rejected *Tempnology*, instead coming down on the side of *Sunbeam*.[67]
- The Bankruptcy Appellate Panel's holding in *Tempnology* was later reversed.[68] The First Circuit came to the same conclusion as the court in *Lubrizol*: A trademark licensee had no right to continue to use the trademark after the license was rejected. The First Circuit's rationale was that effective trademark licensing required the owner to monitor and control the quality of the goods sold to the public. Otherwise, the result would be a "naked license"

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[63] *In re* Exide Techs., 607 F.3d 957 (3d Cir. 2010).
[64] Sunbeam Prods., Inc. v. Chi. Am. Mfg., LLC, 686 F.3d 372 (7th Cir.), *cert. denied*, 133 S. Ct. 790 (2012).
[65] Lewis Bros. Bakeries Inc. v. Interstate Brands Corp., 751 F.3d 955 (8th Cir. 2014).
[66] Mission Prod. Holdings, Inc. v. Tempnology LLC (*In re* Tempnology LLC), 559 B.R. 809 (B.A.P. 1st Cir. 2016). For more on *Tempnology*, see Theodore H. Davis Jr. & John L. Welch, *United States Annual Review: The Seventy-First Year of Administration of the Lanham Act of 1946*, 109 TRADEMARK REP. 1, 1–2 (2019).
[67] *In re* SIMA Int'l, Inc., No. 17-21761, 2018 WL 2293705 (Bankr. D. Conn. May 17, 2018).
[68] Mission Prod. Holdings, Inc. v. Tempnology LLC (*In re* Tempnology LLC), 879 F.3d 389 (1st Cir. 2018), *reversing in part* 559 B.R. 809 (B.A.P. 1st Cir. 2016).

with the licensor risking the permanent loss of its trademark. The First Circuit decided that the licensor should not have that burden.

- On June 11, 2018, Mission Products filed a petition for certiorari from the First Circuit *Tempnology* decision, asking the Court to determine whether "a debtor-licensor's rejection of an intellectual property agreement under § 365 of the Bankruptcy Code . . . terminates the licensee's rights under the agreement."[69]

- INTA filed an amicus curiae brief in support of the petition, (1) noting the conflict between the Circuits and within individual courts and (2) arguing that the Court should adopt the *Sunbeam* position as better promoting the health of the trademark system. A group of law professors also filed an amici curiae brief on August 8, 2018, arguing that the split in the Circuits should be resolved in favor of the Seventh Circuit decision in *Sunbeam*.

The Supreme Court granted certiorari and reversed. The Court held that the debtor-licensor's rejection of a license agreement contract does not deprive the licensee of its rights to use the trademark, because the rejection breaches the license contract but does not rescind the license contract. "And that means all the rights that would ordinarily survive a contract breach, including those conveyed here [namely, the rights of use conveyed to the licensee], remain in place."[70] Accordingly, the licensee may continue to exercise its rights under the license and continue use of the mark pursuant to the license agreement provisions.

Most licenses include provisions that attempt to address what happens when one or both parties go into bankruptcy. Bankruptcy law, however, can trump these contractual efforts in ways that might be unexpected, giving preference to secured creditors who have liens, nondebtor performance guarantees, and letters of credit and permitting the debtor to reject certain executory contracts. To ensure that license contract provisions address the nuances of both areas of the law in a manner helpful to the client in the event of the other party's bankruptcy, both trademark and

[69] Petition for Writ of Certiorari, Mission Prod. Holdings Inc. v. Tempnology LLC, No. 17-1657 (U.S. 2018).
[70] Mission Prod. Holdings, Inc. v. Tempnology, LLC, 139 S. Ct. 1652 (2019).

bankruptcy counsel should be consulted, particularly for license negotiations involving a contemplated long-term relationship with significant resources directed to the investment.[71]

[71] For tips on license agreement negotiations, see Pamela S. Chestek, Commentary: *License Agreements After* Mission Product, 110 TRADEMARK REP. 802 (July-Aug. 2020).

Chapter 21

Trademark Assignments

June 2021

§ 21:1 Introduction

A trademark assignment is a transfer of ownership. The trademark owner (assignor) gives up all rights to the mark. Those rights are acquired by the assignee, who stands in the shoes of the assignor.[1] The assignee not only secures the assignor's rights, for example, date of first use, but also remains subject to all defenses available against the assignor.[2] For example, the assignor's unreasonable delay in challenging an infringing use (laches) may bar the assignee from challenging that use.[3]

§ 21:2 Methods of Assignment

Trademarks, like many other forms of property, can be transferred orally or in writing. An oral assignment may be proven by the clear and uncontradicted testimony of a person with knowledge.[4] For ease of proof, of course, you are much better off with a written assignment. You will also need a written assignment to record a transfer at the USPTO as to any assigned applications or registrations.

Trademarks may also be transferred as part of the sale of an ongoing business, even though not specifically mentioned in the sale documents.[5] The same principle applies to the involuntary sale of a business in bankruptcy—trademarks pass to the purchaser of the business even if the marks are not mentioned in the sale documents.[6] Again, of course, you are better off if the transfer and its scope are specifically noted in the documentation. Future disputes can be avoided after the sale

[1] Johanna Farms, Inc. v. Citrus Bowl, Inc., 468 F. Supp. 866, 874–75 (E.D.N.Y. 1978); Fed. Treasury Enter. Sojuzplodoimport v. SPI Spirits Ltd., 726 F.3d 62 (2d Cir. 2013), *cert. denied*, 134 S. Ct. 1291 (2014).
[2] *See* 3 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS & UNFAIR COMPETITION § 18:15 (5th ed.).
[3] 6 *id*. § 31:26.
[4] Old Swiss House, Inc. v. Anheuser-Busch, Inc., 569 F.2d 1130, 1132 (C.C.P.A. 1978); Diebold, Inc. v. Multra-Guard, Inc., 189 U.S.P.Q. 119, 124 (T.T.A.B. 1975).
[5] President Suspender Co. v. MacWilliam, 238 F. 159, 162 (2d Cir. 1916), *cert. denied*, 243 U.S. 636 (1917).
[6] Am. Dirigold Corp. v. Dirigold Metals Corp., 125 F.2d 446, 453 (6th Cir. 1942).

of a business or its trademark-related assets if the transfer agreements clearly define the parties' respective rights.

§ 21:3 Requirement for Valid Assignment

§ 21:3.1 The Transfer of Goodwill

The cardinal rule of a valid trademark assignment is that the mark must be assigned with the goodwill of the business. We learned in chapter 1 that a trademark stands for a certain standard of quality. The mark symbolizes the level of quality that the public has come to associate with products bearing the mark. The assignee must be sure to have the wherewithal to maintain this quality. If not, the mark becomes separated from the goodwill. The result of this separation is that the assignee will be unable to rely on the assignor's rights and may even lose rights in the mark.

Goodwill must be assigned with the trademark in order to protect consumers from deception and confusion:

> [A] transfer of goodwill is required in order for an assignment of a mark to be effective. The cases all seek to protect customers from deception and confusion.[7]

§ 21:3.2 The Indicia of Goodwill

It may not be enough to recite the transfer of goodwill in an assignment document[8] (although this magic language should by all means be used). In deciding whether goodwill has in fact accompanied the mark, a useful touchstone is whether the assignee has obtained what he needs to carry on the business of the assignor so that consumers can reliably equate the mark with the quality they had come to expect prior to the assignment.[9] Evidence on this point includes:

- the transfer of tangible assets, for example, machinery, secret formulae, and customer lists;
- the substantial similarity of the assignee's goods to the assignor's goods; and
- the business status of the assignor after the assignment (for example, if the assignor operates a different business or is out of business entirely after the sale).

[7] Money Store v. Harriscorp Fin., Inc., 689 F.2d 666, 678 (7th Cir. 1982).
[8] *Id.*
[9] Merry Hull & Co. v. Hi-Line Co., 243 F. Supp. 45, 51–52 (S.D.N.Y. 1965).

[A] The Transfer of Tangible Assets

Where an entire business, that is, machinery, formula, customer lists, etc., is purchased, it is easy to conclude that goodwill was transferred.[10] This principle extends to the stock sale of an entire company, which implies the transfer of company name and trademark.[11]

This is not to say, however, that failure to transfer tangible assets means goodwill was not transferred. The importance of the assets to the continuity of the business must be examined. Where the product is the result of a secret formula, the formula is critical to the goodwill symbolized by the mark.[12] However, where the assignee is able to duplicate the product formula and knows who the customers are, there is no need for the assignor's written formula or customer list to be transferred to the assignee.[13]

An assignment without tangible assets may be valid if the mark is thereafter used by the assignee on goods with substantially similar characteristics.[14]

[B] The Similarity Between the Assignor's and Assignee's Goods

In deciding if goodwill has been transferred, courts focus on the similarities of the assignee's product to the assignor's:

> Inherent in the rules involving the assignment of a trademark is the recognition of protection against consumer deception. Basic to this concept is the proposition that any assignment of a trademark and its goodwill . . . requires that the mark itself be used by the assignee on a product having substantially the same characteristics.[15]

The same principle applies to the assignment of a service mark:

[10] Okla. Beverage Co. v. Dr. Pepper Love Bottling Co., 565 F.2d 629, 632 (10th Cir. 1977).

[11] Ferrellgas Partners, Inc. v. Barrow, 80 U.S.P.Q.2d 1097 (M.D. Ga. 2006) (continued use of original trademark by new owners also supports transfer of goodwill).

[12] Mulhens & Kropff, Inc. v. Ferd. Muelhens, Inc., 43 F.2d 937, 939 (2d Cir.), *cert. denied*, 282 U.S. 881 (1930).

[13] Sterling Brewers, Inc. v. Schenley Indus., Inc., 441 F.2d 675, 680 (C.C.P.A. 1971); Syntex Labs., Inc. v. Norwich Pharmacal Co., 315 F. Supp. 45, 55 (S.D.N.Y. 1970), *aff'd*, 437 F.2d 566 (2d Cir. 1971); *see also* Money Store v. Harriscorp Fin., Inc., 689 F.2d 666, 678 (7th Cir. 1982).

[14] Vittoria N. Am., L.L.C. v. Euro-Asia Imps., Inc., 278 F.3d 1076, 1083 (10th Cir. 2001).

[15] PepsiCo, Inc. v. Grapette Co., 416 F.2d 285, 288 (8th Cir. 1969).

> [T]he transfer of goodwill requires only that the services be sufficiently similar to prevent consumers of the service offered under the mark from being "misled from established associations with the mark."[16]

Product changes that were fatal to the assignment include:

- change from cola flavor syrup to pepper flavor;[17]
- change from alum baking powder to phosphate;[18]
- change in formula of cologne (secret formula not assigned);[19] and
- change from retail store services (Sugarbusters) to diet book *Sugar Busters Cut Sugar to Trim Fat.*[20]

Product changes that were not fatal to the assignment include:

- change in type of sugar;[21]
- change in wheat component of flour;[22] and
- change in type of breeding chick.[23]

In deciding if the assignee's change causes deception, the decisive factor is: Will the change materially affect the purchaser's established associations with the mark?

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[16] Visa, U.S.A., Inc. v. Birmingham Tr. Nat'l Bank, 696 F.2d 1371, 1376 (Fed. Cir. 1982), *cert. denied*, 464 U.S. 826 (1983).
[17] *PepsiCo, Inc.*, 416 F.2d 285.
[18] Indep. Baking Powder Co. v. Boorman, 175 F. 448 (C.C.N.J. 1910).
[19] Mulhens & Kropff, Inc. v. Ferd Muelhens, Inc., 38 F.2d 287 (S.D.N.Y. 1929), *rev'd*, 43 F.2d 937 (2d Cir.), *cert. denied*, 282 U.S. 881 (1930).
[20] Sugar Busters LLC v. Brennan, 177 F.3d 258, 266 (5th Cir. 1999) (vacating preliminary injunction issued by the district court and remanding; district court erroneously held that the assignment to plaintiff of a third party's registration for retail store services was valid when plaintiff's only use was on its book, such that plaintiff could not rely on the registration; also finding district court erroneously addressed the scope of plaintiff's rights on its unfair competition claim based on its use of the mark for its book).
[21] White Satin Mills Corp. v. Woodward, 34 F.2d 158 (D. Minn. 1929), *aff'd*, 42 F.2d 987 (8th Cir. 1930).
[22] Royal Milling Co. v. J.F. Imbs Milling Co., 44 U.S. App. D.C. 207 (1915).
[23] Hy-Cross Hatchery, Inc. v. Osborne, 303 F.2d 947 (C.C.P.A. 1962).

[C] Assignor's Retention of Business

Just because the assignor retains a part of the business does not invalidate the assignment. A trademark may be assigned along with the particular portion of the business it symbolizes.[24] But suppose the assignee receives no assets at all and the assignor continues producing the same product under a different mark? The question is: Did the assignor's retention of assets prevent the assignee from carrying on the business that was transferred by the assignor?[25]

§ 21:4 Consequences of Invalid Assignment

Where goodwill does not accompany the mark, the assignment may be called an assignment in gross or a naked assignment. Whatever it is called, an assignment without goodwill is invalid, and the assignee cannot rely on the assignor's rights. Inability to rely on the assignor's use could be critical to the outcome of an infringement action where the assignor's use is needed to establish priority. When the priority rug is pulled out from under the assignee because of an invalid assignment, the assignee may be stuck with its own date of first use and branded by another party as the infringer.[26]

Tacking: One way to regain priority is called "tacking." Tacking occurs where the assignee tacks on his date of first use to the assignor's date of first use. To get the benefit of the assignor's earlier date, the assignee's mark must be the "legal equivalent" and "indistinguishable from the assignor's mark." Marks that are confusingly similar are not necessarily legal equivalents. Rather, the two marks must create "*the same, continuing commercial impression*."[27]

Effect of Deceptive Use on Validity of Assignment: In some extreme cases, the court refused to protect an assignee who made a deceptive use:

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[24] The Lanham Act specifically recognizes the assignability of trademarks with that portion of the business symbolized by the mark. 15 U.S.C. § 1060.

[25] *See supra* section 21:3.2, "The Indicia of Goodwill"; *see also* Sands, Taylor & Wood Co. v. Quaker Oats Co., 978 F.2d 947, 956–57 (9th Cir. 1992), *cert. denied*, 507 U.S. 1042 (1993).

[26] Hiland Potato Chip Co. v. Culbro Corp., 671 F.2d 1190 (8th Cir. 1982).

[27] Van Dyne-Crotty Inc. v. Wear-Guard Corp., 926 F.2d 1156 (Fed. Cir. 1991). *See also* Quiksilver, Inc. v. Kymsta Corp., 466 F.3d 749 (9th Cir. 2006) (determination of whether previously used mark is legal equivalent of current mark so as to permit tacking on date of use of prior mark is question of fact). Tacking also occurs where the trademark owner seeks to rely on his own earlier use, even though he modified his mark. This was the scenario in the Supreme Court *Hana Bank* case discussed in section 5:1.10.

> [A] variation in formula resulting in a highly inferior or wholly different product which is palmed off on the public in place of that upon which the good will has been established would not justify the continued protection of the trade-mark.[28]

As a result of the assignee's deceptive use on a "highly inferior or wholly different product," a court may find the assignee has abandoned his rights. In the words of the Lanham Act section on abandonment, the assignee "causes the mark to become the generic name for the goods or services . . . or otherwise to lose its significance as a mark."[29]

§ 21:5 Assignments of Intent-to-Use Applications

Because the transfer of goodwill associated with the mark is so important to the validity of an assignment, marks that are the subject of intent-to-use applications cannot be assigned except "to a successor to the business of the applicant, or portion thereof, to which the mark pertains, if that business is ongoing and existing."[30] The rationale is that until the mark is in use, unless the business associated with the mark is transferred, an assignment would constitute prohibited trafficking in marks.[31]

It may be possible to avoid the pitfalls of failure to follow this rule—but accomplish the goal of eventual transfer of the mark—by licensing the use of the mark to the future assignee and agreeing that the mark will be assigned to the assignee upon the filing of a verified statement of use filed by the future assignor. The statement of use would then be based on the licensed use.

§ 21:6 Assignment Provisions

Every assignment document should transfer ownership of the mark along with the goodwill of the business symbolized by the mark.

The Lanham Act section pertaining to trademark assignments should be consulted for appropriate language to use in the assignment document. Typical language used to transfer the mark along with the goodwill is:

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[28] Mulhens & Kropff, Inc. v. Ferd Muelhens, Inc., 38 F.2d 287, 295 (S.D.N.Y. 1929), *rev'd*, 43 F.2d 937 (2d Cir.), *cert. denied*, 282 U.S. 881 (1930).

[29] 15 U.S.C. § 1127. *See supra* section 12:2.3, "Abandonment."

[30] 15 U.S.C. § 1060. The assignment of an intent-to-use application to someone other than a successor to the applicant's business is permitted after the filing of a statement of use under § 1(d) and after the filing of an amendment to allege use under § 1(c) of the Lanham Act. 15 U.S.C. § 1060(a)(1).

[31] Clorox Co. v. Chem. Bank, 40 U.S.P.Q.2d 1098 (T.T.A.B. 1996).

> The assignor hereby assigns all right, title, and interest to the mark together with the goodwill of the business in which the mark is used and symbolized by the mark or . . . together with that part of the goodwill of the business connected with the use of and symbolized by the mark.[32]

The assignment should identify any trademark registrations or pending applications for the assigned mark and recite the receipt and acknowledgment of valuable consideration by the assignor.

The assignment should specify the geographical area of the rights assigned, for example, throughout the United States, or for the United States and throughout the rest of the world. In addition, rights to sue and recover damages for past infringements must be expressly assigned. These rights do not automatically pass with rights to the mark.[33] Finally, the assignor should be required to provide any materials within his control necessary to establish the validity of the assignment.[34] Another typical clause is that the assignor will agree to sign such further paperwork as may be required to effectuate the transfer.

§ 21:7 Recording Assignment with Patent and Trademark Office

The assignment of a registered mark or a pending application should be recorded with the Patent and Trademark Office. While recording is not mandatory, it has several advantages:

- the assigned registration will show title in the assignee and will be presumed valid and owned by the assignee;[35]
- the recorded assignment will be valid as against a subsequent bona fide purchaser;[36] and
- the assignee will be able to take all necessary action to maintain the registration.[37]

Remember that an intent-to-use application cannot be assigned before the verified statement of use is filed, except to a successor to the applicant in the business to which the mark pertains.[38]

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[32] *See* 15 U.S.C. § 1060.
[33] H&J Foods, Inc. v. Reeder, 477 F.2d 1053, 1056 (9th Cir.), *cert. denied*, 414 U.S. 859 (1973).
[34] A sample trademark assignment form is found in Appendix A.
[35] Sonic Distribs., Inc. v. Int’l Battery, Inc., 175 U.S.P.Q. 255, 256 (T.T.A.B. 1972).
[36] 15 U.S.C. § 1060(a)(4).
[37] 37 C.F.R. § 3.71.
[38] 15 U.S.C. § 1060. See the discussion of intent-to-use assignments *supra* at section 21:5, “Assignments of Intent-to-Use Applications.”

§ 21:8 Special Situations

Assignment disputes are frequently encountered where:

- the assigned mark is the personal name of the assignor;
- the assignor uses the mark to secure a debt; or
- the assignor is bankrupt or insolvent.

Points to watch for in these special situations are highlighted below.

§ 21:8.1 Assignment of Personal Name Trademarks

What happens when a mark consists of a personal name, as is frequently the case in the field of designer fashions, and the person then sells the business and the mark? Can the person still use her name in business? It depends on the terms of the parties' agreement. Many disputes have arisen in this context.[39] For example:

- The new owner of the mark KATE SPADE successfully opposed efforts by Kate Spade's new company to register PATIO BY THE SPADES and THE SPADES.[40]
- Designer Joseph Abboud assigned rights to the JOSEPH ABBOUD mark and later was sued by the assignee for using the phrase "a new composition by Joseph Abboud' in marketing for his new line. He was able to proceed with some qualified uses of his name because he did not sell, and the new owner did not purchase, the exclusive right to use his name commercially; he only sold the exclusive right to the JOSEPH ABBOUD trademark.[41]

§ 21:8.2 Assignment of Trademarks As Security Interests

A trademark may be assigned as security for a debt. If the debtor-assignor defaults, then the mark passes to the creditor-assignee. As is the case with all assignments, the critical element is transfer of the goodwill along with the mark.

The security interest "assignment" differs from an ordinary assignment in that goodwill should not pass when the document is executed. The security interest is conditional in nature, with the

[39] *See* G. Sciarrino & M. Asbell, *The Designer Formerly Known As . . . : Intellectual Property Issues Arising from Personal Names As Fashion Brands*, 107 TRADEMARK REP. 1150 (Nov.–Dec. 2017).
[40] Kate Spade LLC v. Thatch, LLC, Oppositions Nos. 91216585, 91217168 (Jan. 9, 2020).
[41] JA Apparel Corp. v. Abboud, 682 F. Supp. 2d 294 (S.D.N.Y. 2010).

transfer of the mark and the good will associated therewith only taking effect upon default. Hence, the mark ownership and goodwill should only pass at the time the transfer takes effect, that is, if and when default on the underlying financial obligation occurs.[42]

While it is not necessary for the goodwill to pass at execution of the assignment, the goodwill must be included in the assignment. In the *Haymaker*[43] case, the assignment was collateral for a debt owed to attorneys. The assignment was to the escrowees, who were supposed to assign the mark to the attorneys in the event of a default. The escrowees recorded the assignment in the PTO in their names.[44] The assignor went out of business and default occurred. A shareholder paid off the assignor's debt and the escrowees assigned the mark to the shareholder. The court held the assignment to the escrowees invalid because the goodwill never passed to the escrowees. This result could be avoided by coupling any security interest in the mark with a security interest in the business identified by, and needed to maintain the goodwill in, the mark, which business passes to the creditor via assignment along with the mark upon default.[45]

It is important to structure the agreement so that at all times the record owner of the trademark per the agreements also owns the goodwill associated therewith. In the *Clorox* case, the applicant assigned its intent-to-use application to a bank as security for a loan and the bank licensed use of the mark back to the applicant. Since the applicant retained its business pursuant to the license, the assignment did not transfer any ongoing and existing business to the assignee as required by the statute and was invalid. This result may have been avoided if the bank took a pure security interest in the intent-to-use application where no immediate transfer of rights occurred, but only the promise of an assignment of all rights in the mark and the business pertaining thereto in the event of applicant's defaulting on its loan obligations.[46]

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[42] Li'l Red Barn, Inc. v. Red Barn Sys., Inc., 322 F. Supp. 98, 106–07 (N.D. Ind. 1970), *aff'd per curiam*, 174 U.S.P.Q. 193 (7th Cir. 1972).

[43] Haymaker Sports, Inc. v. Turian, 581 F.2d 257, 260–61 (C.C.P.A. 1978).

[44] 15 U.S.C. § 1060 provides for recordal of assignments of federal applications or registrations. The Patent and Trademark Office also will record security interests. *See* TMEP § 503.01. For a discussion of recordal of assignments as security interest under the Uniform Commercial Code, see 3 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS & UNFAIR COMPETITION § 18:7 (5th ed.).

[45] *See In re* Roman Cleanser Co., 802 F.2d 207 (6th Cir. 1986) (security interest in trademark, formulas, and customer lists, but not machinery, satisfies statutory requirement that trademark be assigned with goodwill of business).

[46] Clorox Co. v. Chem. Bank, 40 U.S.P.Q.2d 1098, 1106 (T.T.A.B. 1996).

§ 21:8.3 Assignments in Bankruptcy

Trademarks may be assigned as part of a bankrupt business—just as they may be assigned as part of a going concern. Once again, the sine qua non of a valid assignment is the transfer of goodwill.

The tricky area with bankruptcy proceedings is the tendency to disperse the assets in different directions. It is not unusual for machinery to be sold to one bidder, inventory to another, and a secret formula to a third. Just remember: if the trademark is severed from the goodwill of the business, the trademark assignment will not be valid.[47] As with other assignments, the assignee of a mark associated with a bankrupt business should obtain the assets needed to continue that business. The assets that are needed are those that permit the assignee to “go on in real continuity” with the past business of the assignor.[48]

[47] Johanna Farms, Inc. v. Citrus Bowl, Inc., 468 F. Supp. 866, 879 (E.D.N.Y. 1978).

[48] Merry Hull & Co. v. Hi-Line Co., 243 F. Supp. 45, 51 (S.D.N.Y. 1965) (quoting Mut. Life Ins. Co. v. Menin, 115 F.2d 975 (2d Cir. 1940), *cert. denied*, 313 U.S. 578 (1941)).

CIRCULAR
1

Copyright Basics

Copyright is a form of protection provided by U.S. law to authors of "original works of authorship" from the time the works are created in a fixed form. This circular provides an overview of basic facts about copyright and copyright registration with the U.S. Copyright Office. It covers

- Works eligible for protection
- Rights of copyright owners
- Who can claim copyright
- Duration of copyright

Copyright is a form of protection provided by the laws of the United States to the authors of "original works of authorship" that are fixed in a tangible form of expression. An original work of authorship is a work that is independently created by a human author and possesses at least some minimal degree of creativity. A work is "fixed" when it is captured (either by or under the authority of an author) in a sufficiently permanent medium such that the work can be perceived, reproduced, or communicated for more than a short time. Copyright protection in the United States exists automatically from the moment the original work of authorship is fixed.[1]

What Works Are Protected?

Examples of copyrightable works include

- Literary works
- Musical works, including any accompanying words
- Dramatic works, including any accompanying music
- Pantomimes and choreographic works
- Pictorial, graphic, and sculptural works
- Motion pictures and other audiovisual works
- Sound recordings, which are works that result from the fixation of a series of musical, spoken, or other sounds
- Architectural works

These categories should be viewed broadly for the purpose of registering your work. For example, computer programs and certain "compilations" can be registered as "literary works"; maps and technical drawings can be registered as "pictorial, graphic, and sculptural works."

NOTE: **Before 1978, federal copyright was generally secured by publishing a work with an appropriate copyright notice. U.S. works[2] that were in the public domain on January 1, 1978, when the 1976 Copyright Act took effect, remain in the public domain under the 1976 Act.**

What Are the Rights of a Copyright Owner?

Copyright provides the owner of copyright with the exclusive right to

- Reproduce the work in copies or phonorecords[3]
- Prepare derivative works based upon the work
- Distribute copies or phonorecords of the work to the public by sale or other transfer of ownership or by rental, lease, or lending
- Perform the work publicly if it is a literary, musical, dramatic, or choreographic work; a pantomime; or a motion picture or other audiovisual work
- Display the work publicly if it is a literary, musical, dramatic, or choreographic work; a pantomime; or a pictorial, graphic, or sculptural work. This right also applies to the individual images of a motion picture or other audiovisual work.
- Perform the work publicly by means of a digital audio transmission if the work is a sound recording

Copyright also provides the owner of copyright the right to authorize others to exercise these exclusive rights, subject to certain statutory limitations.

What Is Not Protected by Copyright?

Copyright does not protect

- Ideas, procedures, methods, systems, processes, concepts, principles, or discoveries
- Works that are not fixed in a tangible form (such as a choreographic work that has not been notated or recorded or an improvisational speech that has not been written down)
- Titles, names, short phrases, and slogans
- Familiar symbols or designs
- Mere variations of typographic ornamentation, lettering, or coloring
- Mere listings of ingredients or contents

For more information, see *Works Not Protected by Copyright* (**Circular 33**).

Who Can Claim Copyright?

The copyright in a work initially belongs to the author(s) who created that work. When two or more authors create a single work with the intent of merging their contributions into inseparable or interdependent parts of a unitary whole, the authors are considered joint authors and have an indivisible interest in the work as a whole. By contrast, if multiple authors contribute to a collective work, each author's individual contribution is separate and distinct from the copyright ownership in the collective work as a whole.

"Works made for hire" are an important exception to the general rule for claiming copyright. When a work is made for hire, the author is not the individual who actually created the work. Instead, the party that hired the individual is considered the author and the copyright owner of the work. Whether a work is made for hire is determined by the facts that exist at the time the work is created. There are two situations in which a work may be made for hire:

1. When the work is created by an employee as part of the employee's regular duties, or
2. When an individual and the hiring party enter into an express written agreement that the work is to be considered a "work made for hire" and the work is specially ordered or commissioned for use as:
   - A compilation
   - A contribution to a collective work
   - A part of a motion picture or other audiovisual work
   - A translation
   - A supplementary work
   - An instructional text
   - A test
   - Answer material for a test
   - An atlas

The concept of work made for hire can be complicated and has serious consequences for both the individual who creates the work and the hiring party who is considered to be the author and copyright owner of the work. For more information, see *Works Made for Hire* (**Circular 30**).

NOTE: **Mere ownership of a copy or phonorecord that embodies a work does not give the owner of that copy or phonorecord the ownership of the copyright in the work.**

Transfer of Copyright Ownership

Any or all of the copyright owner's exclusive rights, or parts of those rights, can be transferred. The transfer, however, generally must be made in writing and signed by the owner of the rights conveyed or the owner's authorized agent. Transferring a right on a nonexclusive basis does not require a written agreement.

You can bequeath a copyright by will or pass it along as personal property under applicable state laws of intestate succession. It can also be conveyed by operation of law.

You can "record" a transfer of copyright ownership with the Copyright Office through its Office of Public Records and Repositories. Although recordation is not required to make a valid transfer between parties, it does provide certain legal advantages. For more information, see *Recordation of Transfers and Other Documents* (**Circular 12**).

Termination of a Copyright Transfer

Under certain circumstances, the Copyright Act allows authors or their heirs to terminate an agreement that transferred or licensed the author's copyright to a third party after thirty-five years. To terminate a grant, the author or the author's heirs must serve an advance written "notice of termination" on the grantee or the grantee's successor-in-interest and must record a copy of that notice with the Copyright Office and pay the required **filing fee**.

A notice of termination must be recorded before the effective date of termination specified in the notice. If a notice of termination is not recorded in a timely manner, the notice will be invalid, and the author or the author's heirs will not be able to terminate the agreement. For more information, see **chapter 2300**, section 2310 of the *Compendium of U.S. Copyright Office Practices*.

How Long Does Copyright Last?

In general, for works created on or after January 1, 1978, the term of copyright is the life of the author plus seventy years after the author's death. If the work is a joint work with multiple authors, the term lasts for seventy years after the last surviving author's death. For works made for hire and anonymous or pseudonymous works, the duration of copyright is 95 years from publication or 120 years from creation, whichever is shorter.

For works created before January 1, 1978, that were *not* published or registered as of that date, the term of copyright is generally the same as for works created on or after January 1, 1978. The law, however, provides that in no case would the term have expired before December 31, 2002, and if the work was published on or before that date, the term will not expire before December 31, 2047.

For works created before January 1, 1978, that *were* published or registered before that date, the initial term of copyright was twenty-eight years from the date of publication with notice or from the date of registration. At the end of the initial term, the copyright could be renewed for another sixty-seven years for a total term of protection of up to ninety-five years. To extend copyright into the renewal term, two registrations had to be made before the original term expired: one for the original term and the other for the renewal term. This requirement was eliminated on June 26, 1992, and renewal term registration is now optional.

For more information on the term of copyright protection, see *Duration of Copyright* (**Circular 15A**) and *Renewal of Copyright* (**Circular 6A**).

How Can I Protect My Work?

Copyright exists automatically in an original work of authorship once it is fixed in a tangible medium, but a copyright owner can take steps to enhance the protections of copyright, the most important of which is registering the work. Although registering a work is not mandatory, for U.S. works, registration (or refusal) is necessary to enforce the exclusive rights of copyright through litigation.

Applying a copyright notice to a work has not been required since March 1, 1989, but may still provide practical and legal benefits. Notice typically consists of the copyright symbol or the word "Copyright," the name of the copyright owner, and the year of first publication. Placing a copyright notice on a work is not a substitute for registration.

Benefits of Registration

Registration establishes a claim to copyright with the Copyright Office. An application for copyright registration can be filed by the author or owner of an exclusive right in a work, the owner of all exclusive rights, or an agent on behalf of an author or owner. An application contains three essential elements: a completed application form, a nonrefundable filing fee, and a nonreturnable deposit—that is, a copy or copies of the work being registered and "deposited" with the Copyright Office. A certificate of registration creates a public record of key facts relating to the authorship and ownership of the claimed work, including the title of the work, the author of the work, the name and address of the claimant or copyright owner, the year of creation, and information about whether the work is published, has been previously registered, or includes preexisting material.

You can submit an application online through www.copyright.gov or on a paper application. For more information on registering a work with the Copyright Office, see *Copyright Registration* (**Circular 2**).

In addition to establishing a public record of a copyright claim, registration offers several other statutory advantages:

- Before an infringement suit may be filed in court, registration (or refusal) is necessary for U.S. works.[2]
- Registration establishes prima facie evidence of the validity of the copyright and facts stated in the certificate when registration is made before or within five years of publication.
- When registration is made prior to infringement or within three months after publication of a work, a copyright owner is eligible for statutory damages, attorneys' fees, and costs.
- Registration permits a copyright owner to establish a record with the U.S. Customs and Border Protection (CBP)[4] for protection against the importation of infringing copies.

Registration can be made at any time within the life of the copyright. If you register before publication, you do not have to re-register when the work is published, although you can register the published edition, if desired.

Effective Date of Registration

When the Copyright Office registers a work it assigns an effective date of registration to the certificate of registration. The effective date of registration is the day that the Office receives in proper form all required elements—an acceptable application, an acceptable deposit, and a nonrefundable filing fee. The date is not set until all the required elements are in the Office's possession. If the Office receives incomplete materials, an unacceptable deposit, or an insufficient fee, the effective date of registration will be set on the date that the Office receives all the required materials in acceptable form. The date is not based on how long it takes the Office to examine the materials or mail the certificate of registration.

You do not have to receive your certificate of registration before you publish or produce your work. Nor do you need permission from the Copyright Office to place a copyright notice on your work. But the Copyright Office must approve or refuse your application before you can file a lawsuit for copyright infringement, except in cases involving a non-U.S. work.[5] You may seek statutory damages and attorneys' fees in an infringement action provided that the infringement began *after* the effective date of registration. The law, however, provides a grace period of three months after publication during which full remedies can be recovered for any infringement begun during the three months after publication if registration is made before this period ends.

Copyright Notice

A copyright notice is a statement placed on copies or phonorecords of a work to inform the public that a copyright owner is claiming ownership of the work. A copyright notice consists of three elements:

- The copyright symbol © or (p) for phonorecords, the word "Copyright," or the abbreviation "Copr.";
- The year of first publication of the work (or of creation if the work is unpublished); and
- The name of the copyright owner, an abbreviation by which the name can be recognized, or a generally known alternative designation.

A notice should be affixed to copies or phonorecords of a work in a way that gives reasonable notice of the claim of copyright.

Using a copyright notice is optional for unpublished works, non-U.S. works, and works published on or after March 1, 1989. However, notice conveys the following benefits:

- It puts potential users on notice that copyright is claimed in the work.
- For published works, notice may prevent a defendant from attempting to limit liability for damages or injunctive relief based on an "innocent infringement" defense.
- It identifies the copyright owner at the time of first publication for parties seeking permission to use the work.
- It identifies the year of first publication, which can be used to determine the term of copyright for anonymous or pseudonymous works or works made for hire.
- It may prevent the work from becoming an "orphan" by identifying the copyright owner or specifying the term of copyright. Orphan works are original works of authorship for which prospective users cannot identify or locate copyright owners to request permission.

Notice was required for works published in the United States before March 1, 1989. Works published without notice before that date may have entered the public domain in this country.

For more information, see *Copyright Notice* (**Circular 3**).

How Can I Use a Copyrighted Work?

When deciding to use a work protected by copyright, the general rule is to seek permission from the copyright owner. Under the copyright law, a copyright owner may authorize activities that fall under the exclusive rights of copyright. For more information on seeking permission to use a copyrighted work, see *How to Obtain Permission* (**Circular 16A**).

Sections 107 to 122 of the copyright law contain provisions that establish limitations on the exclusive rights of the copyright owner. The provisions make certain uses of copyrighted works permissible without first obtaining permission of the copyright owner. One of the most discussed of these statutory provisions is known as fair use, a legal doctrine that promotes freedom of expression by permitting the unlicensed use of copyright-protected works in certain circumstances. For more information on fair use, see the Office's **Fair Use Index** on its website.

What Is Publication and Why Is It Important?

Under copyright law, publication is the distribution of copies or phonorecords of a work to the public by sale or other transfer of ownership or by rental, lease, or lending. Offering to distribute copies or phonorecords to a group of people for purposes of further distribution, public performance, or public display also constitutes publication.

Whether a work is published has important implications, including:

- The year of publication may determine the length of the copyright term for a work made for hire or an anonymous or pseudonymous work.
- The year of publication may determine the length of the copyright term if the work was created before January 1, 1978, and was published or registered before that date.
- The year of publication may determine the length of the copyright term if the work was created before January 1, 1978, and was first published between January 1, 1978, and December 31, 2002.
- The date and nation of first publication may determine if a non-U.S. work is eligible for copyright protection in the United States.
- A certificate of registration creates certain legal presumptions if the work is registered before or within five years after the work was first published.
- A copyright owner may be entitled to claim statutory damages and attorneys' fees in an infringement lawsuit if the work was registered before the infringement began or within three months after the first publication of that work.
- Many of the exceptions and limitations on the copyright owner's exclusive rights vary depending on whether the work is published or unpublished.
- As a general rule, works published before March 1, 1989, must be published with a valid copyright notice.
- The deposit requirements for registering a published work differ from the requirements for registering an unpublished work.
- Works published in the United States may be subject to mandatory deposit with the Library of Congress. For more information, see "What Is Mandatory Deposit?" below.

When you register your work with the Office, you must determine whether the work is published or unpublished. For further information regarding publication, see **chapter 1900** of *Compendium of U.S. Copyright Office Practices*.

How Do I Protect My Work in Other Countries?

There is no such thing as an "international copyright" that automatically protects an author's works throughout the entire world. Protection against unauthorized use in a particular country depends on the national laws of that country. Most countries offer protection to non-U.S. works under certain conditions, and these conditions have been greatly simplified by international copyright treaties and conventions. Generally, a U.S. work may be protected in another country if that country has entered into an international agreement with the United States. For more information and a list of countries that maintain copyright relations with the United States, see *International Copyright Relations of the United States* (**Circular 38A**).

What Is Mandatory Deposit?

All copyrighted works that are published in the United States are subject to the "mandatory deposit" provision of the copyright law. As a general rule, this provision requires that two complete copies of the "best edition" of a copyrightable work published in the United States be sent to the Copyright Office for the collections of the Library of Congress within three months of publication. The "best edition" of a work is "the edition, published in the United States at any time before the date of deposit, that the Library of Congress determines to be most suitable for its purposes." The owner of copyright or of the exclusive right of publication may comply with this requirement either by submitting the best edition of the work when registering the work with the Office or by submitting the work without seeking a registration and solely for the purpose of fulfilling the mandatory deposit requirement. The mandatory deposit provision helps ensure that the Library of Congress obtains copies of every copyrightable work published in the United States for its collections or for exchange with or transfer to any other library.

For more information, see *Mandatory Deposit of Copies or Phonorecords for the Library of Congress* (**Circular 7D**) and *Best Edition of Published Copyrighted Works for the Collections of the Library of Congress* (**Circular 7B**).

NOTES

1. This circular is intended as an overview of the basic concepts of copyright. The authoritative source for U.S. copyright law is the Copyright Act, codified in Title 17 of the *United States Code*. Copyright Office regulations are codified in Title 37 of the *Code of Federal Regulations*. Copyright Office practices and procedures are summarized in the third edition of the *Compendium of U.S. Copyright Office Practices*, cited as the *Compendium*. The copyright law, regulations, and the *Compendium* are available on the Copyright Office website at **www.copyright.gov**.

2. The Copyright Act defines a "United States work" for the purposes of registration and civil infringement actions as (a) a published work that is first published in the United States; first published simultaneously in the United States and another treaty party or parties, whose law grants a term of copyright protection that is the same as or longer than the term provided in the United States; first published simultaneously in the United States and a foreign nation that is not a treaty party; or first published in a foreign nation that is not a treaty party, and all of the authors of the work are nationals, domiciliaries, or habitual residents of, or in the case of an audiovisual work legal entities with headquarters in, the United States; (b) an unpublished work where all the authors of the work are nationals, domiciliaries, or habitual residents of the United States, or in the case of an unpublished audiovisual work, all the authors are legal entities with headquarters in the United States; or (c) a pictorial, graphic, or sculptural work incorporated in a building or structure that is located in the United States.

3. A phonorecord is a material object in which sounds, other than those accompanying a motion picture or other audiovisual work, are fixed and from which the sounds can be perceived, reproduced, or otherwise communicated either directly or with a machine. The technology for creating and using a phonorecord includes those now known or later developed.

4. CBP began accepting online applications for recordation of unregistered copyrights through the Intellectual Property Rights Electronic Recordation System (IPRR). Each unregistered copyright recordation will be valid for a period of nine months, with a potential one-time ninety-day extension of time, while an application to register that copyright is pending with the Copyright Office. Upon registration, the copyright recordation will continue to receive the benefits of border enforcement from CBP.

5. A "non-U.S. work" is any work that is not a United States work, as defined above.

For Further Information

By Internet

The copyright law, the *Compendium*, electronic registration, application forms, regulations, and related materials are available on the Copyright Office website at **www.copyright.gov**.

By Email

To send an email inquiry, click the *Contact Us* link on the Copyright Office website.

By Telephone

For general information, call the Copyright Public Information Office at (202) 707-3000 or 1-877-476-0778 (toll free). Staff members are on duty from 8:30 am to 5:00 pm, eastern time, Monday through Friday, except federal holidays. To request application forms or circulars by postal mail, call (202) 707-9100 or 1-877-476-0778 and leave a recorded message.

By Regular Mail

Write to

Library of Congress
U.S. Copyright Office
Outreach and Education Section
101 Independence Avenue, SE #6304
Washington, DC 20559-6304

Works Made for Hire

A copyrightable work is "made for hire" in two situations:

- When it is created by an employee as part of the employee's regular duties
- When a certain type of work is created as a result of an express written agreement between the creator and a party specially ordering or commissioning it

When a work is a made for hire, the hiring or commissioning party is considered the author and the copyright owner.

To register a work with the U.S. Copyright Office, you generally must identify the author or authors of that work. In addition, you must identify the party that owns the copyright in the work. Ordinarily, the author is the person or persons who actually created the work you intend to register. "Works made for hire" are an exception to this rule.[1] For legal purposes, when a work is a "work made for hire," the author is not the individual who actually created the work. Instead, the party that hired the individual is considered both the author and the copyright owner of the work.

Whether a work is a work made for hire is determined by facts in existence at the time the work is created. There are two situations in which a work made for hire is produced: (1) when the work is created by an employee as part of the employee's regular duties and (2) when a certain type of work is created as a result of an express written agreement between the creator and a party specially ordering or commissioning the work. When a work is produced under these conditions, the employer or the party ordering or commissioning the work is considered the author and copyright owner.

The work made for hire concept can be complicated and has serious consequences for both the individual who creates a work and the hiring party who is considered to be the author and copyright owner of that work. This circular draws on the Copyright Act and judicial interpretation to provide a general introduction to this topic and answer common questions. For more information, see **chapter 500**, section 506 or **chapter 600**, section 614 of the *Compendium of U.S. Copyright Office Practices*.

Definition in the Copyright Law

The definition of work made for hire in the Copyright Act applies to works created on or after January 1, 1978. For works created prior to 1978, see **chapter 2100** of the *Compendium of U.S. Copyright Office Practices*. Section 101 of the Copyright Act defines a "work made for hire" as

A. A work prepared by an employee within the scope of his or her employment

or

B. A work specially ordered or commissioned for use

1. as a contribution to a collective work,
2. as a part of a motion picture or other audiovisual work,
3. as a translation,
4. as a supplementary work,
5. as a compilation,
6. as an instructional text,
7. as a test,
8. as answer material for a test, or
9. as an atlas,

if the parties expressly agree in a written instrument signed by them that the work shall be considered a work made for hire.

A "collective work" is a work, such as a periodical, anthology, or encyclopedia, in which a number of contributions, constituting separate and independent works in themselves, are assembled into a collective whole.

A "motion picture" is an audiovisual work consisting of a series of related images that, when shown in succession, impart an impression of motion, together with accompanying sounds, if any.

An "audiovisual work" is a work consisting of a series of related images that are intrinsically intended to be shown by the use of machines or devices, together with accompanying sounds, if any. This definition holds regardless of the nature of the material objects in which the work is embodied.

A "supplementary work" is a work prepared for publication as a secondary adjunct to a work by another author for the purpose of introducing, concluding, illustrating, explaining, revising, commenting upon, or assisting in the use of the other work, such as forewords, afterwords, pictorial illustrations, maps, charts, tables, editorial notes, musical arrangements, answer material for tests, bibliographies, appendixes, and indexes.

A "compilation" is a work formed by the collection and assembling of preexisting material or data that are selected, coordinated, or arranged in such a way that the resulting work as a whole constitutes an original work of authorship.

An "instructional text" is a literary, pictorial, or graphic work prepared for publication and intended for use in systematic instructional activities.

“Scope of Employment”

For an employee’s work to be considered a work made for hire, the work must be created within the employee’s “scope of employment.” The Copyright Act does not define the terms “employee,” “employer,” or “scope of employment.” In its decision in *Community for Creative Non-Violence v. Reed*, the U.S. Supreme Court held that Congress intended these terms “to be understood in light of agency law,” which governs employer-employee relationships, and that the courts should rely “on the general common law of agency, rather than on the law of any particular [s]tate, to give meaning to these terms.” Questions you may need to consider include:

- What skill was required to create the work?
- Where was the work created? Did the hiring party provide the space, materials, or tools to create the work?
- How long was the relationship between the parties? Did the hiring party have the right to assign other projects besides the one under review? Could the hiring party direct the creator when and how long to work?
- How was the creator paid? Did the hiring party offer employee benefits? Did the hiring party remove taxes from the creator’s pay?
- Does the creator have his or her own business? Was the creator able to hire and pay assistants?
- Was the work created as part of the regular business hours of the hiring party? Was the work created pursuant to the creator’s usual tasks? Was the work created during the creator’s authorized work time?

Specially Ordered or Commissioned Works

A specially ordered or commissioned work is considered a work made for hire if it satisfies all of the following four criteria:

1. The work must fall within one of the nine categories of works listed above that are eligible to be specially ordered or commissioned as works made for hire.
2. There must be a written agreement between the party that ordered or commissioned the work and individual(s) who actually created the work.
3. In the written agreement, the parties must expressly agree that the work is to be considered a work made for hire.
4. The agreement must be signed by all parties.

If a work fails to satisfy any of these requirements, it is not a work made for hire.

Copyright in Works Made for Hire

A work's status as a work made for hire affects the authorship, copyright ownership, copyright term, and termination rights in that work.

Authorship

If a work is a work made for hire, the employer or the party that specially ordered or commissioned that work is the author of that work.

Copyright Ownership

If a work is made for hire, the employer or the party that specially ordered or commissioned that work is the initial owner of the copyright in the work unless the employer or the commissioning party has signed a written agreement to the contrary with the work's creator.

Copyright Term

The term of copyright protection in a work made for hire is 95 years from the date of publication or 120 years from the date of creation, whichever expires first. For information about copyright term, see *Duration of Copyright* (**Circular 15A**).

Termination Rights

Under certain circumstances, an author or the author's heirs can terminate an exclusive or nonexclusive transfer or license of the copyright in a particular work under sections 203, 304(c), and/or 304(d) of the Copyright Act. These termination provisions, however, do not apply to works made for hire. For more information, see **chapter 2300**, section 2310 of the *Compendium*.

Registration

When you apply to register a work, you, not the Copyright Office, must determine whether the work is a work made for hire. You should base your determination on the facts that existed when the work was created. The examiner will generally accept your representation that a work is a work made for hire unless your representation is contradicted by information known to the examiner or available in the registration materials or the Office's records. If your claim appears unusual or implausible, the examiner may communicate with you or refuse registration. For more information, see **chapter 500**, section 506, and **chapter 600**, section 614, of the *Compendium*.

Questionnaire

The parties involved must determine whether or not a work is a work made for hire. The Copyright Office cannot provide legal advice about the status of a work. However, the following questions may help you decide if a work created on or after January 1, 1978, fits within the law's definition of a work made for hire. The questions are derived from chapter 500, section 506, of the *Compendium*, which contains examples illustrating some of the factors that indicate whether a work does or does not qualify as a work made for hire.

QUESTION 1: Was the work created by an employee?
Yes? Proceed to Question 2.
No? Proceed to Question 3.

QUESTION 2: Did the employee create the work while acting within the scope of employment?
Yes? The work is a work made for hire.
No? Proceed to Question 3.

QUESTION 3: Is there a written agreement between the commissioning party and the creator of the work?
Yes? Proceed to Question 4.
No? The work is not a work made for hire.

QUESTION 4: Was the written agreement signed by the commissioning party?
Yes? Proceed to Question 5.
No? The work is not a work made for hire.

QUESTION 5: Was the written agreement signed by the creator of the work?
Yes? Proceed to Question 6.
No? The work is not a work made for hire.

QUESTION 6: Did the parties expressly agree that the work shall be considered a "work made for hire"?
Yes? Proceed to Question 7.
No? The work is not a work made for hire.

QUESTION 7: Does the work fall into one or more of the following categories?

- An atlas
- A test
- Answer material for a test
- A translation
- A part of a motion picture or other audiovisual work
- A compilation
- A contribution to a collective work
- A supplementary work
- An instructional test

Yes? The work is a work made for hire.
No? The work is not a work made for hire.

NOTE

1. This circular is intended as an overview of works made for hire. The authoritative source for U.S. copyright law is the Copyright Act, codified in Title 17 of the *United States Code*. Copyright Office regulations are codified in Title 37 of the *Code of Federal Regulations*. Copyright Office practices and procedures are summarized in the third edition of the *Compendium of U.S. Copyright Office Practices*, cited as the *Compendium*. The copyright law, regulations, and the *Compendium* are available on the Copyright Office website at **www.copyright.gov**.

For Further Information

By Internet

The copyright law, the *Compendium*, electronic registration, application forms, regulations, and related materials are available on the Copyright Office website at **www.copyright.gov**.

By Email

To send an email inquiry, click the *Contact Us* link on the Copyright Office website.

By Telephone

For general information, call the Copyright Public Information Office at (202) 707-3000 or 1-877-476-0778 (toll free). Staff members are on duty from 8:30 am to 5:00 pm, eastern time, Monday through Friday, except federal holidays. To request application forms or circulars by postal mail, call (202) 707-9100 or 1-877-476-0778 and leave a recorded message.

By Regular Mail

Write to

Library of Congress
U.S. Copyright Office
Outreach and Education Section
101 Independence Avenue, SE #6304
Washington, DC 20559-6304

CIRCULAR 30 REVISED: 03/2021 PRINT: 00/0000 — 0,000

Agreement litigated in *JA Apparel Corp. v. Abboud*, 682 F. Supp. 2d 294 (SDNY 2010), on remand from *JA Apparel Corp. v. Abboud*, 568 F. 3d 390 (2d Cir. 2009), reversing and remanding *JA Apparel Corp. v. Abboud*, 591 F.Supp.2d 306, (S.D.N.Y. 2008) (Agreement available on PACER at Case 1:07-cv-07787-THK Document 5-2 Filed 09/10/07)

AGREEMENT OF PURCHASE AND SALE, dated as of June 16, 2000 (the "Agreement", among Houndstooth Corporation, a New York corporation ("Houndstooth"), Mr. Joseph Abboud ("Abboud," and together with Houndstooth, the "Sellers"), and JA Apparel Corp., a Delaware corporation (the "Buyer").

WHEREAS, the Sellers desire to sell to the Buyer, and the Buyer desires to buy from the Sellers, the Assets (as hereinafter defined);

NOW, THEREFORE, in consideration of the mutual covenants, representations, warranties and agreements hereinafter set forth, and intending to be legally bound hereby, the parties hereto agree that, subject to the conditions herein contained:

ARTICLE I

SALE OF ASSETS AND TERMS OF PAYMENT

1.1. The Sale.

(a) Upon the terms and subject to the conditions of this Agreement, on the Closing Date (as hereinafter defined), the Sellers shall sell, convey, transfer, assign and deliver to the Buyer, and the Buyer shall purchase and acquire from the Sellers, all of the Sellers' right, title and interest in and to:

(A) The names, trademarks, trade names, service marks, logos, insignias and designations identified on Schedule 1.1(a)(A), and all trademark registrations and applications therefor, and the goodwill related thereto (collectively, the "Trademarks"), together with all causes of action (and the proceeds thereof) in favor of the Sellers heretofore accrued or hereafter accruing with respect to any of the Trademarks, and all other Intellectual Property (as hereinafter defined).

(B) All licenses to use the Trademarks granted by Houndstooth or Abboud (including, for this purpose, the License Agreements in the name of the Buyer granted to Euro Italia S.R.L., Onward Kashiyama Co., Ltd., Pancaldi and V. Frass) (collectively, the "License Agreements").

(C) 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 thereto or derivative thereof, either alone or in conjunction with other words or symbols (collectively, the "New Trademarks"), for any and all products or services.

(D) All books, financial records, invoices, and other documents, records and data files relating primarily to the Trademarks or the License Agreements.

(E) The goodwill of or pertaining to the Trademarks. (The items referred to in clauses (A) through (E) of this Section 1.1(a) are collectively referred to as the "Assets").

(b) The Sellers shall sell, transfer, convey and assign to this Buyer title to all of the Assets at the Closing, free and clear of any liens, pledges, charges, mortgages, security interests, restrictions, easements, liabilities, claims, encumbrances or rights of others of every kind and description (collectively, "Liens).

(c) The Buyer and the Sellers acknowledge that certain of the License Agreements included in the Assets, and the Seller's rights and benefits thereunder, may not, by their terms, be assignable without the consent of the other parties thereto being first obtained. Anything in this Agreement to the contrary notwithstanding, this Agreement shall not constitute an agreement to assign any such License Agreement, and the Buyer shall not be deemed to have assumed the same or to be required to perform any obligations thereunder, if an attempted assignment thereof, without the consent of a third party thereto, would constitute a breach thereof or in any way affect the rights under any such License Agreement of the Buyer or the Sellers, unless such consent is obtained. The Buyer and the Sellers shall use commercially reasonable efforts to obtain the consent of each such third party. If any such consent is not obtained, the Sellers and the Buyer shall cooperate with each other in any reasonable arrangement designed to provide the Buyer, according to the provisions of Section 1.1(3), all benefits to which the Sellers are entitled under such license Agreements, including, but not limited to, one hundred percent (100%) of all royalties and advertising payments received by the Sellers and/or due to the Sellers under such License Agreements and, if the Buyer to receives such benefits, to relieve the Sellers of the burdens intended to be assigned to and assumed by the Buyer in respect of such License Agreement.

(d) On the Closing Date, the Buyer shall not assume any debts, commitments, obligations or liabilities of the Sellers expect for the obligations of the Sellers arising with respect to the period of time from and after the Closing Date under the License Agreements which are assigned to the Buyer on the Closing Date in accordance with the provisions of this Agreement (the "Post-Closing License Obligations").

(e) In connection with the assignment of the License Agreements, Houndstooth and/or Abboud will be entitled to receive and retain all royalty, advertising fees and other payments thereunder which relate to the period ending with (but including) the Spring/Summer 2000 season, as set forth on Schedule 1.1(e), and the Buyer will be entitled to receive and retain all royalty, advertising fees and other payments which relate to the period commencing with (and including) the Fall/Winter 2000 season. In the case of License Agreements which do not by their terms expressly refer to the Spring/Summer 2000 or Fall/Winter 2000 seasons (including the GM Executive Olympic Collection Project and the GM Special Edition Buick, Regal Agreement), all royalty and other payments pursuant thereto which are due on or before June 30, 2000 will be retained by Houndstooth and/or Abboud and all royalty and other payments pursuant thereto which are due on or after July 1, 2000 will be for the account of the Buyer.

(f) Except for the Post-Closing License Obligations which are to be assumed by the Buyer at the Closing, it is understood and agreed that the Buyer is not assuming any debts, commitments, obligations or liabilities of the Sellers, including, but not limited to, the debts, commitments, obligations or liabilities of the Sellers pursuant to: (i) the Agreement, dated June 1, 1998, by and between Houndstooth and Jean Claude Weil, (ii) the Agreement, dated June 4, 1998, by and between Joseph Abboud Worldwide, Inc. ("Worldwide") and Lawrence Appel Associates, (iii) the License Agreement, dated as of January 1, 1999, by and between Houndstooth and Mettlers Abboud, Inc., (iv) the Consulting Agreement, dated as of August 1, 1998, among Houndstooth, Robert J. Wichser and Abboud, and (v) any equipment leases.

Except as agreed to by the parties in writing, all of the debts, commitments, obligations or liabilities of the Sellers which are not Post-Closing License Obligations shall be retained by the Sellers (collectively, the "Retained liabilities") and the Buyer shall have no liability or other obligation with respect to eh Retained Liabilities.

1.2. Payment Amount. Upon the terms and subject to the conditions contained in this Agreement, in reliance upon the representations, warranties and agreements of the Sellers contained herein, and in consideration of the aforesaid sale, assignment, transfer and delivery of the Assets, on the Closing Date the Buyer will pay to the Sellers the aggregate sum of (i) Sixty Five Million Dollars ($65,000,000) (the "Purchase Price") plus (ii) an additional Five Hundred Thousand Dollars ($500,000) as imputed interest for the delay in effecting the Execution and delivery of this Agreement (the "Additional Consideration" and, together with the Purchase Price, the "Payment Amount"). The Payment Amount shall be allocated 100% to Abboud.

1.3. Matter of Payment. At the Closing, the Buyer shall deliver to the Sellers the Payment Amount in full by wire transfer of immediately available funds to accounts designated by the Sellers in writing not more than two (2) business days prior to the Closing Date.

ARTICLE II

THE CLOSING

2.1. Time and Place of Closing. Upon the terms and subject to the conditions contained in this Agreement, the closing of the transactions contemplated by this Agreement (the "Closing") will take place at the offices of Patterson, Belknap, Webb & Tyler LLP, 1133 Avenue of the Americas, New York, New York 1036-6710 at 10:00 a.m. (local time) on the seventh business day after the satisfaction or waiver (if permissible) of the last of the conditions to be satisfied set forth in Article VI hereof. The date on which the Closing actually occurs and the transactions contemplated hereby become effective is hereinafter referred to as the "Closing Date."

2.2. Deliveries by the Sellers. At the Closing, the Seller will deliver or cause to be delivered to the Buyer duly executed instruments of transfer and assignment of the Assets in from reasonably satisfactory to the Buyer, sufficient to vest in the Buyer good title to the Assets to be conveyed at the Closing in accordance with the terms of this Agreement. In addition, at the Closing, the Sellers shall deliver to Buyer.

(i) the originals (of it not in existence copies) of all License Agreements and the originals of all books, records and files included in the Assets;

(ii) copies of corporate and stockholder resolutions of Houndstooth authorizing the execution and delivery of this Agreement and each Exhibit hereto to which Houndstooth is a party and the consummation of the transactions contemplated hereby and thereby, certified by an executive officer of Houndstooth;

(iii) a certificate of good standing of Houndstooth issued as of a recent date by the Secretary of State of the State of New York;

(iv) executed counterparts reasonably satisfactory in form and substance to the Buyer, in the form attached hereto as Exhibit 2.2(iv), of all consents necessary to the assignment to the Buyer of the License Agreements obtained by the Sellers prior to the Closing (the "Consents");

(v) an opinion of counsel to Houndstooth and Abboud, dated the Closing Date, addressed to the Buyer, favorably opining as to the matters set forth in Section 2.2(v) hereto and in form reasonably satisfactory to the Buyer;

(vi) the Side Letter Agreement pursuant to which Abboud will agree to provide certain personal services to the Buyer, in the form attached hereto as Exhibit 2.2(vi), duly executed by Abboud (the "Side Letter Agreement");

(vii) instruments of assignments in favor of the Buyer with respect to each of the Trademarks, in form and content acceptable to the Buyer, duly executed by Houndstooth or Abboud, as the case may be; and

(viii) all other documents required by the terms of this Agreement to be delivered to the Buyer at the Closing.

2.3. Deliveries by the Buyer. At the Closing, the Buyer shall deliver to the Sellers:

(i) a certificate of good standing of the Buyer issued as of a recent date by the Secretary of State of the State of Delaware;

(ii) copies of corporate and stockholder resolutions of the Buyer authorizing the execution and delivery of this Agreement and each Exhibit hereto to which the Buyer is a party and the consummation of the transactions contemplated hereby and thereby, certified by an officer of the Buyer;

(iii) the Side Letter Agreement duly executed by the Buyer;

(iv) an opinion of counsel to the Buyer, dated the Closing Date, addressed to the Sellers, favorably opining as to the matters set forth in Exhibit 2.3(iv) hereto and in form reasonably satisfactory to the Sellers; and

(v) all other documents required by the terms of this Agreement to be delivered to the Sellers at the Closing.

ARTICLE III

<u>REPRESENTATIONS AND WARRANTIES WITH RESPECT TO THE SELLERS</u>

Except as set forth in the schedules to this Agreement being delivered by the Sellers to the Buyer simultaneously with the execution and delivery hereof (the "Schedules," and each, a "Schedule"), the Sellers hereby jointly and severally represent and warrant to the Buyer as follows:

3.1. <u>Organization</u>. Houndstooth is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation and has all requisite corporate power and authority to own, lease and operate its properties and to carry on its business as now being conducted.

3.2. <u>Authority Relative to this Agreement</u>. Houndstooth has full corporate power and authority to execute and deliver this Agreement and each other agreement, document and instrument to be executed or delivered by its contemplated by this Agreement (the "Corporate Seller Documents") and to consummate the transactions contemplated hereby and thereby. The execution and delivery of this Agreement or the Corporate Seller Documents by Houndstooth and the consummation of the transactions contemplated hereby and thereby by Houndstooth have been duly and validly authorized by all necessary action on the part of Houndstooth and no other corporate proceedings on the part of Houndstooth are necessary to authorize this Agreement and the Corporate Seller Documents or to consummate the transactions contemplated hereby and thereby. This Agreement has been, and when executed at Closing each of the Corporate Seller Documents will be, duly and validly executed and delivered by Houndstooth and assuming the due authorization, execution and delivery by the Buyer, this Agreement constitutes, and the Corporate Seller Documents will constitute, a legal, valid and binding obligation of Houndstooth enforceable against Houndstooth in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws affecting creditors' rights generally and by general equitable principles (regardless of whether enforceability is considered in a proceeding in equity or as law).

3.3. <u>Consents and Approvals; No Violation</u>. Except for the applicable requirements of the Hart-Scott-Rodino Antitrust Improvement Act of 1976, as amended, and the rules and regulations thereunder (the "HSR Act"), there is no requirement applicable to the Sellers to make any filing with, or to obtain any permit, authorization, consent or approval of, any governmental or regulatory authority as a condition to the lawful consummation by the Sellers of the transactions contemplated by this Agreement. Except as set forth in <u>Schedule 3.3</u>, neither the execution and delivery of this Agreement by the Sellers nor the consummation by the Sellers of the transactions contemplated hereby nor compliance by the Sellers with any of the provisions hereof will (i) conflict with or result in any breach of any provision of the Certificate of Incorporation or By-laws of Houndstooth, (ii) result in a breach of or default, or give rise to any right of termination, cancellation or acceleration under, any of the terms, conditions or provisions of any of the License Agreements or any material note, bond, mortgage, indenture, license, agreement, lease or other similar material instrument or obligation to which either of the Sellers is a party or by which any of the Sellers' properties or assets may be bound, except for such breaches or defaults (or, rights of termination cancellation or acceleration) as to which requisite waivers or consents have been obtained, or (iii) assuming compliance with the HSR Act, violate any material order; judgment; writ, injunction, decree, or any material statute, rule or regulation applicable to either of the Sellers or any of the Sellers' properties or assets.

3.4. Title to Assets. The Sellers have good title to all of the Assets and rights which each owns or purports to own, free and clear of all Liens.

3.5. Legal Proceeding, etc. There are no actions, suits, proceedings or any legal, administrative, arbitration or other proceedings or governmental investigations pending or, to their knowledge, threatened against the Sellers which relate to or affect any of the Assets or which seek to question, delay or prevent the consummation of or would potentially impair the ability of the Sellers to consummate the transaction contemplated hereby. There is not outstanding any order, writ, injunction, award or decree of any court or arbitrator or any federal, state, municipal or other governmental department, commission, board, agency or instrumentality with respect to or affecting the Assets.

3.6. Intellectual Property. (a) Schedule 1.1(a)(A) sets forth a list of all of the trademark registrations, service mark registrations and applications and copyright registrations and applications currently used by the Sellers in connection with the Trademarks (the "Intellectual Property").

(b) The Sellers own the Intellectual Property, free and clear of all Liens, and the Sellers have the power and authority to transfer to the Buyer all of such rights to be transferred to the Buyer under this Agreement with respect to the Intellectual Property. Except as set forth on Schedule 3.6(b), no Intellectual Property nor Sellers' use thereof infringes on the rights owned or held by any other person and there is no claim or litigation pending or threatened in writing against the Sellers contesting the right of the Sellers to sell or the right of the Sellers to use any of the Intellectual Property.

3.7. Royalties and Other Payments. Schedule 3.7 contains a true and complete list of the following information with respect to each License Agreement as of the date hereof: (i) the date and amount of the most recent payment received by either of the Sellers thereunder, (ii) a description of the nature of the payment (i.e., a minimum guaranteed royalty payment, percentage royalty payment, advertising contribution payment, etc.), (iii) the time period to which such payment relates (i.e., percentage royalty payment for the first quarter of 2000, minimum guaranteed royalty payment for the Spring/Summer 2000 season), and (iv) the date that the Sellers expect to receive the last payments thereunder which relate to the period ending with (but including) the Spring/Summer 2000 season.

3.8. License Agreements. Schedule 3.8 contains a true and complete list of all of the License Agreements (other than License Agreements in the name of the Buyer) affecting the Assets and there are no other license agreements affecting any of the Assets. Except as set forth on Schedule 3.8, there is not, under any of the License Agreements, any existing default or event of default which, with or without due notice or lapse of time or both, would constitute a default or event of default on the part off the Sellers or the other parties thereto. Except as set forth in Schedule 3.3, no consents are required for the assignment of any License Agreement to the Buyer other than consents which have already been obtained. Each License Agreement is a valid and binding obligation of the Sellers and the other party thereto, enforceable in accordance with its terms, except as such enforceability may be limited by the effect of bankruptcy, insolvency or similar laws affecting creditors' rights generally or by general principles of equity, and is in full force and effect.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE BUYER

Except as set forth in the schedules to this Agreement delivered by the Buyer to the Sellers simultaneously with the execution and delivery hereof, the Buyer represents and warrants to the Sellers as follows:

4.1. Organization. The Buyer is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its formation and has all requisite corporate power and authority to own, lease and operate its properties and to carry on its business as now being conducted.

4.2. Authority Relative to this Agreement. The Buyer has full corporate power and authority to execute and deliver this Agreement and the Side Letter Agreement and to consummate the transactions contemplated hereby and thereby. The execution and delivery of this Agreement and the Side Letter Agreement by the Buyer and the consummation of the transactions contemplated hereby and thereby by the Buyer have been duly and validly authorized by all necessary action on the part of the Buyer and no other proceedings on the part of the Buyer are necessary to authorize this Agreement and the Side Letter Agreement or to consummate the transactions contemplated hereby and thereby. This Agreement has been, and when executed as the Closing the Side Letter Agreement will be, duly and validly executed and delivered by the Buyer and, assuming the due authorization, execution and delivery by the Sellers, this Agreement constitutes, and when executed at the Closing the Side Letter Agreement will constitute, a legal, valid and binding obligation of the Buyer, enforceable against the Buyer in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws affecting creditors' rights generally and by general equitable principles (regardless of whether enforceability is considered in a proceeding in equity or at law).

4.3. Consents and Approvals; No Violation. Except for the applicable requirements of the HSR Act, there is no requirement applicable to the Buyer to make any filing with, or to obtain any permit, authorization, consent or approval of, any governmental or regulatory authority as a condition in the lawful consummation by the Buyer of the transactions contemplated by this Agreement. Neither the execution and delivery of this Agreement by the Buyer nor the consummation by the Buyer of the transactions contemplated hereby nor compliance by the Buyer with any of the provisions hereof will (i) conflict with or result in a breach of any provision of the Certificate of Incorporation or By-laws of the Buyer, (ii) result in a breach of or default, or give rise to any right of termination, cancellation or acceleration under, any of the terms, conditions or provisions of any material note, bond, mortgage, indenture, license, agreement, lease or other similar material instrument or obligation to which the Buyer is a party or by which any of the Buyer's properties or assets may be bound, except for such breaches or defaults (or rights or termination, cancellation or acceleration) as to which requisite waivers or consents have been obtained, or (iii) assuming compliance with the HSR Act, violate any material order, judgment, writ, injunction, decree, statute, rule or regulation applicable to the Buyer or any of the Buyer's properties or assets.

4.4. Litigation. There are no actions, suits, proceedings or government investigations pending or, threatened against Buyer which seek to question, delay or prevent the consummation of or would materially impair the ability of the Buyer to consummate the transactions contemplated hereby.

ARTICLE V

COVENANTS OF THE PARTIES

5.1. Conduct of Business. Except as contemplated by this Agreement, during the period from the date of this Agreement to the Closing Date, the Sellers will maintain and use the Assets according to, and will conduct the business of Houndstooth solely in, the ordinary and usual course of business consistent with past practices. Without limiting the generality of the foregoing, and, except as otherwise contemplated by this Agreement or disclosed on Schedule 5.1 hereto, prior to the Closing Date, without the prior written consent of the Buyer, the Sellers will not:

(a) sell, transfer, mortgage, or otherwise dispose of, or agree to sell, transfer, or otherwise dispose of, any Assets;

(b) amend, assign or terminate any of the License Agreements, waive any term or provision thereof or enter into any new licensing relationship or other contractual obligation relating to the Trademarks;

(c) enter into any agreements, commitment or contract with respect to the Assets; or

(d) (i) increase or agree to increase in any manner the base compensation of any of the employees of Houndstooth or Worldwide or (ii) pay or agree to pay any pension, retirement allowance or other employee benefit to any of the employees of Houndstooth or Worldwide not in existence as of the date hereof.

5.2. Changes in Information. During the period from the date of this Agreement to the Closing Date, the Sellers shall give the Buyer prompt written notice of any change in, or any of the information contained in, the representations and warranties of the Sellers made in this Agreement or of any event or circumstance which, if it had occurred on or prior to the date hereof, would cause any of the representations and warranties of the Sellers made in this Agreement not to be true and correct in all material respects.

5.3. Access to Information. Between the date of this Agreement and the Closing Date, the Sellers will (i) give the Buyer and its authorized representatives reasonable access to all books, records, documents and information of Houndstooth and Abboud relating to the Assets, (ii) permit the Buyer to make such inspections thereof, during regular business hours, as the Buyer may reasonably request and (iii) cause Houndstooth's officers to furnish the Buyer with such financial and operating data and other information with respect to the Assets as the Buyer may from time to time reasonably request; provided, however, that any such investigations shall be conducted in such a manner as not to interfere unreasonably with the operation of Houndstooth or Abboud.

5.4. Expenses. Whether or not the transactions contemplated hereby are consummated, all costs and expenses incurred by the Buyer in connection with this Agreement and the transactions contemplated hereby will be paid by the Buyer and all costs and expenses incurred by the Sellers in connection with this Agreement and the transactions contemplated hereby will be paid by the Sellers.

5.5. Reasonable Efforts. Subject to the terms and conditions of this Agreement, each of the parties hereto will use his or its reasonable efforts to take, or cause to be taken, all action, and to do, or cause to be done, all things necessary, proper or advisable under applicable laws and regulations to consummate and make effective the transactions contemplated by this Agreement. The parties hereto, acknowledge that time shall be of the essence in this Agreement and agree not to take any action that will have the effect of unreasonably delaying, impairing or impeding the receipt of any required authorizations, consents, orders or approvals.

5.6. HSR and Filings. Within three (3) business days after the date hereof, the Sellers and the Buyer shall cause their respective ultimate parent entities to prepare and file the written notification and report form and related submissions required to be made with the Federal Trade Commission and the Antitrust Division of the Department of Justice in connection with the consummation of the transactions contemplated hereby and, promptly after a request therefor, shall prepare and file any additional information requested by the Federal Trade Commission or the Antitrust Division of the Department of Justice to be filed and submitted under the HSR Act in connection with such original notifications and submissions, and shall diligently request and pursue early termination of the required waiting period under the HSR Act (the "HSR Waiting Period"). Anything to the contrary in this Agreement notwithstanding, in no event shall the Sellers, the Buyer or any of their respective affiliates be required to take any adverse action regarding the disposition of any businesses, assets or properties, or to incur any unusual or significant liability or expense (other than the payment by the Buyer of the required filing fee pursuant to the HSR Act), in order to obtain any approval under the HSR Act or any termination of the HSR Waiting Period. The Sellers and the Buyer will use their best efforts to make or cause to be made all such filings and submissions as may be required under applicable laws and regulations, if any, for the consummation of the transactions contemplated by this Agreement. The Buyer and the Sellers will coordinate and cooperate with one another in exchanging such information and providing such reasonable assistance as another may request in connection with all of the foregoing.

5.7. Public Announcements. None of the Sellers or the Buyer shall make any public statement or other announcement or communication (whether in writing or orally) or issue any press release pertaining or relating in any way io the terms of this Agreement and the transactions contemplated hereby prior to or after the Closing other than the joint press release which is being issued by the Sellers and the Buyer on the date hereof, except as may be required by applicable law.

5.8. Further Assurances. From time to time, without further consideration, the Sellers, will, at the expense of the Buyer, execute and deliver such documents to the Buyer as the Buyer may reasonably request in order more effectively to consummate the transactions contemplated hereby. From time to time, without further consideration, the Buyer will, at the expense of Sellers, execute and deliver such documents as the Sellers may reasonably request in order more effectively to consummate the transaction contemplated hereby. In case at any time after the Closing Date any further action is necessary or desirable to carry out the purposes of this Agreement, each party to this Agreement will take or cause its proper officers and directors to take all such necessary action.

5.9. Brokers. The Sellers represent and warrant to the Buyer that, except for Joseph Anton whose fees shall be the sole responsibility of the Sellers, no broker, finder or other person is entitled to any brokerage fees, commissions or finder's fees from the Sellers in connection with the transactions contemplated hereby. The Sellers will pay or discharge, and will jointly and severally indemnify and hold the Buyer harmless from and against, any and all claims or liabilities for all brokerage fees, commissions and finder's fees incurred in connection with the transactions contemplated hereby by reason of any action taken by the Sellers. The Buyer represents and warrants to the Sellers that no broker, finder or other person is entitled to any brokerage fees, commissions or finder's fess from the Buyer in connection with the transactions contemplated hereby. The Buyer will pay or discharge, and will indemnify and hold the Sellers harmless from and against, any and all claims or liabilities for all brokerage fees, commissions and finder's fees incurred in connection with the transactions contemplated hereby by reason of any action taken by the Buyer. The Sellers will pay or discharge and indemnify and hold the Buyer harmless from and against, any and all claims or liabilities for all amounts that may be payable to Robert J. Wichser pursuant to the Consulting Agreement between Mr. Wichser and Houndstooth, dated as of August 1, 1998.

5.10. No Shop. Neither Abboud nor Houndstooth shall, nor shall either authorize or permit any of its affiliates or any of Houndstooth's or any such affiliate's respective officers, directors or employees or any investment banker, attorney, accountant or other representative retained by Houndstooth, Abboud or any such affiliate to, solicit, encourage (including by way of furnishing information), entertain, respond to or take any other action to facilitate, any inquiries or the making of any proposal relating to the sale, transfer or other disposal of any of the capital stock or assets of Houndstooth, other than in connection with the transactions contemplated by this Agreement.

5.11. License Agreements. The Buyer shall perform the Post-Closing License Obligations. With respect to any License Agreements as to which any required consent is not obtained on or prior to the Closing Date (the "Non-Assigned License Agreements") the Sellers will pay to the Buyer one hundred percent (100%) of all royalties and advertising payments received by the Sellers and/or due to the Sellers under such Non-Assigned License Agreements. Subject to the receipt of such payments the Buyer shall relieve the Sellers of the burdens intended to be assumed by the Buyer with respect to such Non-Assigned License Agreements.

ARTICLE VI

CLOSING CONDITIONS

6.1. Conditions to Each Party's Obligations to Effect the Transactions Contemplated Hereby. The respective obligations of each party to effect the transactions contemplated hereby shall be subject to the fulfillment at or prior to the Closing Date of the following conditions:

(a) There shall be no effective injunction, writ, preliminary restraining order of a court of competent jurisdiction directing that the transactions provided for herein may not be consummated.

(b) No action, suit, proceeding or investigation by or before any court, administrative agency or other governmental authority shall have been instituted (i) to restrain, prohibit or invalidate the transactions contemplated by this Agreement or (ii) which seeks material or substantial damages by reason of completion of such transaction.

(c) The HSR Waiting Period with respect to the transactions contemplated hereby shall have expired or been subject to earlier termination.

6.2. Conditions to the Obligations of the Sellers to Effect the Transactions Contemplated Hereby. The obligations of the Sellers to effect the transactions contemplated hereby shall be further subject to the fulfillment at or prior to the Coring Date of the following conditions, any of which may be waived by the Sellers:

(a) The Buyer shall have performed and complied with the agreements contained in this Agreement required to be performed and complied with by it at or prior to the Closing Date in all material respects, the representations and warranties of the Buyer set forth in this Agreement shall be true and correct in all material respects as of the date of this Agreement and as of the Closing Date as though made at and as of the Closing Date (except as otherwise contemplated by this Agreement).

(b) The Sellers shall have received a certificate to the effect of Section 6.2(a) signed by an authorized officer of the Buyer.

(c) The Sellers shall have received the documents referred to in Section 23.

6.3. Conditions to the Obligations of the Buyer to Effect the Transactions Contemplated Hereby. The obligations of the Buyer to effect the transactions contemplated hereby shall be further subject to the fulfillment at or prior to the Closing Date of the following condition, any of which may be waived by the Buyer:

(a) The Sellers shall have performed and complied with the agreements contained in this Agreement required to be performed and complied with by them at or prior to the Closing Dale in all material respects, the representations and warranties of the Sellers set forth in this Agreement shall be true and correct in all material respects as of the date of this Agreement and as of the Closing Date as though made at and as of the Closing Date (except as otherwise contemplated by this Agreement).

(b) The Buyer shall have received a certificate to the effect of clause 6.3(a) signed by Abboud and an authorized officer of Houndstooth.

(c) The Buyer shall have received the documents referred to in Section 2.2.

ARTICLE VII

TERMINATION AND ABANDONMENT

7.1. Termination. This Agreement may be terminated at any time prior to the Closing Date:

(a) by mutual consent of the Sellers and the Buyer;

(b) by the Sellers or the Buyer at any time after July 28, 2000; provided, however, that no party hereto shall have the right to terminate tins Agreement under this Section 7.1(b) if such party's failure to fulfill any obligation under this Agreement shall have been the cause of, or shall have resulted in, the failure of the Closing to occur prior to such date;

(c) by the Buyer, if there has been a material violation, or breach by the Sellers of any covenant, representation or warranty of the Sellers contained in this Agreement which has resulted in the failure to satisfy any condition to the obligations of the Buyer to consummate the transactions contemplated hereby and if such violation or breach is one that is capable of being cured by the Sellers within (10) business days following notice to cure, then such violation or breach shall not have been cured within ten (10) business days following notice hereof from the Buyer, or waived by the Buyer, or

(d) by the Sellers, if there has been a material violation or breach by the Buyer of any covenant, representation or warranty of the Buyer contained in this Agreement which has resulted in the failure to satisfy any condition to the obligations of the Sellers to consummate the transactions contemplated hereby and if such violation or breach is one that is capable of being cured by the Buyer within ten (10) business days following notice to cure, then such violation or breach shall not have been cured within ten (10) business days following notice thereof from the Sellers, or waived by the Sellers.

7.2. Procedure and Effect of Termination. In the event of termination of this Agreement as provided in Section 7.1, this Agreement shall terminate and the transactions contemplated hereby shall be abandoned, without further action by any of the parties hereto. If this Agreement is terminated as provided herein:

(a) upon request therefor, each party will redeliver ail documents, work papers and other material of any other party relating to the transactions contemplated hereby, whether obtained before or after the execution hereof, to the party furnishing the same;

(b) all information received by the Buyer with respect to the Assets and the Sellers (other than information which is a matter of public knowledge or which has heretofore been or is hereafter published in any publication for public distribution or filed as public information with any governmental authority) shall not at any time be used for the advantage of the Buyer to the detriment of the person furnishing such information; and the Buyer will use its commercially reasonable efforts to prevent the disclosure thereof to third persons except as may be required by law, regulation or order;

(c) no party hereto shall have any liability or further obligation to any other party to this Agreement pursuant to this Agreement except as stated in this Section 7.2 and in Sections 5.4, 5.7, 5.9 and 9.6; provided, however, that nothing in this Section 7.2 shall be deemed to release any party from any liability for breach by such party of any of its covenants set forth in this Agreement which occurs on or before the date of the termination of this Agreement and

(d) all filings, applications and other submissions made pursuant to Section 5.6 shall, to the extent practicable, be withdrawn from the agency or other person to which made.

ARTICLE VIII

INDEMNIFICATION

8.1. Indemnification by the Sellers. The Sellers hereby agree to jointly and severally indemnify the Buyer and its respective officers, directors, employees and stockholders against, and agrees to defend and hold them harmless from, any loss, liability, claim, judgment, settlement, award, penalty, damage, cost or expense (including reasonable attorneys' fees and expenses) (a "Loss") for or on account of or arising from or in connection with or otherwise with respect to:

(a) any breach by either of the Sellers of any of its or his representations or warranties contained in this Agreement (including the Schedules hereto) or any agreement, document or certificate delivered in connection herewith;

(b) any breach by either of the Sellers of any of their covenants or agreements contained in this Agreement or any breach by Abboud of his covenants and agreements contained in the Side Letter Agreement which, if capable of being cured, is not cured to the reasonable satisfaction of the Buyer within fifteen (15) business days of the date the Buyer gives Abboud notice of such breach; or

(c) any Retained Liabilities of the Sellers;

provided, however, that the Sellers shall not have any liability pursuant to clause (a) of this Section 8.1 unless the aggregate of all Losses for which the Sellers would, but for this proviso, be liable, exceeds, on a cumulative basis, One Hundred Thousand Dollars ($100,000), in which case the Sellers shall be liable for the amount of all Losses.

8.2. Indemnification by the Buyer. The Buyer hereby agrees to indemnify the Sellers and their respective officers, directors, employees and stockholders against, and agrees to defend and hold them harmless from, any Loss for or on account of or arising from or in connection with or otherwise with respect to:

(a) any breach by the Buyer of any of its representations or warranties contained in this Agreement (including the Schedules hereto) or any agreement, document or certificate delivered in connection herewith;

(b) any breach by the Buyer of any of its covenants or agreements contained in this Agreement or in the Side Letter Agreement; or

(c) the post-Closing liabilities arising from the operation of the Buyers business, including, but not limited to, the Post-Closing License Obligations;

provided, however, that the Buyer shall not have any liability pursuant to clause (a) of this Section 8.2 unless the aggregate of all Losses for which the Buyer would, but for this proviso, be liable, exceeds, on a cumulative basis, One Hundred Thousand Dollars ($100,000), in which case the Buyer shall be liable for the amount of all Losses.

8.3. Procedure for Non-Third Party Claims. With respect to any claim for indemnification hereunder other than a Third Party Claim (as hereinafter defined), the party or parties receiving such claim shall have thirty (30) business days from receipt of written notice of such claim within which to respond. If the party receiving such claim does not respond within such thirty (30) business day period, the party receiving such claim shall be deemed to have accepted responsibility to make payment and shall have no further right to contest the validity of such claim. If the party receiving such claim notifies the party making the claim within such thirty (30) business day period that it rejects such claim in whole or in part, the party making the claim shall be free to pursue such remedies as may be available to it under applicable law.

8.4. Procedure For Third Party Claims (a) In order for a party (the "indemnified party"), to be entitled to any indemnification provided for under this Article VIII in respect of, arising out of or involving a claim made by any entity or person not a party hereto against the indemnified party (a "Third Party Claim"), such indemnified party must notify the indemnifying party promptly in writing of the Third Party Claim; provided, however, that failure to give such notification shall not affect the indemnification provided hereunder except to the extent the indemnifying party actually shall have been prejudiced as a results of such failure (except that the indemnifying party shall not be liable for any expenses incurred during the period in which the indemnified party failed to give such notice). Thereafter, the indemnified party shall deliver to the indemnifying party, within five (5) business days the indemnified party's receipt thereof, copies of all notices and documents (including court papers) received by the indemnified party relating to the Third Party Claim.

(b) If a Third Party Claim is made against an indemnified party, the indemnifying party will be entitled to participate in the defense thereof and, if it chooses, to assume the defense thereof at its own cost and expense with counsel selected by the indemnifying party and reasonably satisfactory to the indemnified party. Should the indemnifying party elect to assume the defense of a Third Party Claim, the indemnifying party will not be liable to the indemnified party for any legal expenses subsequently incurred by the indemnified party in connection with the defense thereof unless the indemnified party shall have reasonably determined that there may be one or more defenses which are available to it which are different from or in addition to those available to the indemnifying party. If the indemnifying patty assumes such defense, the indemnified party shall have the right to participate in the defense thereof and to employ counsel, at its own expense, separate from the counsel employed by the indemnifying party, it being understood that the indemnifying party shall control such defense unless the circumstances described in the immediately preceding sentence are present. The indemnifying party shall be liable for the reasonable fees and expenses of counsel employed by the indemnified party for any period during which the indemnifying party has not assumed the defense thereof (other than during any period in which the indemnified party shall have failed to give notice of the Third Party Claim as provided above unless it is finally determined pursuant to the provisions of Section 8.3 hereof that the indemnified party is not entitled to indemnification under this Article VII). If the indemnifying party chooses to defend a Third Party Claim, the parties hereto shall reasonably cooperate in the defense thereof. Such cooperation shall include, at the sole cost and expense of the indemnifying party, the retention and (upon the indemnifying party's request) the provision to the indemnifying party of records and information which are reasonably relevant to such Third Party Claim, and making employees, consultants and independent contractors available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder and to provide testimony. If the indemnifying party chooses to defend any Third Party Claim, the indemnifying party shall not agree to any settlement, compromise or discharge of such Third Party Claim without the prior written consent of the indemnified party, unless such settlement, compromise or discharge provides solely for monetary relief and the full and complete release of the indemnified party is the result thereof. Whether or nor the indemnifying party shall have assumed the defense of a Third Party Claim, the indemnified party shall not admit any liability with respect to, or settle, compromise or discharge, such Third Party Claim without the indemnifying party's prior written consent; provided, however, that if the indemnifying party does not elect to control or defend a Third Party Claim, or after so electing does not actively contest and defend the same in good faith, the indemnified party shall be entitled to contest, defend and/or settle such Third Party Claim on such terms and with such counsel as the indemnified party deems appropriate, and at the cost and expense of the indemnifying party unless it is finally determined pursuant to Section 8.3 hereof that the indemnified party is not entitled to indemnification.

8.5. Limitations on Claims. Under no circumstances shall the indemnifying party be liable for claims by the party seeking indemnification that as a consequence of the breach in question the party seeking indemnification has incurred consequential, punitive, special or exemplary damages.

8.6. Exclusivity of Remedies. The remedies of any party hereto for breaches by another party of any representation, warranty, covenant or agreement hereunder, or otherwise arising out of any matter pertaining hereto, shall, in the absence of fraud, be limited to the right of indemnification provided in this Article VIII, and such right of indemnification shall be exclusive of any and all other rights or remedies which might be available to a party upon the occurrence of any such breach or with respect to such other matter whether such other right or remedy would otherwise be available at law or in equity.

ARTICLE IX

MISCELLANEOUS PROVISIONS

9.1. Amendment and Modification. Subject to applicable law, this Agreement may be amended, modified or supplemented only by written agreement of the Sellers and the Buyer at any time prior to the Closing Date with respect to any of the terms contained herein.

9.2. Waiver of Compliance; Consents. Except as otherwise provided in this Agreement, any failure of any of the parties to comply with any obligation, covenant, agreement or condition herein may be waived by the party or parties entitled to the benefits thereof only by a written instrument signed by the party granting such waiver, but such waiver or failure to insist upon strict compliance with such obligation, covenant, agreement or condition shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure. Whenever this Agreement requires or permits consent by or on behalf of any party hereto, such consent shall be given in writing in a manner consistent with the requirements for a waiver of compliance as set forth in this Section 9.2.

9.3. Survival of Representations, Warranties and Covenants. The representations and warranties set forth in this Agreement shall survive the Closing and will expire (i) in the case of the representations and warranties set forth in Sections 3.1, 3.5, 3.7, 3.9, 4.1 and 4.4, on the first anniversary of the Closing Date, and (ii) in the case of the representations and warranties set forth in Sections 3.2, 3.3, 3.4, 3.6, 3.8, 4.2 and 4.3, on the third anniversary of the Closing Date. No party shall be entitled to assert any claims against the other for misrepresentations or breaches of representations and warranties under or pursuant to this Agreement (or for indemnification under Article VIII hereof for such misrepresentations or breaches of representations and warranties), unless the party asserting such claim shall notify the other of such claim with reasonable specificity and outlining the basis of alleged liability within the survival period of the applicable representation and warranty and in the event of such notice the party asserting such claim shall be entitled to pursue and seek recovery for all Losses relating thereto, subject to the limitations set forth in Article VIII. The covenants and agreements of the parties set forth in this Agreement shall survive the Closing and will expire on the third anniversary of the Closing Date except that (i) the covenants of the Buyer set forth in Section 5.11 as to the Post-Closing License Obligations shall continue with respect to each License Agreement until the termination of such License Agreements and (ii) the covenants of the Sellers and the Buyer set forth in Section 5.11 shall continue with respect to each of the Non-Assigned License Agreements until the termination of such Non-Assigned License Agreements. No party shall be entitled to assert any claims against the other for breaches of covenants under or pursuant to this Agreement (or for indemnification under Article VIII hereof for such breaches), unless the party asserting such claim shall notify the other of such claim with reasonable specificity event of such notice the party asserting such claim shall be entitled to pursue and seek recovery for all Losses relating thereto, subject to the limitations set forth in Article VIII.

9.4. Notices. All notices and other communications hereunder shall be in writing and shall be deemed given if delivered personally or mailed by registered or certified mail (return receipt requested), postage prepaid, to the parties at the following addresses (or at such other address for a party as shall be specified by like notice; provided, however, that notices of a change of address shall be effective only upon receipt thereof):

(a) if to the Sellers:

c/o Houndstooth Corporation
90 Pine Brook Road
Bedford, New York 10506
Attention: Mr. Joseph Abboud

with a copy to:

Finnegan, Hickey, Dinsmoor & Johnson, P.C.
175 Federal Street
Boston, Massachusetts 02110
Attention: Theodore E. Dinsmoor, Esq.

(b) if to the Buyer,

JA Apparel Corp.
c/o GFT (USA) Corp.
11 West 42nd Street
19th Floor
New York, New York 10036
Attention: Chief Executive Officer

with a copy to

Patterson, Belknap, Webb & Tyler LLP
1133 Avenue of the Americas
New York, New York 10036-6710
Attention: Jeffrey E. LaGueux, Esq.

9.5. Assignment. This Agreement and all of the provisions hereof shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns, but neither this Agreement nor any of the rights, interests of obligations hereunder shall be assigned by any of the parties hereto without the prior written consent of all of the other parties, nor is this Agreement intended to confer upon any other person except the parties hereto and their respective successors and permitted assigns any rights or remedies hereunder.

9.6. Governing Law. This Agreement shall be governed by the laws of the State of New York (regardless of the laws that might otherwise govern under applicable New York principles of conflicts of law) as to all matters, including but not limited to matters of validity, construction, effect, performance and remedies. All actions and proceedings arising out of or relating to this Agreement shall be heard and determined in only in a federal court of competent jurisdiction sitting within the County and State of New York, and the parties hereto hereby irrevocably and unconditionally submit to personal jurisdiction in the State of New York and consent to venue in the County and State of New York with respect to any such action, waive any objection to the jurisdiction and venue in the County and State of New York, and agree not to plead or claim in any such court that any such suit, action or proceeding has been brought in an inconvenient forum.

9.7. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

9.8. Interpretation. The article and section headings contained in this Agreement are solely for the purpose of reference, are not part of the agreement of the parties and shall not in any way affect the meaning or interpretation of this Agreement. The parties have participated jointly in the negotiation and drafting of this Agreement. If any ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties and no presumptions or burden of proof shall arise favoring or disfavoring any party by virtue of authorship of any of the provisions of this Agreement. As used in this Agreement, the term "person" shall mean and include an individual, a partnership, a joint venture, a corporation, a trust, an unincorporated organization and a government or any department or agency thereof.

9.9. Entire Agreement. This Agreement, including the Exhibits and Schedules hereto and the documents, certificates and instruments referred to herein, embody the entire agreement and understanding of the parties hereto in respect of the transactions contemplated by this Agreement. There are no restrictions, promises, representations, warranties, covenants or undertakings, other than those expressly set forth or referred to herein. This Agreement supersedes all prior agreements and understandings between the parties with respect to such transactions.

9.10. Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the greatest extent possible.

9.11. Bulk Transfer Laws. The Buyer acknowledges that the Sellers will not comply with the provisions of any bulk transfer laws of any jurisdiction in connection with the transactions contemplated by this Agreement and the Sellers shall jointly and severally indemnify the Buyer for all Losses in connection with or arising out of such noncompliance.

9.12. No-Third Party Beneficiary. Nothing herein, expressed or implied, is intended or shall be construed to confer upon or give to any person, firm, corporation or legal entity, other than the parties hereto and their respective successors and permitted assigns, any right, remedy, or other benefit under or by reason of this Agreement or any documents executed in connection with this Agreement.

IN WITNESS WHEREOF, each of the Sellers and the Buyer has caused this Agreement to be signed by its duly authorized officers as of the date first above written.

HOUNDSTOOTH CORPORATION

By: ________________________________
Name:
Title:

____
Joseph Abboud

JA APPAREL CORP.

By: ________________________________
Name:
Title:

KeyCite Red Flag - Severe Negative Treatment
Vacated and Remanded by JA Apparel Corp. v. Abboud, 2nd Cir.(N.Y.), June 10, 2009

591 F.Supp.2d 306
United States District Court,
S.D. New York.

JA APPAREL CORP., Plaintiff,
v.
Joseph ABBOUD, Houndstooth Corp., and Herringbone Creative Services, Inc., Defendants.
Joseph Abboud, Houndstooth Corp., and Herringbone Creative Services, Inc., Counterclaim–Plaintiffs,
v.
JA Apparel Corp. and Martin Staff, Counterclaim–Defendants.

No. 07 Civ. 7787 (THK).
|
June 5, 2008.

Synopsis
Background: Manufacturer filed action against clothing designer alleging breach of purchase agreement, and trademark infringement, false designation of origin, unfair competition, trademark dilution, and false and deceptive trade practices under Lanham Act and state law. Defendant counterclaimed alleging false designation of origin and false advertising in violation of Lanham Act, violation of right of publicity, and false and deceptive trade practices and unfair competition under state law. Parties consented to final disposition by magistrate judge. Court conducted bench trial.

Holdings: The District Court, Theodore H. Katz, United States Magistrate Judge, held that:

[1] designer had conveyed commercial use of his personal name under New York law, rather than just right to use his name as trademark;

[2] substantial likelihood of confusion existed between designer's proposed use of his personal name to refer to himself as designer of particular line of clothing and manufacturer's use of designer's personal name, which designer previously had conveyed to manufacturer in purchase agreement, in commercial sale of clothing;

[3] designer's use his name to identify and distinguish new line of clothing and to indicate that he was source of that clothing was not fair use of his name;

[4] balance of hardships favored manufacturer;

[5] designer breached non-competition provision; and

[6] entry of permanent injunction was not warranted to preclude designer from marketing his new clothing line for breach of non-competition agreement.

Ordered accordingly.

West Headnotes (37)

[1] **Trademarks** Competition by assignor

Clothing designer had conveyed commercial use of his personal name under New York law, rather than just right to use his name as trademark, under designer's agreement to "sell, convey, transfer, assign and deliver all of [his] right, title and interest in and to: (A) The names, trademarks, trade names, service marks, logos, insignias and designations identified on Schedule 1.1(a)(A) [which included designer's name], and all trademark registrations and applications therefor, and the goodwill related thereto (collectively, the "Trademarks")"; word "names," in purchase agreement, along with other words such as "trade names, logos, insignias, and designations," constituted independent species of assets.

[2] **Contracts** Grounds of action

In order to prevail on a breach of contract claim under New York law, a plaintiff must prove: (1) a contract; (2) performance of the contract by one party; (3) breach by the other party; and (4) damages.

[3] **Contracts** Language of contract

Under New York law, the fundamental, neutral precept of contract interpretation is that agreements are construed in accordance with the parties' intent, and that the best evidence of what parties to a written agreement intend is what they say in their writing.

2 Cases that cite this headnote

[4] **Contracts** Rewriting, remaking, or revising contract

Where a contract is negotiated by sophisticated parties negotiating at arm's length, courts should be extremely reluctant under New York law to interpret an agreement as impliedly stating something which the parties have neglected to specifically include; hence, courts may not by construction add or excise terms, nor distort the meaning of those used and thereby make a new contract for the parties under the guise of interpreting the writing.

1 Cases that cite this headnote

[5] **Contracts** Ambiguity in general

In New York, the determination of whether a writing is ambiguous is a question of law to be resolved by the courts.

[6] **Evidence** Grounds for admission of extrinsic evidence

If a court makes a determination that the contract is unambiguous, extrinsic evidence regarding the intent of the parties is inadmissible and cannot be considered under New York law.

[7] **Contracts** Construction as a whole

Under New York law, a court is required to give meaning to every term in an agreement.

[8] **Contracts** Language of Instrument

Under New York law, a court is required to accord the words of the contract their fair and reasonable meaning.

[9] **Trademarks** Persons, names of

Trademarks Transfer or Sale; Assignments

Trademarks Eligibility for Registration; Grounds for Allowing or Denying

The Lanham Act neither requires nor contemplates the registration or assignment of a personal name. Lanham Act, § 10(a)(1), 15 U.S.C.A. § 1060(a)(1).

[10] **Trademarks** Trade names in general

Trademarks Eligibility for Registration; Grounds for Allowing or Denying

A “trade name” is not a “trademark” and is recognized as being a separate form of intellectual property that cannot be registered with the Patent and Trademark office. Lanham Act, § 45, 15 U.S.C.A. § 1127.

[11] **Trademarks** Actual confusion

Trademarks Strength or fame of marks; degree of distinctiveness

Trademarks Markets and territories; competition

Substantial likelihood of confusion existed between defendant clothing designer's proposed use of his personal name to refer to himself as designer of particular line of clothing and plaintiff competitor's use of designer's personal name, which designer previously had conveyed to competitor in purchase agreement, in commercial sale of clothing, as required for claim of trademark infringement under Lanham Act, where designer's name, as trademark, was strong, close proximity existed between goods at issue, and at least some instances of actual confusion existed within clothing industry even though that particular product line had not yet been made available to market. Lanham Act,

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§§ 32(1), 33(b)(4), 15 U.S.C.A. §§ 1114(1), 1115(b)(4).

3 Cases that cite this headnote

[12] **Trademarks** Nature of Confusion

Trademarks Infringement

On a claim for trademark infringement, a plaintiff is required to show that its marks are valid and entitled to protection and that a defendants' use of its marks is likely to cause consumer confusion as to the origin or sponsorship of the defendants' goods. Lanham Act, § 32(1), 15 U.S.C.A. § 1114(1).

1 Cases that cite this headnote

[13] **Trademarks** Factors considered in general

When evaluating the likelihood of confusion, a court considers: (1) strength of plaintiff's mark; (2) degree of similarity between the two marks; (3) proximity of the parties' products or services; (4) likelihood that the prior owner will bridge the gap between the parties' products or services; (5) actual confusion; (6) defendants' bad faith in adopting its mark; (7) quality of defendants' products or services; and (8) sophistication of the relevant consumers. Lanham Act, § 32(1), 15 U.S.C.A. § 1114(1).

[14] **Trademarks** Of one's own product; fair use

The fair use defense, which allows for some level of confusion, is an absolute defense to claims of trademark infringement, trademark dilution, and false designation of origin. Lanham Act, § 33(b)(4), 15 U.S.C.A. § 1115(b)(4).

[15] **Trademarks** Use of own name

Clothing designer's use of his name in advertising, rather than on hang tags or labels for product, to identify and distinguish new line of clothing and to indicate that he was source of that clothing was not fair use of his name, which he previously had conveyed to plaintiff competitor in purchase agreement for use in commercial sale of clothing, and thus defense did not preclude claim of trademark infringement under Lanham Act, even if proposed use of his name also might have carried descriptive component with it. Lanham Act, §§ 32(1), 33(b)(4), 15 U.S.C.A. §§ 1114(1), 1115(b)(4).

1 Cases that cite this headnote

[16] **Trademarks** Of one's own product; fair use

In order to assess whether the use of a term is "fair" under the fair use defense to a claim of trademark infringement under the Lanham Act, a court assesses whether the term is used (1) descriptively, (2) other than as a mark, and (3) in good faith. Lanham Act, § 33(b)(4), 15 U.S.C.A. § 1115(b)(4).

2 Cases that cite this headnote

[17] **Constitutional Law** Contractual waiver

A party can contract away his right to engage in what otherwise might be considered protected commercial speech under the First Amendment. U.S.C.A. Const.Amend. 1.

[18] **Injunction** Grounds in general; multiple factors

A plaintiff seeking a permanent injunction must demonstrate: (1) that it has suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction.

1 Cases that cite this headnote

[19] **Trademarks** Infringement

A finding that a trademark infringement under the Lanham Act gives rise to a likelihood of confusion is sufficient to establish irreparable injury if a permanent injunction is not granted; this is true because monetary damages stemming from Lanham Act violations are difficult if not impossible to calculate. Lanham Act, § 32(1), 15 U.S.C.A. § 1114(1).

1 Cases that cite this headnote

[20] **Injunction** Breaches in general

A permanent injunction is available as a remedy for breach of contract if damages are difficult to quantify.

[21] **Trademarks** Infringement

Balance of hardships favored plaintiff competitor, rather than for defendant clothing designer, weighing in favor of entry of permanent injunction in trademark infringement action under Lanham Act to prevent designer from using his personal name to promote new line of clothing, where designer had sold right to his name to commercially market, sell, or otherwise promote, goods, products, and services in exchange for payment of $65.5 million, which had been "allocated 100% to [designer]"; injunction was not overly broad in that it did not prevent designer from using his name individually or even in making media appearances as himself, or as fashion expert. Lanham Act, § 32(1), 15 U.S.C.A. § 1114(1).

1 Cases that cite this headnote

[22] **Trademarks** Scope and Extent of Relief

As a general rule, injunctions in trademark cases involving use of an individual's personal name should be narrowly tailored.

[23] **Trademarks** Exceptional cases; intent or bad faith

Trademark infringement action under Lanham Act to prevent clothing designer from using his personal name to promote new line of clothing was not "exceptional case" of trademark infringement that would have warranted imposition of attorneys' fees, particularly where designer had refrained from using his name in print media to promote new clothing line. Lanham Act, § 35(a), 15 U.S.C.A. § 1117(a).

[24] **Contracts** Contract not to engage in or injure business carried on by another

Defendant clothing designer breached extraordinarily broad non-competition provision under New York law between designer and plaintiff competitor that precluded designer's association with any entity that "proposes to engage" in competitive activity with competitor that had purchased right to use designer's services for particular period through designer's "indirect" association with entity that was either already in competition with, or was proposing to compete with, competitor.

[25] **Statutes** General and specific terms and provisions; ejusdem generis

The ejusdem generis doctrine provides that where general words follow specific words in a statutory enumeration, the general words are construed to embrace only objects similar in nature to those objects enumerated by the preceding specific words.

[26] **Contracts** Restraint of Trade or Competition in Trade

Non-competition provisions are routinely enforced under New York law when entered into in connection with the sale of a business.

[27] **Contracts** Contract not to engage in or injure business carried on by another

Defendant clothing designer breached extraordinarily broad non-competition provision under New York law between designer and plaintiff competitor that forbade "directly or indirectly through any partnership, corporation or other entity," association as "an owner, director or other participant," with any "person, group, business enterprise or other entity which is engaged in or proposes to engage in," competition with competitor, where designer, for all practical purposes, fully negotiated licensing agreement for his new clothing line with third-party in anticipation of competing with competitor.

1 Cases that cite this headnote

[28] **Injunction** Non-competition and non-solicitation issues

Entry of permanent injunction was not warranted to preclude defendant clothing designer from marketing his new clothing line after designer breached non-competition agreement that prohibited designer from associating with any entity that "proposes to engage" in competitive activity with competitor that had purchased right to use designer's services for particular period, where designer did not actually compete with plaintiff competitor through sale of merchandise, injury to competitor was speculative, injunction would have caused clear harm to third-parties, and entity with which designer associated himself had been operating at loss.

1 Cases that cite this headnote

[29] **Injunction** Non-competition and non-solicitation issues

Despite the fact a non-compete period has terminated, a court can prospectively preclude competition under New York law for the period of time that the defendant was in breach of the non-compete.

2 Cases that cite this headnote

[30] **Antitrust and Trade Regulation** Advertising, Marketing, and Promotion

If statements in an advertising campaigns are explicitly false, a court may grant relief under the Lanham Act to a competitor without a showing that the advertisement had an impact on the buying public; however, if the statements are only implicitly false, a demonstration must be made that the advertisements tended to mislead or confuse consumers, and that burden can be avoided only by a showing of intentional deception of the public with egregious conduct.

Lanham Act, § 43(a)(1)(B), 15 U.S.C.A. § 1125(a)(1)(B).

[31] **Antitrust and Trade Regulation** Public impact or interest; private or internal transactions

In order to prove a claim for deceptive business practices under New York law, a showing of a misleading act or practice that caused direct harm to consumers at large is required, among other things. N.Y.McKinney's General Business Law § 349.

[32] **Antitrust and Trade Regulation** Intent

To prove an unfair competition claim under New York law, a showing of bad faith is required, among other things.

[33] **Antitrust and Trade Regulation** In general; what is unfair competition

Trademarks Unfair competition

Unfair competition claims under New York law are analyzed in the same manner as a trademark infringement claim under the Lanham Act.

[34] **Antitrust and Trade Regulation** Practices Involving Particular Relationships

Interference with existing or prospective business relations does not constitute unfair competition under New York law.

[35] **Trademarks** Alphabetical listing

J.O.E.

[36] **Trademarks** Alphabetical listing

JOE.

[37] **Trademarks** Alphabetical listing

Joseph Abboud.

Attorneys and Law Firms

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Thomas A. Smart, Kaye Scholer, LLP, New York, NY, for Counterclaim–Defendants.

MEMORANDUM OPINION AND ORDER

THEODORE H. KATZ, United States Magistrate Judge.

In this action, Plaintiff JA Apparel Corp. ("Plaintiff" or "JA Apparel") sues Defendants Joseph Abboud ("Abboud"), Houndstooth Corp. ("Houndstooth"), and Herringbone Creative Services, Inc. ("Herringbone") (at times, collectively "Abboud") for (1) breach of contract, (2) trademark infringement, false designation of origin, unfair competition, trademark dilution, false and deceptive trade practices, and (3) a declaratory judgment regarding the nature of its rights, stemming from a June 16, 2000 Purchase and Sale Agreement, and a related July 13, 2000 Side Letter Agreement, between, on the one hand, JA Apparel, and on the other, Abboud and Houndstooth.

Defendants assert counterclaims against JA Apparel and one of its principals, Martin ***311** Staff ("Staff"), for false endorsement, false advertising, violation of New York civil rights and general business laws, and common law unfair competition, stemming from activities in which JA Apparel and Staff allegedly engaged subsequent to the expiration of the Side Letter Agreement.

The Court's jurisdiction over the federal trademark and related claims arises under 28 U.S.C. §§ 1331 and 1338(a) and (b) and 15 U.S.C. § 1121, and its supplemental jurisdiction over the state law claims arises under 28 U.S.C. § 1367.

On September 4, 2007, Plaintiff filed its Complaint seeking, among other things, preliminary and permanent injunctive relief against Defendants. By agreement of the parties, JA's motion for a preliminary injunction was consolidated with a trial on the merits. After engaging in intensive documentary and deposition discovery, on December 5, 2007, the parties consented to trial before this Court, pursuant to 28 U.S.C. § 636(c) and Fed.R.Civ.P. 73. The Court presided over a bench trial on February 20–22 and March 10–12, 2008, and closing arguments were heard on April 3, 2008. What follows are the Court's Findings of Fact and Conclusions of Law.

FACTUAL BACKGROUND [1]

Joseph Abboud began his career in the fashion industry in Boston, in the late 1960s, with the menswear retailer, Louis Boston. He worked there for twelve years, serving as a buyer, designer, merchandiser, and coordinator of promotion and advertising. In 1980, Abboud left Louis Boston and went to work for a company called Southwick, where he was responsible for designing tailored clothing. About a year later, in 1981, Abboud left Southwick and began working for Polo Ralph Lauren as a menswear designer. In 1985, Abboud was approached by Barry Bricken, an individual in the menswear business, who asked Abboud to join him in creating an entire menswear collection. Abboud accepted Bricken's offer and, during this time, established what he refers to as his designer "DNA"—a style that rests between traditional American "preppie" clothes and "faster" European clothes.

In 1987, Abboud launched his first menswear line under the "Joseph Abboud" label, while working for the Milton Freeberg Company. It was at this time that Abboud also registered his personal name, "Joseph Abboud," as a trademark with the United States Patent and Trademark Office. Thereafter, in March 1988, Abboud, through his new wholly-owned corporation, Houndstooth, entered into a joint venture with GFT International B.V. ("GFT") to manufacture, market, and sell various products under the Joseph Abboud brand name. [2] The joint venture was named JA Apparel—which is the Plaintiff in this case. During the joint venture, pursuant to a March 1, 1988 License Agreement, Abboud licensed the "Joseph Abboud" trademarks to JA Apparel, which used the "Joseph Abboud" trademarks in the manufacture, marketing, and sale of its products. ***312**

Abboud remained responsible for the design of JA Apparel's men's clothing and accessory lines.

The joint venture continued in this form until 1996, when GFT, which had recently been acquired by new Italian owners, bought out Abboud's interest in the joint venture and JA Apparel became a wholly-owned subsidiary of GFT. In connection with this transaction, GFT canceled the 1988 License Agreement in exchange for Abboud issuing two new licenses to JA Apparel for the use of the "Joseph Abboud" trademark in the manufacture, marketing and sale of men's tailored clothing and sportswear, that was to be approved by Abboud. Throughout the new license period, through the year 2000, JA Apparel, then wholly-owned by GFT, continued to sell its products under the "Joseph Abboud" trademarks. Sales of products under the Joseph Abboud trademarks grew substantially in the period from 1988 through 2000, and Abboud became a well-known and highly respected figure in the fashion industry.

The Purchase And Sale Agreement

On June 16, 2000, JA Apparel entered into the Purchase and Sale Agreement with Abboud and Houndstooth (the "Agreement"). Abboud was represented by counsel during the negotiation and execution of the Agreement, read the Agreement before signing it, and initialed each page on behalf of himself and Houndstooth. The Agreement is the genesis of the current litigation.

In exchange for a payment of $65.5 million, which was to be "allocated 100% to Abboud," Abboud agreed to "sell, convey, transfer, assign and deliver" to JA Apparel "all of [his] right, title and interest in and to" the following:

> (A) The names, trademarks, trade names, service marks, logos, insignias and designations identified on Schedule 1.1(a)(A), and all trademark registrations and applications therefor, and the goodwill related thereto (collectively, the "Trademarks") ... and all other Intellectual Property (as hereinafter defined).
>
> (B) All licenses to use the Trademarks granted by Houndstooth or Abboud ... (collectively, the "License Agreements").
>
> (C) 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 (collectively, the "New Trademarks"), for any and all products and services.
>
> (D) All books, financial records, invoices, and other documents, records and data files relating primarily to the Trademarks or the License Agreements.
>
> (E) The goodwill of or pertaining to the Trademarks. (The items referred to in clauses (A) through (E) of this Section 1.1(a) are collectively referred to as the "Assets").

(*See* PX 1 at ¶ 1.1(a)(A)–(E).)

The Agreement also has an "Interpretation" provision, which provides, in pertinent part:

> 9.8. *Interpretation*.... The parties have participated jointly in the negotiation and drafting of this Agreement. If any ambiguity or question of interpretation arises, this Agreement shall be construed as if drafted jointly by the parties and no presumptions or burden of proof shall arise favoring or disfavoring any party by virtue of authorship of any provisions of this Agreement....

***313** (*Id.* ¶ 9.8.) It also has an integration clause, which states:

> 9.9. *Entire Agreement.* This Agreement, including the Exhibits and Schedules hereto and the documents, certificates and instruments referred to herein, embody (*sic*) the entire agreement and understanding of the parties hereto in respect of the transactions contemplated by this Agreement. There are no restrictions, promises, representations, warranties, covenants or undertakings, other than those expressly set forth or referred to herein. This Agreement

> supersedes all prior agreements and understandings between the parties with respect to such transactions.

(*Id.* ¶ 9.9.)

* * *

The Side Agreement

Approximately one month later, on July 13, 2000, the same parties entered into another agreement, alternately referred to by the parties as the Side Letter Agreement or Personal Services Agreement (referred to herein as the "Side Agreement"). Abboud was represented by counsel during the negotiation and execution of the Side Agreement, pursuant to which Abboud agreed to serve as "Chairman Emeritus" of JA Apparel, and, for a period of five years, provide JA Apparel with, among other things, consulting services relating to fashion design and brand promotion of products sold under the Abboud marks.

The Side Agreement, therefore, was to expire on July 13, 2005, but the terms provided that upon expiration, Abboud would not compete with JA Apparel for a period of two years-until July 13, 2007 (the "Restricted Period"). Specifically, the non-competition provision provides as follows:

2. *Prohibition of Competing Activities by Abboud*

> (a) For the two-year period immediately following the expiration of the Personal Services Period (the "Restricted Period"), Abboud agrees that he will not, directly or indirectly, through any partnership, corporation, limited liability company, trust or other entity, be associated as an owner, director, officer, employee, consultant or other participant with, any person, group, business enterprise, or other entity which is engaged in or proposes to engage in the business of designing, licensing, manufacturing, marketing or distributing any products or services which are or would be competitive with the business of the Buyer as then conducted or as such business may reasonably be expected to be conducted in the future anywhere in the world.

(*See* PX 2 at ¶ 2(a).)

In language that further strengthened the non-compete provision, during the Restricted Period Abboud also agreed to obtain written permission from JA Apparel—which JA Apparel could grant, withhold, or condition solely in its discretion—"before becoming associated in *any capacity* with any person, group, business enterprise or other entity," that competed with, or could be expected to compete with, JA Apparel in the future. (*Id.* ¶ 2(b)) (emphasis added). The Side Agreement further provided that the $65.5 million Abboud received in connection with the Agreement provided him with full and fair consideration for his non-competition obligations. (*Id.* ¶ 2(c).) In that regard, Abboud acknowledged in the Side Agreement that his non-competition obligations were specifically bargained for in connection with the Agreement, and that if he breached such obligations JA Apparel would be entitled to injunctive ***314** relief to "enforce such agreements." (*Id.* ¶ 2(d).)

The First Dispute And Sale Of JA Apparel

Shortly after entering into the Agreement and Side Agreement, Abboud and the then-owners of JA Apparel became embroiled in a dispute regarding Abboud's role in the creative process, and Abboud instituted litigation against JA Apparel, GFT, and the President/CEO of GFT. While that case was pending, in a transaction that closed in March, 2004, JA Apparel was sold to affiliates of an entity named J.W. Childs for $73 million and the assumption of certain debt. Thereafter, Abboud dismissed his case against JA Apparel, its former owners, and its then President/CEO, and entered into a June 29, 2004 Letter Agreement ("Letter Agreement"), pursuant to which Abboud was given new responsibilities at JA Apparel, including a role in designing JA Apparel's tailored clothing line, for which he was assigned assistant designers. JA Apparel also agreed to provide Abboud with access to its merchandising, marketing, publicity, and advertising services.

In the Letter Agreement, Abboud and JA Apparel also expressly reaffirmed their commitment to the terms of the Side Agreement and specifically reiterated that JA Apparel had bought the "Joseph Abboud" marks. The Letter Agreement also granted Abboud the right, which he subsequently exercised, to make a $1 million dollar investment in JA Holding, Inc.—the company J.W. Childs formed to acquire JA Apparel.

In the Spring of 2005, Abboud informed JA Apparel that he was not going to continue in his position with JA Apparel, and, pursuant to the terms of the Letter Agreement, Abboud's

$1 million dollar investment was returned to him. The Personal Services period terminated on July 13, 2005, thereby triggering the Restricted Period that was to run until on July 13, 2007.

Abboud's Activities During The Restricted Period

Abboud was determined to reenter the men's fashion world and conceived a high-end line of men's clothing that would be sold under the trademark "jaz." In the time period between July 13, 2005 and July 13, 2007, Abboud engaged in certain activities, which are described in greater detail below, that would enable him to launch his new "jaz" menswear line after the expiration of the Restricted Period. For example, through Herringbone, of which Abboud remained an officer, director, and sole shareholder, Abboud and/or his attorney, Theodore Dinsmoor ("Dinsmoor"), conducted meetings in which he presented his new "jaz" line and negotiated licensing agreements, which were executed after the expiration of the Restricted Period, with Jack Victor, a well-known menswear manufacturer, Cardinal of Canada ("Cardinal"), and J.S. Blank & Co. ("J.S. Blank"), a prominent tie design company.

In addition, Abboud, either personally or through Herringbone and/or Dinsmoor, engaged in certain activities with respect to the Fall River Shirt Company ("Fall River") in Fall River, Massachusetts. Although the parties dispute the legal import of these activities, the factual circumstances surrounding the activities are largely undisputed. A thorough description of the facts is set forth in Section V.B., *infra.*

JA Apparel Becomes Aware Of Abboud's Plans For The Jaz Line

On August 6, 2007, approximately three weeks after the expiration of the Restricted Period, the leading magazine of the men's fashion industry, DNR, published an ***315** article indicating that, in connection with a new Fall 2008 menswear collection called "jaz," Abboud had (a) lined up licensing agreements with Jack Victor, Cardinal, and J.S. Blank, and (b) negotiated agreements with Alden Street Shirt Company ("Alden"), to acquire Alden for production of his new shirt line, and Merrill–Sharpe, Ltd. ("Merrill"), to acquire Merrill for production of his new sportswear line. (*See* PX 8.) The article also had pictures of models wearing clothing identified as being from the "Fall ′08 JAZ collection." (*Id.*)

The DNR article initially stated that "Abboud, the person, is prohibited from using the Joseph Abboud name on any product or marketing materials." (*Id.*) Thereafter, however, JA Apparel was notified by the article's author, David Lipke, that Defendants had asked him to issue a correction because, in Defendants' words, they "are free to use [Abboud's] name in marketing materials, not on clothing." (*See* PX 9.) Based on Abboud's request, DNR ran a "Clarification," which stated "according to Abboud and his attorney, Theodore Dinsmoor, the designer ... is, in fact, allowed to use his name on marketing and advertising materials for Jaz." (PX 10.) During his deposition, Abboud testified that he told Lipke that he believes he "has the right to use [his] name in advertising and marketing as long as it was used in an informational way to inform the public that [he] was the designer of JAZ." (Abboud Tr., at 140.) Similarly, at trial, Abboud testified that he has "the right to inform the public of who is designing a new collection." (TT 609, 617.)

Plaintiffs also learned of Abboud's intentions with respect to his new "jaz" line by way of an August 6, 2007 article in the Wall Street Journal, which stated that Abboud "plans to promote his new label with the tagline 'a new composition by designer Joseph Abboud.' " (*See* PX 11.) At trial, Abboud acknowledged that he provided the Wall Street Journal with a press release that had the words "A New Concept From Designer Joseph Abboud." (*See* TT 568.) During trial, Defendants also provided a "mock-up" of a proposed advertisement for "jaz" that they do not believe will violate the Agreement, which uses the words "by the award-winning designer Joseph Abboud."

Plaintiff maintains that while Abboud is free to compete in the menswear market, he sold all rights to use his name in connection with goods and services, and that his proposed uses of his name in connection with the "jaz" line violate the Agreement because they are plainly "similar" to or "derivative" of the names, trademarks, and designations he expressly sold, namely "Joseph Abboud," "designed by Joseph Abboud," and "by Joseph Abboud." Plaintiff also contends that Abboud's use of his name in connection with the "jaz" line of clothing would result in trademark infringement and other forms of unfair competition.

Defendants, conversely, maintain that Abboud did not sell the exclusive right to use his name for all commercial purposes, and, in furtherance of that position, assert Counterclaims against JA Apparel and Staff for improperly using the Joseph Abboud name in ways that, among other things, deceive consumers, trade on Abboud's personal reputation [3], and constitute unfair competition.

***316 DISCUSSION**

"A good name, like good will, is got by many actions and lost by one."—Lord Jeffery

* * *

[1] 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.

Notwithstanding the torrent of claims, counterclaims, motions, briefs, testimony, exhibits, and letters that have been submitted in and to this Court over the past six months, the central and overriding issue in this case is a simple one, which can be stated as follows: by way of the Agreement, did Abboud sell to JA Apparel the exclusive right to use his name in connection with goods and services? If this question is answered in the affirmative, JA Apparel is entitled to a permanent injunction preventing Abboud from using his name in connection with his new "jaz" line, or, in the future, in connection with any other goods and services. [4]

Plaintiff asserts claims for breach of the Agreement, violations of the Lanham Act and the New York General Business Law, and breaches of the Side Agreement's non-competition provision. Plaintiff seeks (a) a declaratory judgment, (b) a permanent injunction "enjoining Defendants from breaching the ... Agreement and enjoining Defendants' infringing and other wrongful conduct," (*see* Pl.'s Post–Trial Mem., at 88), and (c) an injunction enjoining "[D]efendants from competing with JA Apparel for no less than the amount of time that Mr. Abboud breached his non-compete obligations in the Side [ ] Agreement prior to July 13, 2007, i.e., until 90 days from the date of entry of the Court's injunction." (*Id.*)

I. *Breach Of Contract*

A. *Legal Standard*

[2] In order to "prevail on a breach of contract claim under New York law, a plaintiff must prove (1) a contract; (2) performance of the contract by one party; (3) breach by the other party; and (4) damages." *Terwilliger v. Terwilliger,* 206 F.3d 240, 245–46 (2d Cir.2000) (internal quotations omitted); *see also Clalit Health Servs. v. Isr. Humanitarian Found.,* 385 F.Supp.2d 392, 397 (S.D.N.Y.2005) (same). [5]

[3] [4] Under New York law, "the fundamental, neutral precept of contract interpretation is that agreements are ***317** construed in accordance with the parties' intent, and that the best evidence of what parties to a written agreement intend is what they say in their writing." *Innophos, Inc. v. Rhodia, S.A.,* 10 N.Y.3d 25, 29, 852 N.Y.S.2d 820, 882 N.E.2d 389, 391–92 (2008) (internal citations omitted). Moreover, where, as here, a contract is negotiated by sophisticated parties negotiating at arm's length:

> [C]ourts should be extremely reluctant to interpret an agreement as impliedly stating something which the parties have neglected to specifically include. Hence, courts may not by construction add or excise terms, nor distort the meaning of those used and thereby make a new contract for the parties under the guise of interpreting the writing.

Vt. Teddy Bear Co., Inc. v. 538 Madison Realty Co., 1 N.Y.3d 470, 475, 775 N.Y.S.2d 765, 768, 807 N.E.2d 876 (2004) (internal citations omitted); *see also Beth Isr. Med. Ctr. v. Horizon Blue Cross & Blue Shield of N.J., Inc.,* 448 F.3d 573, 580 (2d Cir.2006) ("Under New York law, ... [c]ourt[s] must enforce contract provisions clearly expressing parties' intent."); *Terwilliger,* 206 F.3d at 245 ("A court may neither rewrite, under the guise of interpretation, a term of the contract when the term is clear and unambiguous, nor redraft a contract to accord with its instinct for the dispensation of equity upon the facts of a given case."); *Belle Harbor Wash. Hotel, Inc. v. Jefferson Omega Corp.,* 17 A.D.3d 612, 612, 795 N.Y.S.2d 597, 598 (2d Dep't.2005) ("A written agreement that is complete, clear, and unambiguous on its face must be enforced in accordance with the plain meaning of its terms."). [6]

[5] [6] The determination of "[w]hether or not a writing is ambiguous is a question of law to be resolved by the courts."

W.W.W. Assocs., Inc. v. Giancontieri, 77 N.Y.2d 157, 162, 565 N.Y.S.2d 440, 443, 566 N.E.2d 639 (1990). If a court makes a determination that the contract is unambiguous, extrinsic evidence regarding the intent of the parties is inadmissible and cannot be considered. *See id.*; *see also* Terwilliger, 206 F.3d at 245 ("[M]atters extrinsic to the agreement may not be considered when the intent of the parties can fairly be gleaned from the face of the instrument.").

B. *Application*

1. *The Parties' Interpretations*

Both parties agree that the Agreement is unambiguous. Defendants maintain that "the Purchase and Sale Agreement is not ambiguous as to what Abboud agreed to convey[.]" (*See* Defs.' Post–Trial Mem., at 74.) Plaintiff also maintains that "[t]here is nothing ambiguous about the Purchase and Sale Agreement." (*See* Pl.'s Post–Trial Mem., at 90.)

Not surprisingly, however, each party argues that the Agreement unambiguously supports its rather than its adversary's conflicting position. Defendants argue that the Agreement obligated Abboud to convey or assign only "trademarks and service marks and the good will pertaining thereto, as well as license agreements." (*See* Defs.' Post–Trial Mem., at 66.) Plaintiff, conversely, argues that "Mr. Abboud agreed to and did sell to JA Apparel—for $65.5 million—'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,' 'all trademark registrations and applications therefor, and ***318** the goodwill related thereto.' " (*See* Pl.'s Post–Trial Mem., at 89–90.) In other words, Defendants argue that the words "names ... trade names ... logos, insignias, and designations" in Sections 1.1(a)(A) and/or (C) of the Agreement are merely descriptive of the trademarks and service marks that Abboud agreed to convey, while Plaintiff argues that each of these words represents a separate category of assets that Abboud agreed to convey.

2. *Plaintiff's Motion In Limine*

Trial in this matter was commenced, as scheduled, on February 20, 2008. On February 4, 2008, Plaintiff filed a Motion *In Limine* To Preclude The Admission Of Parol Evidence ("Plaintiff's Mtn."), wherein it argued that the Agreement was unambiguous and that the Court should preclude the admission of all parol evidence. [7] Defendants filed their Opposition to Plaintiff's Motion *In Limine* ("Defs.' Resp.") on February 14, 2008, one day after the parties submitted their pre-trial proposed findings of fact and conclusions of law. [8] On February 19, 2008—one day before the trial was to commence—Plaintiff filed its reply in support of its Motion. At the start of the trial the next day, the Court stated that it was "reserving decision on the *in limine* motion because I'm going to hear testimony, but it's obviously without prejudice to my concluding, possibly concluding, that the contract's unambiguous." (TT at 14.)

The Court's ruling on Plaintiff's Motion was largely, if not exclusively, a function of the timing of its completed submission. The Court was disinclined to alter the trial and excise a large portion of the evidence based on a motion, which required the interpretation of a contract, that it had less than twenty-four hours to consider. Accordingly, the Court allowed the parties—over Plaintiff's consistent and repeated objections—to submit extrinsic evidence regarding the parties' intent. However, after having had an appropriate amount of time to adequately review Plaintiff's Motion, the Court now concludes that the Agreement and the Side Agreement are, in fact, unambiguous. Accordingly, the Court is precluded from considering extrinsic evidence regarding the parties' intent, and must construe the language as it is written. The Court will therefore not discuss the fairly extensive extrinsic evidence presented at trial. [9]

3. *Under The Agreement, Abboud Agreed To Convey More Than Trademarks, Service Marks, And Licensing Agreements*

As stated above, pursuant to the key contractual provision in this case, Abboud agreed to "sell, convey, transfer, assign and deliver ... all of [his] right, title and interest in and to: (A) The names, trademarks, ***319** trade names, service marks, logos, insignias and designations identified on Schedule 1.1(a)(A), and all trademark registrations and applications therefor, and the goodwill related thereto (collectively, the "Trademarks")."

Despite this language, Defendants' position throughout this case has been that Abboud only sold the rights to use the names, trade names, logos, insignias, and designations listed on Schedule 1.1(a) *as* trademarks and service marks—and not as independent species of assets. In fact, Defendants initially took the position that Abboud only sold the rights to the trademarks listed on Schedule 1.1(a)(A), but they modified their position during trial to include service marks. 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. [10]

[7] Indeed, pursuant to a long-standing and unassailable rule of contract interpretation, the Court is required to give meaning to every term in the Agreement. *See, e.g., God's Battalion of Prayer Pentecostal Church, Inc. v. Miele Assocs., LLP,* 6 N.Y.3d 371, 374, 812 N.Y.S.2d 435, 437, 845 N.E.2d 1265 (2006) ("A contract 'should be read to give effect to all its provisions.' ") (citing *Mastrobuono v. Shearson Lehman Hutton, Inc.,* 514 U.S. 52, 63, 115 S.Ct. 1212, 131 L.Ed.2d 76 (1995)); *Corhill Corp. v. S.D. Plants, Inc.,* 9 N.Y.2d 595, 599, 217 N.Y.S.2d 1, 3, 176 N.E.2d 37 (1961) ("It is a cardinal rule of construction that a court should not 'adopt an interpretation' which will operate to leave a 'provision of a contract without force and effect'.") (citing *Muzak Corp. v. Hotel Taft Corp.,* 1 N.Y.2d 42, 46, 150 N.Y.S.2d 171, 174, 133 N.E.2d 688 (1956) & *Fleischman v. Furgueson,* 223 N.Y. 235, 239, 119 N.E. 400, 401 (1918).) Alternatively stated, "rules of construction of contracts require a court to adopt an interpretation which gives meaning to every provision of a contract ...." *Muzak,* 1 N.Y.2d at 46, 150 N.Y.S.2d at 174, 133 N.E.2d 688; *see also Two Guys from Harrison–N.Y., Inc. v. S.F.R. Realty Assocs.,* 63 N.Y.2d 396, 403, 482 N.Y.S.2d 465, 468, 472 N.E.2d 315 (1984) ("[O]ne of a court's goals is to avoid an interpretation that would leave contractual clauses meaningless."); *River View Assocs. v. Sheraton Corp. of America,* 306 N.Y.S.2d 153, 156, 33 A.D.2d 187, 190 (1st Dep't 1969) ("[W]ords in a contract are not to be ignored when seeking to arrive at the express intent.").

[8] Moreover, the Court must "accord the words of the contract their fair and reasonable meaning." *Sutton v. East River Sav. Bank,* 55 N.Y.2d 550, 450 N.Y.S.2d 460, 463, 435 N.E.2d 1075, 1078 (1982) (internal citations omitted); *see also Crowley v. VisionMaker, LLC,* 512 F.Supp.2d 144, 152 (S.D.N.Y.2007) ("In reviewing a written contract, a trial court's primary objective is to give effect to the intent of the parties as revealed by the language they chose to use, and thus, the court ordinarily looks only at the wording used by the drafters who presumably understood what they intended.") (internal citations omitted); *Albanese v. Consolidated Rail Corp.,* 666 N.Y.S.2d 680, 682, 245 A.D.2d 475, 476 (2d Dep't 1997) ("The words of a contract must be accorded their ***320** 'fair and reasonable meaning,' and its meaning should be based on reasonable interpretations of the literal language.").

Applying these rules, the Court finds Plaintiff's interpretation of the contract to be compelling. A reading of the Agreement that acknowledges each of the words used, in their fair and reasonable meaning, makes plain that Abboud agreed to sell all rights to, among other things, the "names" on Schedule 1.1(a)(A), and the name Joseph Abboud appears repeatedly on that schedule. Alternatively stated, if Abboud only intended to convey trademarks, then the Agreement could have and should have said: "Abboud agrees to sell ... all of [his] right, title and interest in and to the trademarks identified on Schedule 1.1(a)(A)." But it said more than that, and in order to give the word "names" due meaning and effect, the Court must interpret the Agreement in a manner that provides JA Apparel with that which it expressly purchased-all of Abboud's rights to use his name for commercial purposes. [11]

4. *Defendants' Counter–Arguments Are Unavailing*

Defendants have offered a variety of arguments as to why the word "names"—along with the other words such as "trade names ... logos, insignias, and designations"—should not be read to constitute independent species of assets. Each of these arguments will now be discussed.

a. *Intent Must Be Clearly Shown*

Relying heavily on the case of *Madrigal Audio Laboratories, Inc. v. Cello, Ltd.,* 799 F.2d 814 (2d Cir.1986), Defendants argue 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 such a situation, according to Defendants, there "is a higher threshold than simply reading the paragraphs and attempting to determine what the language of the contract means-the Agreement must be clear on its face that Abboud intended to sell the exclusive right to use his name in business." (Defs.' Post–Trial Mem., at 57) (citing *Madrigal,* 799 F.2d at 822–23 ("intention to convey an exclusive right to the use of [his] own name" must be "clearly shown") (internal citations omitted)). Thus, Defendants contend that:

> [T]he failure of the Agreement to clearly indicate that it was Abboud's intent to sell to JA Apparel the exclusive right to the use of his personal name in business such as a statement to the affect (*sic*) that 'For the avoidance of doubt, as part of the Assets to be conveyed by Seller, Seller shall assign, transfer and convey at the Closing the exclusive right to use the name 'Joseph Abboud' for commercial benefit in any and all media in perpetuity', constitutes a failure to meet this higher threshold.

(*Id.*) (citing *Madrigal,* 799 F.2d at 822–23.) In the Court's view, simply because the Agreement could have been clearer, does not render it ambiguous. [12] Due to Defendants' heavy reliance on *Madrigal,* a brief recitation of the facts and holding of that case is warranted.

In *Madrigal,* the plaintiff purchased from defendant Mark Levinson, an established ***321** designer of audio-equipment, the Levinson trade name and trademark. Thereafter, a district court enjoined Levinson and a new company he founded to produce audio equipment, Cello, Ltd., from, among other things, publicizing the fact that Levinson worked for Cello. *See* *Madrigal,* 799 F.2d at 816. On appeal, the Second Circuit narrowed the injunction, and stated:

> When an individual sells no more than the right to use his name as a trade name or trademark he is precluded only from using his personal name as part of that of another company or on other products, and not from taking advantage of his individual reputation (as opposed to the reputation of the company which bore his personal name as a trade name) by establishing a company which competes against the purchaser of the trade name, or from advertising in a not overly intrusive manner, that he is affiliated with a new company.

Id. at 823 (citations omitted). Thus, even though Levinson had sold the right to use his name as a trade name, he was not precluded from engaging in business through another company or publicizing his connection to the new company. *Id.* at 825. The court held, therefore, that the plaintiff did not acquire the exclusive right to use Levinson's personal name as a symbol of his individual reputation. *Id.* at 823.

But, in language that dramatically reduces the utility of *Madrigal* to Defendants' argument here, the court went on to state that "[w]hether a person who sells the trade name rights to his personal name is barred from using his personal name depends on the terms of the sale." *Id.* Here, as stated above, in a transaction in which Abboud personally received $65.5 million, Abboud expressly sold (a) all rights to use his name, in addition to trademarks and trade names incorporating his name (*see* PX 1 at ¶ 1.1(a)(A)), and (b) all rights to the designations "Joseph Abboud," "by Joseph Abboud," and "designed by Joseph Abboud," or "anything similar to or derivative thereof," "for any and all products and services." (*See id.* at ¶ 1.1(a)(C).) In light of these "terms of the sale"—and the statement in *Madrigal* that one's ability to use his name after such a sale is contingent on the terms of the sale—*Madrigal* does not lend the support to Defendants' position that they would like the Court to give it.

Further distinguishing *Madrigal* from the instant case are: (1) in *Madrigal,* unlike here, the agreement was expressly limited to the sale of the Mark Levinson name as a trade name or trademark, and other than alleging trademark infringement, the plaintiff did not contend that a contract for sale of a personal name was breached; (2) Levinson did not appeal the district court's holding that he could not use the phrase "Cello by Levinson" because that phrase may have been misleading to the public; (3) the stereo equipment Levinson intended to sell through his new company was "distinct" from the plaintiff's goods; and (4) the transfer of Levinson's name as a trademark occurred through a bankruptcy proceeding, and Levinson only received a token amount as a result of the transfer. *Id.* at 816, 822, 825.

It is also worth noting that, aside from cursory parenthetical references, Defendants do not squarely address the two main cases upon which Plaintiff relies in support of its position

—*Levitt Corp. v. Levitt,* 593 F.2d 463 (2d Cir.1979) & *In re The Leslie Fay Cos., Inc. ("Nipon"),* 216 B.R. 117 (Bankr.S.D.N.Y.1997). *Levitt* and *Nipon* both (a) wrestle with the issue of the extent to which an individual can use his name in connection with a new venture following the sale of his name as a trademark or trade name to the entity ***322** with which he was previously involved, and (b) issue injunctive relief precluding individuals' use of their names in certain ways. Defendants, however, categorically reject the relevancy of these cases because the defendants therein were attempting to use their names "as a trademark, service mark or trade name" and not, as Defendants claim Abboud is attempting to do here, as "other than a trademark, in business." (*See* Defs.' Post–Trial Mem., at 81, 91.)

Levitt and *Nipon* cannot be dismissed so quickly. In *Levitt,* defendant Levitt, a prominent builder, agreed to merge his business into a new company, which succeeded to all rights of Levitt's former company, "including the goodwill, trademarks, trade names, service marks, and service names associated with the corporation." *Levitt,* 593 F.2d at 465. Levitt later acknowledged in writing that he did not have any right to use the name "Levitt" as a "corporate title, trademark or trade name in the construction business," but he also specifically retained the right to use his name publicly as a corporate officer or director of a business enterprise, to the extent that such use did not cause confusion with the trademarks or trade names of his former company. 593 F.2d at 465–66. The parties became involved in a dispute when Levitt began advertising that he was the founder of a company that had built "Levittowns" in various cities.

The district court subsequently entered two injunctions against Levitt. The first forbade the defendants from issuing "any press releases or advertising, or generating any publicity" concerning Levitt's connection to a new project for a period of two years. *Id.* at 467. The second permanently enjoined Levitt from publicizing his prior involvement with Levitt and Sons, his former corporation. In rejecting Levitt's challenge to these two broad injunctions, the Second Circuit made the following statement: "Where, as here ... the infringing party has previously sold his business, including the use of his name and its goodwill, to the plaintiff, sweeping injunctive relief is more tolerable." *Levitt,* 593 F.2d at 468. The court also instructed that,

> [t]o protect the property interest of the purchaser, then, 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' .... And if the district court finds that the seller has attempted to arrogate to himself the trade reputation for which he received valuable consideration, broad remedies may be effected to restore to the plaintiff the value of his purchase.

Id. (citing *Guth v. Guth Chocolate Co.,* 224 F. 932 (4th Cir.1915)).[13]

In *Nipon,* Albert Nipon, a well-known clothing designer, and his company, Albert Nipon, Inc., sold to Leslie Fay the existing trademarks in Nipon's name and the related goodwill. *See Nipon,* 216 B.R. at 123. Years later, Nipon entered into a license agreement with American Pop for neckties and, beneath the American Pop trademark, the label on the ties read "CREATED BY ALBERT NIPON." *Id.* at 125. Nipon, like Abboud here, argued that this use of his name was a "permissible means to inform the public and industry of his association with American Pop." In rejecting that argument, the court stated:

> ***323** The use of the Albert Nipon name on at least one of the registered trademarks, "Executive Dress by Albert Nipon," is remarkably similar to the mark and legend of American Pop created by Albert Nipon. This phrasing is commonly used by established trademarks in the apparel and accessory industry. Thus, potential purchasers could easily be confused by such similar and usual phrasing encompassing Nipon's full name on a label, hangtag, advertising or promotional material.

Id. at 127–28.

The court ultimately found the defendants' conduct to constitute trademark infringement and dilution and—citing the language from *Levitt* and *Guth,* that courts should be "especially alert to foreclose attempts by the seller to keep for himself the essential thing he sold, and also keep the price that he got for it"—enjoined Nipon from using his name on any merchandise labels for American Pop. *Id.* at 124–26, 136 (internal quotations omitted).

Accordingly, even accepting Defendants' general distinction of *Levitt* and *Nipon,* on the grounds that they involved attempts to use a personal name as trademarks or trade names, as opposed to non-trademark business use, the Court gleans useful guidance in these cases that can aptly be applied to a similar context here. [14] The key principle from all three cases—*Levitt, Madrigal*, and *Nipon*—is that a court must first determine, based on the language of the contract, exactly what the seller (an individual in whose name there is value) sold to the purchaser (the company with which he was formerly associated, who for valuable consideration purchased the rights to use his name in some form or another). If the court determines, based on the facts of the particular case, that the seller is subsequently trying to use to his advantage, and to the detriment of the purchaser, that which he previously sold, courts should be prepared to grant "sweeping injunctive relief" if necessary to protect the rights of the purchaser. *Levitt,* 593 F.2d at 468. Here, as previously stated, the Court finds that the Agreement unambiguously provided for the sale of all the rights in the Joseph Abboud name to JA Apparel for commercial purposes.

b. *Absence Of The Word "Exclusive"*

The Court also rejects Defendants' argument, citing *Madrigal,* that Plaintiff could not have obtained the exclusive right to commercially use the Abboud name in the absence of language such as, "Seller conveys and assigns the exclusive right to use the name 'Joseph Abboud' for commercial benefit in any and all media in perpetuity." (*See* Defs.' Post–Trial Mem., at 57.) *Madrigal* 's instruction that an intent to sell the exclusive right must be "clearly shown" simply does not require that level of clarity. The difference between the words that were used—"all rights"—and the words that Defendants argue should have been used —"exclusive rights"—is a mere semantical variation that does not convey a different concept. Indeed, Defendants do not argue that their sale of "all" rights to their service marks and trademarks conveyed anything but "exclusive" rights to the service marks and trademarks to JA Apparel. In other words, Defendants concede that "all" means "exclusive" with respect to some of the assets sold, but contend that "all" does not mean "exclusive" with respect to other ***324** of the assets. The language of the Agreement does not support this parsed reading.

Moreover, although the language proposed by Defendants clearly would have obviated the need for this litigation, that is a recursive argument that does not aid the Court's analysis. Indeed, during trial, both parties repeatedly argued that the other party could have insisted on language during the drafting of the Agreement that would have provided better support for its litigation position. But the task presented to this Court is to interpret the contract as it was written, not to speculate as to how it could have been better drafted by either of the parties.

c. *No Assignment For Name And Trade Name*

Defendants also argue that Abboud did not sell the exclusive right to use his name because he did not execute a separate assignment transferring his name or trade names to JA Apparel. (*See* Defs.' Post–Trial Mem., at 68.) In this regard, Defendants argue that, because Abboud only executed assignments for "the Marks, and the registrations and applications associated with them," the Agreement only covered the sale and transfer of trademarks. (*Id.*) But Defendants provide no statutory or legal support for the proposition that, in order for Abboud to have effectively sold the rights to his name, he would have needed to execute a separate assignment in addition to the assignment for his trademarks.

[9] As an initial matter, the Lanham Act neither requires nor contemplates the registration or assignment of a personal name. Moreover, the lack of an assignment agreement for Abboud's personal name appears entirely logical. In order to police trademark registration and enforce trademark rights vis-a-vis third parties, the United States Patent and Trademark Office requires formal documentation, including assignments of trademark rights. *See* 15 U.S.C. §§ 1060(a)(1) ("A registered mark or a mark for which an application to register has been filed shall be assignable ....") & (a)(4) ("An assignment shall be void against any subsequent purchaser for valuable consideration without notice, unless the prescribed information reporting the assignment is recorded in the United States Patent and Trademark Office ...."); *see also* *Evercrete Corp. v. H–Cap Ltd.,* 429 F.Supp.2d 612, 621 (S.D.N.Y.2006) (discussing assignment provisions of

Lanham Act as they relate to trademarks). There is no concomitant need or right to register personal names.

d. *Schedule 1.1(a)(A) Is A Trademark Report*

In further support of their argument that the Agreement only provided for the sale of the trademarks and service marks listed on Schedule 1.1(a)(A), despite the fact that the Agreement states the "names, trademarks, trade names, service marks, logos, insignias and designations identified on Schedule 1.1(a)(A)," Defendants argue as follows:

> [T]o find out what, if any, names Abboud agreed to transfer, the Court must look at Schedule 1.1(a)(A), which is a Trademark Report listing only trademark registrations and applications. Simply put, there is no listing of "names" on Schedule 1.1(a)(A), just as there is no listing therein of any trade names, logos, insignias or designations. Rather, the only items listed on the Schedule are trademark registrations, service mark registrations and applications therefor. Thus, when Article 1.1(a)(A) is read together with Schedule 1.1(a)(A), it becomes clear that the words "names, trademarks, trade names, service mark, logos, and designations" must be read collectively as being descriptive of the ***325** trademarks on the Schedule, rather than in isolation as independent items.

(Defs.' Resp., at 7.)

The Court views this as an overly strained reading of Schedule 1.1(a)(A) and the Agreement. Defendants are correct that Schedule 1.1(a)(A) is identified as a "Trademark Report by Mark," but the Schedule, on which the names "Joseph Abboud" and "J.O.E." appear repeatedly, does not define the parties' Agreement or the words in the Agreement. Rather, in order to give effect to all provisions in the Agreement, it is appropriate to view the Trademark Report, in conjunction with the Agreement, as having served the function of capturing all of the trademarks, service marks, trade names, names, logos, and designations that Defendants were selling to JA Apparel, including the name Joseph Abboud. Moreover, as stated previously, if the Agreement was only supposed to provide for the sale of trademarks listed on Schedule 1.1(a)(A), it could have and should have simply said "the Trademarks listed on Schedule 1.1(a)(A)." But it did not, and the Court cannot excise the other words, including "names," from the contract provision.

[10] Indeed, Defendants' view that each of the separately identified assets is simply a different way of identifying trademarks is fallacious. A "trade name" is not a "trademark" and is recognized as being a separate form of intellectual property that cannot be registered with the Patent and Trademark office. *See* 15 U.S.C. § 1127 ("The terms 'trade name' and 'commercial name' mean any name used by a person to identify his or her business or vocation"); 4A Callmann on Unfair Comp., Tr. & Mono. § 26:40 (4th Ed. 2008) ("Trade names, i.e. corporate and other company names, are not registrable as such"); *see also* *New West Corp. v. NYM Co. of California, Inc.,* 595 F.2d 1194, 1201 (9th Cir.1979) ("A trade name is descriptive of the manufacturer or dealer himself and applies to a business and its good will, whereas a trade-mark, in a technical sense, is applicable to the vendible commodities."); *American Optical Corp. v. North American Optical Corp.,* 489 F.Supp. 443, 448 (N.D.N.Y.1979) ("While the understanding of their meanings sometimes overlaps, a 'trade name' is the corporate or business name symbolizing the reputation of a business as a whole, whereas a 'trademark' is a term identifying and distinguishing a business's products.") (citing *American Steel Foundries v. Robertson,* 269 U.S. 372, 380, 46 S.Ct. 160, 162, 70 L.Ed. 317 (1926)). Thus, it is not reasonable to construe the itemization of the intellectual property being sold as simply an alternative means of defining trademarks.

e. *Right To Make Media Appearances*

Defendants also argue that in the Side Agreement, Abboud "reserved his personal publicity rights to himself, and was specifically permitted to make media and celebrity appearances in his individual capacity, and to develop a personal reputation, which would imply a right to identify himself." (*See* Defs.' Post–Trial Mem., at 71.) In response, however, Plaintiffs correctly note that (a) this provision terminated on July 13, 2007, and (b) Abboud did not reserve the right to make media appearances, or otherwise use his name, in a way that competed with JA Apparel. (*See* Pl.'s Post–Trial Mem., at 98.) That being said, as set forth in greater detail below, the Court does not believe that Abboud sold away his right to be Joseph Abboud, the individual, and to make media appearances as himself, or as a fashion expert, as opposed to using his name and making media appearances to promote goods and services in competition with Plaintiff.

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***326** f. *Placement Of The Words Identified On Schedule 1.1(a)(A)*

Finally, Defendants argue that:

> While JA Apparel contends that the terms used in Article 1.1(a)(A) of the Purchase and Sale Agreement are independent of the trademarks on *Schedule 1.1(a)(A), i.e.,* "names" means "names" and not "trademarks", as a matter of law, this argument is belied by the clear and unambiguous language of Article 1.1(a)(A) of the Purchase and Sale Agreement, namely because the words "identified on Schedule 1.1(a)(A)" are *placed at the end of the terms;* and, because the Schedule is a *"Trademark Report By Mark"* that *only* identifies *trademarks and servicemarks and not any names or trade names,* the Court must, as a matter of law, interpret the terms as being descriptive of the trademarks on Schedule 1.1(a)(A), rather than as being independent of the Schedule.

(*See* Defs.' Post–Trial Mem., at 67.)

To the extent that this argument, or a portion thereof, has not already been rejected, there are two additional reasons to reject it here. First, this argument fails to take into account that, under Article 1.1(a)(C) of the Agreement, Abboud sold to JA Apparel "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,' or anything similar to or derivative thereof ... for any and all goods and services" (emphasis added)—without reference to Schedule 1.1(a)(A). Thus, JA Apparel purchased the rights to use these words, or combinations thereof, for all commercial purposes, regardless of whether they are used as a trademark or service mark.

Second, to the extent that Defendants are arguing that Plaintiff's interpretation could only withstand scrutiny if the words "identified on Schedule 1.1(a)(A)" immediately followed "trademarks," as Plaintiff aptly points out by demonstration, that argument makes no sense because there would then be no mooring for the other words in the list. In other words, if the provision read "the names, trademarks *identified on Schedule 1.1(a)(A),* trade names, service marks, logos, insignias and designations ... and all the goodwill related thereto (collectively, the "Trademarks"), ..." there would be no basis to identify the other categories of assets that were being transferred. (*See* Pl.'s Mem., at 100–01.) [15]

In sum, and for all of the reasons stated above, the Court concludes that, pursuant to the Agreement, Abboud sold, conveyed, transferred, assigned, and delivered to JA Apparel all of his right, title and interest to the use of his personal name, in addition to the trademarks, trade names, and designations containing his name, for commercial purposes. Accordingly, the Court concludes that Abboud's proposed use, in connection with his new "jaz" clothing line, of the phrases "a new composition by designer Joseph Abboud" and "by the award-winning designer Joseph Abboud," would constitute a breach of Sections 1.1(a)(A) and 1.1(a)(C) of the Agreement—irrespective ***327** of whether these phrases constitute trademark use. [16]

II. *Plaintiff's Trademark Infringement Claims*

[11] Plaintiff also asserts claims for trademark infringement under Section 32 of the Lanham Act, 15 U.S.C. § 1114(1), and New York common law. Defendants tender a variety of defenses to Plaintiff's infringement claims, most notably, that Abboud's proposed use of his name in connection with his new "jaz" line constitutes a "fair use" under Section 33(b)(4) of the Lanham Act, 15 U.S.C. § 1115(b)(4). (*See* Defs.' Post–Trial Mem., at 91–111.) Defendants also argue that Abboud's proposed use is protected commercial speech under the First Amendment to the United States Constitution, and that JA Apparel is not entitled to equitable relief on its infringement claims because of its own unclean hands. [17]

In light of the Court's holding on Plaintiff's breach of contract claim, pursuant to which any attempt by Abboud to use his name to market, sell or otherwise promote, goods, products, or services to the consuming public would constitute a breach of the Agreement, resolution of Plaintiff's infringement claims is, for the most part, unnecessary. [18] Plaintiff has already established that it purchased the exclusive right to the Joseph Abboud name for commercial purposes, and, therefore, any proposed use by Abboud of his name commercially is improper. Moreover, in this specific case, it is difficult to analyze the trademark claims in isolation from the Agreement because Abboud not only sold the rights to his name, he also sold the rights to use and apply for the registration of, among other things, new trademarks or designations containing the words "Joseph Abboud," "by Joseph Abboud," "designed by Joseph Abboud," and "JOE," or anything similar to or derivative of those phrases. Thus, 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.

Nevertheless, in the interest of completeness and to the extent possible under the facts of this case, the Court has endeavored to view the trademark claims apart from the Agreement, and concludes that Abboud's proposed use of his name in connection with the "jaz" line would also constitute trademark infringement—in addition to constituting a breach of the Agreement.

A. *Legal Standard*

[12] In order to prevail on a claim for trademark infringement under Section 32(1) of the Lanham Act, 15 U.S.C. § 1114(1), a plaintiff is required to show ***328** that its marks are valid and entitled to protection and that a defendants' use of its marks is likely to cause consumer confusion as to the origin or sponsorship of the defendants' goods. *See, e.g., Virgin Enters. Ltd. v. Nawab,* 335 F.3d 141, 146 (2d Cir.2003); *Time, Inc. v. Petersen Publ'g Co.,* 173 F.3d 113, 117 (2d Cir.1999). [19]

[13] In evaluating the likelihood of confusion, courts in this Circuit regularly apply what have become known as the *Polaroid* factors: (1) strength of plaintiff's mark; (2) degree of similarity between the two marks; (3) proximity of the parties' products or services; (4) likelihood that the prior owner will bridge the gap between the parties' products or services; (5) actual confusion; (6) defendants' bad faith in adopting its mark; (7) quality of defendants' products or services; and (8) sophistication of the relevant consumers. *Polaroid Corp. v. Polarad Elecs. Corp.,* 287 F.2d 492, 495 (2d Cir.1961); *see also Natural Organics, Inc. v. Nutraceutical Corp.,* 426 F.3d 576, 578 (2d Cir.2005).

B. *Application*

Defendants do not dispute that the Abboud marks are registered marks that are entitled to protection; nor do they argue that Abboud should be able to use his name as a trademark because, under the *Polaroid* factors, there would be no likelihood of confusion. Defendants merely assert that "there is no competent or credible evidence that any consumer will be confused by Abboud's proposed use of his personal name, to refer to himself as the designer of the 'jaz' product line." (*See* Defs.' Post–Trial Mem., at 39.) The Court disagrees with this assessment of the evidence. In addition to the fact that a simple side-by-side comparison leads to the conclusion that Abboud's proposed uses are undeniably similar to Plaintiff's trademarks, Plaintiff put on competent evidence at trial demonstrating, among other things: (a) the strength of the Abboud marks (*see* TT at 30–41, 246, 257, 540–41); (b) the close proximity of the goods and services at issue (*see id.* at 72–73, 76, 87–88, 95–96, 610–614; PX 8, 11, 38); and (c) at least some instances of actual confusion within the industry (*see id.,* at 128–29, 276–280, 293–94, 300–03; PX 13, 187, 189), despite the fact that the 'jaz' products have not even hit the market. Based on this evidence, the Court has no difficulty concluding that there exists a substantial likelihood of confusion between Abboud's proposed uses and Plaintiff's trademarks. Defendants' argument that there is no evidence of actual confusion in the form of a "mistaken purchasing decision" fails to acknowledge that there could, as of yet, be no such evidence. (*See* Defs.' Post–Trial Mem., at 40, n. 7.)

[14] **[15]** Thus, instead of arguing that, were Abboud to use his name as a trademark, there would be no likelihood of confusion, Defendants rely heavily on the "fair use" defense, set forth in Section 33(b)(4) of the Lanham Act, 15 U.S.C. § 1115(b)(4). The fair use defense, which allows for some level of confusion, is an absolute defense to claims of trademark infringement, trademark dilution, and false designation of origin. Consistent with this defense, Defendants argue that Abboud is not seeking to use his name as a trademark. [20] By the use of such phrases as "by ***329** the award-winning designer Joseph Abboud" and "a new composition by designer Joseph Abboud," Abboud argues that he is merely seeking to use his name descriptively to convey information to the public about the products sold under his "jaz" trademark.

1. *Fair Use Defense*

[16] Section 33(b)(4) of the Lanham Act states "the right to use the registered mark shall be subject to proof of infringement ... and shall be subject to the following defenses or defects:

> (4) That the use of the name, term, or device charged to be an

> infringement is a use, otherwise than as a mark, of the party's individual name in his own business, or of the individual name of anyone in privity with such party, or of a term or device which is descriptive of and used fairly and in good faith only to describe the goods or services of such party, or their geographic origin;"

15 U.S.C. § 1115(b)(4). Thus, in order to assess whether the use of a term is "fair" under this defense, courts endeavor to assess whether the term is used (1) descriptively, (2) other than as a mark, and (3) in good faith. *See, e.g., Car–Freshner Corp. v. S.C. Johnson & Son, Inc.,* 70 F.3d 267, 269 (2d Cir.1995).

Defendants correctly assert that the first step of this analysis must focus on whether a personal name or descriptive term such as "by designer Joseph Abboud," is being used in its primary sense to identify the person or describe his goods, or in its secondary sense to identify the source of the product. (*See* Defs.' Post–Trial Mem., at 106 (citing 15 U.S.C. 1115(b)(4)).) Here, Abboud argues that he is only using his name "descriptively" because he is using it to "refer to himself individually, and as a form of commercial speech to describe values, characteristics and attributes of his products in promotional and advertising materials that is placed in newspapers, magazines and other traditional communications media." (Defs.' Post–Trial Mem., at 100.) Abboud goes on to argue that he is not seeking to use his name "as a trademark, that is, to identify and distinguish his goods, or to indicate the source, but rather only to use his personal name in his business to convey information about the products being sold under his 'jaz' mark, namely that he is the designer of such products." (*Id.* at 102.) [21]

Abboud also argues that his proposed uses of his name are in "good faith" because, based on his "substantial personal goodwill as the result of his talents, skills and artistic abilities, as well as his own accomplishments in the fashion industry ***330** and his widespread reputation and celebrity," he has a "legitimate basis to use his name to identify himself in connection with his business and the 'jaz' line that he has designed." (*See id.* at 111.)

Putting aside for the moment the fact that Abboud sold more than the right to use his name as a trademark, the Court still cannot accept Abboud's fair use defense. Abboud is not simply seeking to use his own name in order to identify himself in his business. First, the definition of a trademark is "any word, name, symbol or device ... use[d] in commerce ... to identify and distinguish his or her goods ... from those manufactured or sold by others and to indicate the *source* of the goods, even if that source is unknown." 15 U.S.C. § 1127 (emphasis added). During trial, when the Court asked Abboud if he wants consumers to know that he is the "source" of the "work," Abboud testified "I want them to know that JAZ is my new brand, yes." (TT at 580.) Thus, by Abboud's own testimony, he is, at least in part, seeking to use his name as a trademark. [22] *See Lois Sportswear, U.S.A., Inc. v. Levi Strauss & Co.,* 799 F.2d 867, 871 (2d Cir.1986) (a claim for trademark infringement "is made out by showing that the use of one's trademark by another in a way that is likely to confuse consumers as to the source of the product"); *Virgin Enters.,* 335 F.3d at 146 (same).

Nor is Abboud merely proposing to use "terms or devices" which are descriptive of the goods he intends to sell. Defendants cite numerous cases for the proposition that descriptive, non-trademark use is permissible, but the cases on which they rely find "fair use" of words in situations where the words are clearly being used to describe some aspect of the product itself. [23] In other words, the words were used to describe the "ingredients, quality or composition" of a product, not the source of the product. *In Re Colonial Stores Inc.,* 55 C.C.P.A. 1049, 394 F.2d 549, 551 (1968). Here, as Abboud testified, and as common sense dictates, in seeking to use such phrases as "by the award-winning designer Joseph Abboud," Abboud is seeking to use his name to identify and distinguish his goods and to indicate that he is the source of the goods. The fact that the proposed use of his name might also carry with it a descriptive component, in that it describes an aspect of the "jaz" line, does not render it a fair use. Further, Abboud's proposal to use his name in advertising, rather than on hang tags or labels for the product, does not make it a non-trademark fair use. Indeed, Abboud's position at trial was that he retains "the perfect right to use his name in the same way that he proposes to use it on advertising on a hang tag or a label as long as it's not the mark and as long as it's used in an informational or descriptive way." (TT at 4.) Thus, the advertising limitation appears to be a mere concession by

Abboud that is largely unrelated to what is permissible, or impermissible, under the law.

***331** As set forth above, the *Madrigal* and *Nipon* courts enjoined individuals who sold their names as trademarks from subsequently advertising their new brands using, respectively, "Cello by Mark Levinson" and "Created by Albert Nipon" because those uses constituted trademark uses of the names and goodwill that the individuals previously sold. *See* *Madrigal,* 799 F.2d at 818; *Nipon,* 216 B.R. at 125. Relatedly, the United States Patent and Trademark Office frequently grants applications to register trademarks such as "designed by __________." (*See* PX 223; *e.g.,* "Designed by Harvey R. Ball USA 1963," "Logic Bricks Designed by XYLON," & "Designed by Cecile Platovsky.")

Finally, it is very difficult, if not improper, to completely ignore the Agreement in the context of Abboud's "fair use" defense. In Section 1.1(a)(C), Abboud specifically sold "[a]ll rights to use and apply for the registration of new ... trademarks ... and designations containing the words 'Joseph Abboud,' 'designed by Joseph Abboud,' 'by Joseph Abboud,' ... or anything similar to or derivative thereof ... for any and all products and services." (*See* PX 1 at 1.1(a)(C).) It cannot seriously be argued that Abboud's proposed uses—"by the award-winning designer Joseph Abboud" and "a new composition by designer Joseph Abboud"—are not similar to or derivative of "designed by Joseph Abboud." Thus, in the context of the good faith analysis under the "fair use" doctrine, it must be noted that Abboud is attempting to use that which he expressly sold to Plaintiff. *See* *Equibrand Corp. v. Reinsman Equestrian Products, Inc.,* No. 3:07–CV–0536, 2007 WL 1461393, at *13 (N.D.Tex. May 17, 2007) (if an individual sold the exclusive right to use his name in connection with certain products, a subsequent attempt to use his name with different products "is not a 'fair use' ... even if it is an accurate description of the products.").

In short, Abboud is attempting to use his name, and the goodwill associated with it, to identify and distinguish goods, and to advise consumers that he is the source of his new "jaz" line. Therefore, although there is a descriptive component to Abboud's proposed uses, the Court concludes that he is also attempting to use his name, at least in part, as a trademark and that the confusion generated by his proposed uses would be far more than incidental. It is patently obvious that consumers seeing JA Apparel's products, marked or advertised as "Joseph Abboud" or "by Joseph Abboud," would be utterly confused as to whether the "jaz" products advertised as "by designer Joseph Abboud," were derived from the same source. *See* *KP Permanent Make–Up,* 543 U.S. at 123, 125 S.Ct. 542 ("[O]ur holding that fair use can occur along with some degree of confusion does not foreclose the relevance of the extent of any likely consumer confusion in assessing whether a defendant's use is objectively fair."). For all of the foregoing reasons, the Court concludes that Abboud has not met his burden of establishing the fair use defense. *See* *id.* (burden rests with party asserting "fair use" defense). Consequently, Abboud's proposed uses of his name constitute trademark infringement, in addition to constituting a breach of the Agreement, as set forth above.

2. *First Amendment Defense*

[17] Defendants also argue that Abboud's ability to use his name to convey commercially valuable information to the public is protected commercial speech under the First Amendment to the United States Constitution. (*See* Defs.' Post–Trial Mem., at 112–16.) But Defendants provide no support for the proposition that a party cannot contract away his ***332** right to engage in what otherwise might be considered protected commercial speech. Indeed, the opposite may be said. *See, e.g.,* *Snepp v. United States,* 444 U.S. 507, 509, n. 3, 100 S.Ct. 763, 766, 62 L.Ed.2d 704 (1980) (upholding agreement to limit otherwise protected speech as part of employment with government agency). Consequently, all of the cases upon which Defendants rely to make their First Amendment argument are clearly distinguishable from the instant case, which involves a specific agreement not to commercially use certain words.

III. *Plaintiff's Remaining Claims: Dilution, False Designation Of Origin, Unfair Competition, And False And Deceptive Trade Practices*

Plaintiff also asserts claims for false designation of origin, unfair competition, and dilution in violation of Sections 43(a) and (c) of the Lanham Act, 15 U.S.C. §§ 1125(a), 1125(c), New York General Business Law ("N.Y. Gen. Bus. Law") § 360–1, and the common law, as well as false and deceptive trade practices under N.Y. Gen. Bus. Law §§ 349–350, all of which relate to Abboud's proposed uses of his name in connection with his new "jaz" line. The Court, however, has already concluded that Abboud

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is prohibited under the Agreement from using his name in connection with goods or services, and that his proposed uses of his name would also constitute trademark infringement. Moreover, Plaintiff does not seek different or additional relief in connection with these remaining claims. These conclusions make further discussion of Plaintiff's remaining claims, vis-a-vis Abboud's proposed uses of his name, a purely academic exercise, in which the Court has no need to engage. *See, e.g., Morningside Group, Ltd. v. Morningside Capital Group, L.L.C.,* 182 F.3d 133, 143 (2d Cir.1999) ("[w]e need not address the [dilution claim] because Morningside Group—having already succeeded on its infringement claim —has neither requested, nor could it receive, any further relief based on dilution."); *Utah Lighthouse Ministry v. Found. for Apologetic Info. & Research,* 527 F.3d 1045, 1050 (10th Cir.2008) ("trademark infringement is a type of unfair competition; the two claims have virtually identical elements and are properly addressed together").

* * *

It would be remiss of this Court not to make a final comment on the inherent risks a seller assumes in this type of transaction. As courts have recognized, when an individual chooses to use his name as a trademark or trade name, he runs the risk that the name will become inextricably entwined with the goodwill of the company and its brand, thereby losing some or all of its personal significance. Thus, in *Levitt,* the court stated "[w]hen a name is used as a trademark, it risks becoming a symbol of the corporation and its past accomplishments and losing its individual identity." *Levitt,* 593 F.2d at 468 (citing 3 R. Callmann, Unfair Competition, Trademarks and Monopolies, § 85.2(d)(1), at 1036 (3d ed. 1969)). Indeed, as the *Levitt* court pointed out, it is "precisely this goodwill" that would lead a company to spend significant amounts of money to acquire the name of an individual. *Id.* at 469.

The court in *Nipon* also commented on the risks the individual assumes when he allows his personal name to become a trademark, and then sells it:

> [T]he name Albert Nipon is itself a distinctive mark. The Nipons spent considerable time and effort to promote the name as a symbol of quality and style. Leslie Fay bought that name when it paid $1,000,000 to the Albert Nipon, Inc. estate. It then put additional effort and ***333** money, including more than $2,000,000 in salary to the Nipons, to further the name. Unlike a logo or a distinctive package, the Nipon name itself, in any form, is part of the mark.

216 B.R. at 128.

Thus, although this Court has endeavored to construe the Agreement based solely on the parties' intent, as reflected in the language used by the parties, this reasoning highlights the inherent weakness in Abboud's argument. After Abboud began designing and marketing clothes under his personal name, with great and deserved success, the name "Joseph Abboud" became closely associated with a brand of clothing, and the personal nature of his name naturally lost some of its identity. When Abboud subsequently sold to JA Apparel, for a handsome sum of money, the rights to use his name in connection with the brand of clothing by which it had achieved prominence, he relinquished the right to capitalize on the goodwill associated with his name because that is exactly what JA Apparel purchased to promote its brand. It bears noting that this is not a case where Abboud was the hapless victim of a transaction from which he did not benefit, but which foreclosed his ability to earn a living by identifying himself in a business. For example, in *Gucci v. Gucci Shops, Inc.,* 688 F.Supp. 916 (S.D.N.Y.1988), the court went to great lengths to allow Paolo Gucci to identify himself in his own business following a shareholders agreement between members of the Gucci family, the consideration for which was unclear, not to use the "Gucci" name for business purposes. *Id.* at 926–28; *see also Abraham Zion Corp. v. Lebow,* 761 F.2d 93, 102 (2d Cir.1985) (court held that Harry Lebow was not contractually barred from commercially using his personal name as a result of an agreement, to which he was not a party, transferring rights to the Lebow family name). Here, in stark contrast, Abboud personally sold the right to use his name commercially, for which he was paid $65.5 million.

Indeed, Plaintiff's counsel effectively argued that it would defy common sense to accept the premise that JA Apparel paid $65.5 million to acquire the "elusive" right to use "Joseph Abboud" or "by Joseph Abboud" as a trademark, while agreeing to let Abboud use the exact same words with respect to a competing clothing line, but in a non-trademark sense, because Abboud's name and reputation are "embodied in the goodwill and reputation of the trademark." (CA at 61.) In other words, the distinction between the goodwill associated with the name and the goodwill associated with the trademark has been blurred in the eyes of the consumer. [24]

The quandary this presents for Abboud likely explains why his counsel was forced to argue, that despite the fact that JA Apparel clearly purchased, among other things, "all rights to use and apply for the registration" of new trademarks "containing the words 'by Joseph Abboud,' " (*see* PX 1 at 1.1. (a)(C)), JA Apparel might not be able to use that mark because "there is a very serious question whether that mark can be registered and used in anything but its primary descriptive sense." (CA at 13.) Cases recognize, however, that a designation "by" a designer can be used as a trademark even if the designer is no longer associated with the company. *See e.g.*, *Nipon,* 216 B.R. at 127–28 (former company permitted to use "Executive Dress by Albert Nipon"). Defendants' reading is also completely at odds with the express ***334** terms of the Agreement. In all events, it serves to underscore the inability to separate the name from the goodwill of the trademark.

IV. *Permanent Injunctive Relief*

Based on Defendants' breach of the Agreement, and violations of the Lanham Act and the New York General Business Law, Plaintiff seeks a permanent injunction "enjoining Defendants from breaching the ... Agreement and enjoining Defendants' infringing and other wrongful conduct." (*See* Pl.'s Post–Trial Mem., at 88.) [25]

A. *Legal Standard*

[18] A plaintiff seeking a permanent injunction must demonstrate: "(1) that it has suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction." *eBay Inc. v. MercExchange, L.L.C.,* 547 U.S. 388, 391, 126 S.Ct. 1837, 1839, 164 L.Ed.2d 641 (2006); *see also* *Roach v. Morse,* 440 F.3d 53, 56 (2d Cir.2006) ("To obtain a permanent injunction, a plaintiff must succeed on the merits and show the absence of an adequate remedy at law and irreparable harm if the relief is not granted.") (internal quotations omitted).

[19] **[20]** A finding that a trademark infringement gives rise to a likelihood of confusion is sufficient to establish irreparable injury if the injunction is not granted. *See, e.g.*, *New Kayak Pool Corp. v. R & P Pools, Inc.,* 246 F.3d 183, 185 (2d Cir.2001); *Am. Cyanamid Co. v. Campagna per le Farmacie in Italia S.p.A.,* 847 F.2d 53, 55 (2d Cir.1988); *A.V. by Versace, Inc. v. Gianni Versace S.p.A.,* No. 96 Civ. 9721(PKL)(THK), 98 Civ. 0123(PKL)(THK), 01 Civ. 9645(PKL)(THK), 2005 WL 147364, at *5–7 (S.D.N.Y. Jan. 24, 2005) (granting permanent injunction regarding use of a personal name in trademark infringement case). This is true because monetary damages stemming from Lanham Act violations are "difficult if not impossible to calculate." *P.F. Cosmetique, S.A. v. Minnetonka, Inc.,* 605 F.Supp. 662, 667 (S.D.N.Y.1985); *see also* *Power Test Petroleum Distribs., Inc. v. Calcu Gas, Inc.,* 754 F.2d 91, 95 (2d Cir.1985) ("Reputation is not calculable nor precisely compensable."); *Geritrex Corp. v. Dermarite Industries, LLC,* 910 F.Supp. 955, (S.D.N.Y.1996) ("[a] finding of likelihood of consumer confusion establishes the risk of irreparable harm ... because of the damage to plaintiff's business reputation that may be presumed to stem from the confusion of its products with another's."). Injunctive relief is also available as a remedy for breach of contract if damages are difficult to quantify. *See, e.g.,* *Register.com, Inc. v. Verio, Inc.,* 356 F.3d 393, 404 ("irreparable harm may be found where damages are difficult to establish and measure"); *Gundermann & Gundermann Ins. v. Brassill,* 853 N.Y.S.2d 82, 83–84, 46 A.D.3d 615 (2d Dep't 2007) (same).

B. *Application*

[21] In the instant case, as set forth above, Abboud does not seriously contest that there would be some level of consumer confusion generated if he were allowed ***335** to use his name in advertising and marketing the "jaz" line. Based on the evidence submitted at trial, and Defendants' failure to even address the relevant *Polaroid* factors, Plaintiff established that it would be irreparably injured, and would not be able to calculate its damages, if Abboud were permitted to infringe Plaintiff's trademarks by using his name in connection with the "jaz" line. Moreover, if, by the same conduct, Abboud were to breach the Agreement, there would be no meaningful way for Plaintiff to quantify its damages.

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The Court also concludes that the balance of hardships weighs in Plaintiff's favor. At bottom, this case is primarily a contract dispute stemming from a transaction in which Abboud sold the rights to his name in exchange for a payment, which was "allocated 100% to Abboud," of $65.5 million. As set forth above, the Court has concluded that, pursuant to this Agreement, Abboud sold the right to use his name commercially to market, sell, or otherwise promote, goods, products, and services. In light of this reading of the Agreement, the equities weigh in favor of ensuring that Plaintiff reaps the benefits of its bargain—not that Abboud be allowed to capitalize on a right that he previously relinquished. Finally, the public interest also weighs in favor of prohibiting Abboud from using his personal name in relation to the "jaz" line because it is well-established that the public has a right to be free of confusion in the marketplace. *See, e.g.,* *Park 'N Fly v. Dollar Park & Fly, Inc.,* 469 U.S. 189, 198, 105 S.Ct. 658, 83 L.Ed.2d 582 (1985). JA Apparel's products are sold under the name "Joseph Abboud," and JA Apparel purchased all rights to use such designations as "by Joseph Abboud," and anything similar. It is indisputable that if Abboud advertised his products as "by designer Joseph Abboud," the public would have virtually no way of distinguishing Abboud's clothing from JA Apparel's.

Accordingly, the Court concludes that Plaintiff JA Apparel is entitled to a permanent injunction prohibiting Abboud—personally, through Houndstooth, or through any other entity with which he is affiliated—from using his name to market, advertise, promote, sell, offer to sell, or otherwise distribute any goods or services, including, but not limited to, his new "jaz" clothing line, to the consuming public. *Cf.,* *Levitt,* 593 F.2d at 468 ("Where, as here ... the infringing party has previously sold his business, including use of his name and its goodwill, to the plaintiff, sweeping injunctive relief is more tolerable.").

[22] The Court is mindful of the general rule that injunctions in trademark cases involving use of an individual's personal name should be narrowly tailored. *See, e.g.,* *Joseph Scott Co. v. Scott Swimming Pools,* 764 F.2d 62, 67 (2d Cir.1985) (where "a decree serves to limit an individual's use of his own name in a business that he has nurtured, a court must be particularly cautious to enjoin only those uses that are likely to create appreciable confusion, and no more"); *Taylor Wine Co., Inc. v. Bully Hill Vineyards, Inc.,* 569 F.2d 731, 735 (2d Cir.1978) ("[w]hen the defendant demonstrates a genuine desire to build a business under his own name, courts have generally been reluctant to proscribe all surname use"); *Gucci,* 688 F.Supp. at 927 ("[c]ourts have often noted their concern that injunctions in cases such as this be drawn as narrowly as possible"); *Paul Frank Indus., Inc. v. Sunich,* 502 F.Supp.2d 1094, 1102 (C.D.Cal.2007) ("Because this case involves use of Mr. Smith's personal name, the Court must tailor an appropriate injunction so as to limit use of the Paul Frank name only to the extent necessary to avoid public confusion.") (internal citations ***336** omitted). But these cases are clearly distinguishable from the instant case because they do not involve a contract for the sale of the individual's name and the goodwill related thereto. 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. Thus, this is a case in which "sweeping injunctive relief is more tolerable." *Levitt,* 593 F.2d at 468.

In all events, however, the Court recognizes that a permanent injunction regarding the use of one's own name is bound to raise thorny questions of use in the future. One of the more serious questions is the extent to which Abboud can make personal appearances. Perhaps due to the myriad legal issues that arise from the sale of one's personal name, Plaintiff seemed to vacillate on whether Abboud can make non-competitive appearances as himself. During trial, Staff testified that he had absolutely no doubt that the Agreement prevented Abboud from using his name in any public way, including making public appearances. (TT at 184–86.) Later, during closing arguments, Plaintiff's counsel appeared to soften that position by arguing that advertisements announcing such an appearance, as opposed to the appearance itself, would be the objectionable act:

> COURT: So is your position in this litigation that under the contract [Abboud] no longer has the right to make personal appearances using his name?
>
> COUNSEL: Well, I think, your Honor, he has a right to be who he is, but I think if he publicizes, in other words I don't think there is any question he can go to Bloomingdale's and represent his line. I don't think there is any question in the trade where he is known. He has that reputation.
>
> But, to the extent that it would start advertising that he is making a personal appearance at Bloomingdale's, I think he is forbidden by the terms of the Purchase and Sale

> Agreement because that is using his name in connection with the business which we bought the right to do.

(CA at 56.)

Finally, in its proposed permanent injunction, Plaintiff does not mention public appearances at all; instead, it requests an injunction that Abboud be permanently restricted and enjoined from (a) using his name in business or commercially in a manner that is likely to confuse the public as to the "source, origin, affiliation, connection, association, sponsorship, approval or endorsement of any *products or services*," and (b) "manufacturing, advertising, marketing, promoting, offering to sell, selling or otherwise distributing any *goods or services*" in connection with the name Joseph Abboud or anything similar to or derivative thereof. (*See* Pl.'s Proposed Order at 3) (emphasis added.) [26]

The Court could not possibly craft an injunction to address all of the questions left open by these arguably fluctuating positions. Without attempting to do so, the Court merely notes that Plaintiff has conceded that Abboud is free to compete and, in doing so, can personally present the "jaz" line to buyers at stores like Bloomingdale's. It must follow, therefore, that Abboud can also personally discuss his line and negotiate agreements with potential licensees. [27] The Court also concludes ***337** that Abboud can make public appearances at events or on television as, for example, a philanthropist or fashion commentator, if those appearances are unrelated to the promotion or sale of goods and services. This conclusion is consistent with the Court's reading of the Agreement—that Abboud sold the right to use and capitalize on his name, and the goodwill associated with it, in connection with the marketing and sale of goods and services to the consuming public. With respect to personal appearances, questions beyond these pronouncements are not currently before the Court and must be left for another day.

[23] Thus, to reiterate, Abboud is permanently enjoined and restricted from using his personal name to sell, market, or otherwise promote, goods, products, and services to the consuming public. Abboud is not, however, restricted from identifying himself when he personally presents his line to buyers within the industry or to potential licensees, or in making personal appearances that do not relate to the sale, marketing, or promotion of goods, products, or services. [28]

V. *Breach Of The Non–Compete Provision*

[24] As set forth above, the Side Agreement contains an extraordinarily broad non-compete provision, pursuant to which Abboud agreed that, for a period of two years following the expiration of the Side Agreement he would not:

> directly or indirectly through any partnership, corporation, limited liability company, trust or other entity, be associated as an owner, director, officer, employee, consultant or other participant with, any person, group, business enterprise or other entity which is engaged in or proposes to engage in the business of designing, licensing, manufacturing, marketing or distributing any products or services which are or would be competitive with the business of the [JA Apparel] as then conducted or as such business may be reasonably expected to be conducted in the future anywhere in the world.

(PX 2 ¶ 2(a)).

During the Restricted Period, Abboud also agreed to obtain written permission from JA Apparel—which JA Apparel could grant, withhold, or condition solely in its discretion—"before becoming associated in *any capacity* with any person, group, business enterprise or other entity," that competed with, or could be expected to compete with, JA Apparel in the future. (*Id.* ¶ 2(b)) (emphasis added).

The Restricted Period expired on July 13, 2007. Plaintiff alleges that Abboud breached the non-compete provision by engaging in a number of acts in preparation for the launch of his new "jaz" line, including: (1) acquiring, through Herringbone, the Fall River Shirt factory, which manufactured shirts that were sold to Nordstrom's, in direct competition with JA Apparel, and attempting to disguise the transaction through a shell company set up by Abboud's attorney, Dinsmoor, and a straw owner; (2) in late March, 2007, agreeing on the essential terms of a business ***338** relationship with Jack Victor, which included a licensing arrangement, in connection with the new "jaz" line; (3) agreeing on specific deal points for the purchase of Merrill–Sharpe, a company that produces and imports sportswear

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and knitwear; (4) negotiating and/or discussing licensing agreements with Cardinal (for coats and outerwear) and J.S. Blank (for ties); (5) negotiating a consulting agreement with Lord & Taylor; and (6) generally remaining an owner, director, and officer of Herringbone, which either engaged in or proposed to engage in business competitive with JA Apparel. (*See* Pl.'s Post–Trial Mem., at 6–8.)

Defendants dispute generally that Abboud became an "owner, director, officer, employee, consultant or other participant" of any third-party competitive business during the Restricted Period and, specifically, that the "mere planning to compete during a parties' restricted period, as opposed to engaging in commercial activity, is not prohibited where the parties' restrictive covenant does not prohibit such activity." (Defs.' Post–Trial Mem., at 131.) [29] More specifically, while Abboud admits "that he made contact during the Restricted Period with several third parties ... about the possibility of doing business with them after his Restricted Period ... the record is clear that Abboud did not execute any agreements with third-parties or engage in commercial activity during the Restricted Period." (*Id.* at 133.) Defendants also argue that the word "participant" in the non-compete provision should be construed to mean something similar to "owner, director, officer, employee [and] consultant, i.e., someone who has an active involvement in the business." (*See id.* at 130.)

A. *Legal Standard*

In construing the non-compete provision of the Side Agreement, this Court is, of course, bound by the same principles of contract interpretation that guided its decision on the sale of Abboud's name under the Agreement. Specifically, "the fundamental, neutral precept of contract interpretation is that agreements are construed in accordance with the parties' intent, and that the best evidence of what parties to a written agreement intend is what they say in their writing." *Innophos,* 10 N.Y.3d at 29, 852 N.Y.S.2d 820, 882 N.E.2d 389 (internal quotations omitted). This concept carries particular force, where, as here, the contract at issue is negotiated by sophisticated, business people with the assistance of counsel. *See Vermont Teddy Bear,* 1 N.Y.3d at 475, 775 N.Y.S.2d 765, 807 N.E.2d 876; *John Hancock Mut. Life Ins. Co. v. Amerford Int'l Corp.,* 22 F.3d 458, 462 (2d Cir.1994).

[25] Defendants also encourage the Court to adhere to the doctrine of *ejusdem generis,* which provides that "[w]here general words follow specific words in a statutory enumeration, the general words are construed to embrace only objects similar in nature to those objects enumerated by the preceding specific words." *Wojchowski v. Daines,* 498 F.3d 99, 108 n. 8 (2d Cir.2007) (citing *Circuit City Stores, Inc. v. Adams,* 532 U.S. 105, 114–15, 121 S.Ct. 1302, 149 L.Ed.2d 234 (2001)).

[26] Finally, the parties do not dispute that non-competition provisions are routinely enforced when entered into in connection ***339** with the sale of a business. *See, e.g., Purchasing Assocs., Inc. v. Weitz,* 13 N.Y.2d 267, 271–72, 246 N.Y.S.2d 600, 603–04, 196 N.E.2d 245 (1963); *New York Real Estate Inst., Inc. v. Edelman,* 42 A.D.3d 321, 321, 839 N.Y.S.2d 488, 489 (1st Dep't 2007).

Both sides also submit caselaw on what they view as the issue before the Court—whether or not activities engaged in during a restricted period are mere planning or preparation to compete, or, alternatively, constitute actual competition. Defendants rely on *Brooks Automation, Inc. v. BlueShift Techs.,* No. 06–P–1063, 69 Mass.App.Ct. 1107, 2007 WL 1713370, at *2 (Mass.App.Ct. June 14, 2007), to argue that mere planning during the restricted period does not constitute competition if the non-compete does not preclude such activity. Although *Brooks,* an unpublished decision from Massachusetts that does not apply New York law, held that the defendant did not violate his restrictive covenant by developing a business plan, commencing work on an invention, incorporating a business entity, and filing a provisional application, in *Brooks* the defendant had not taken many of the affirmative steps Abboud took here, which are set forth in detail below. For example, the defendant had not lined up funding or third-party marketing sources, and did not have completed sample products that he was showing to future business partners and the media. Moreover, unlike *Brooks,* here the non-competition provision precludes association with any entity that "proposes to engage" in competitive activity with Plaintiff. Thus, an association in preparation for competition is precluded.

The two other cases relied upon by Defendants, *Cowley v. Anderson,* 159 F.2d 1, 5 (10th Cir.1947) and *Keiser v. Walsh,* 118 F.2d 13, 14 (D.C.App.1941), also do not apply New York law, are more than sixty years old, and do not involve non-competition provisions.

Plaintiff cites two cases, *World Auto Parts, Inc. v. Labenski,* 217 A.D.2d 940, 629 N.Y.S.2d 896 (4th Dep't 1995) and *De Long Corp. v. Lucas,* 278 F.2d 804, 808–09 (2d Cir.1960) [30], which provide more pertinent guidance. In *World Auto Parts,* the court held that the defendant breached the terms of his "Retirement Agreement" by "attending trade shows, distributing his business card and discussing with competitors his plans to re-enter the auto parts business when the non-compete provision expired." 217 A.D.2d at 940, 629 N.Y.S.2d at 896. The defendant also breached the agreement "by making personal loans to the principal owners of competitors." *Id.* [31]

In *De Long,* the court found that the defendant's development and engineering of devices during the non-compete period went beyond the planning stages, and, as such, constituted "exactly the kind of head start the agreement not to assist a competitor in engineering during the two-year period was intended to prevent." 278 F.2d at 809. Defendants argue that the agreement in *De Long* was more encompassing ***340** than the non-compete at issue here because, in addition to agreeing not to compete, the defendant also specifically agreed not to assist anyone else in competing with plaintiff. This argument ignores the fact that Abboud agreed not to associate with any person or entity that "is engaged in or propose[d] to engage in competition" with JA Apparel. (*See* PX 2 ¶ 2(a).) *De Long* is distinguishable, however, on the ground that the defendant's activities during the restricted period, which included entering into an agreement with a third-party, caused the plaintiff to lose a very lucrative contract. *Id.* at 809–10.

Unfortunately, there is no bright-line test courts can apply to determine whether actions taken during a restricted period constitute non-competitive preparatory planning or more substantial, concrete engagements constituting direct competition. The analysis is largely fact-driven based on the specific actions undertaken and their propriety under the terms of the non-compete provision at issue. Here, the analysis is simplified to a certain extent, and not entirely contingent on whether specific actions constituted actual competition, because JA Apparel need only demonstrate that Abboud indirectly associated himself with a business that "proposed" to compete with JA Apparel. As set forth below, the Court concludes that at least some of Abboud's actions during the Restricted Period constituted breaches of the Side Agreement's broad non-compete provision.

B. *Application*

1. *Fall River*

Particularly troubling is Abboud's "loan" to the Fall River Shirt factory, which manufactured shirts for sale at Nordstrom's, one of JA Apparel's largest customers, in price ranges similar to JA Apparel's shirts. The surrounding factual circumstances are largely undisputed.

On March 5, 2007, Abboud visited the Fall River plant and met with its owner. At some point after touring the factory, Abboud decided he was interested in acquiring it so Abboud also met with Robert Kidder ("Kidder"), Fall River's then Vice President of Sales, to discuss the factory. There is documentary evidence, in the form of a communication from Kidder to Abboud, which indicates that Abboud was interested in acquiring the factory for production of his new "jaz" clothing line. (*See* PX 130 ("I know that Fall River will be something that you will be proud of and something that will contribute to your new brand.").)

During this time, Kidder advised Abboud that Fall River was in severe financial distress and would not be able to survive until after the expiration of Abboud's Restricted Period. Abboud instructed his attorney, Dinsmoor, to investigate Fall River's financial condition, and, in March and April, 2007, Abboud and Dinsmoor received financial information from Fall River's comptroller, John Colucciello. After reviewing the financial information, Dinsmoor concurred with Kidder's assessment that Fall River would not survive until the Fall of 2007 without a significant infusion of cash.

At or around this same time period, Abboud met again with Fall River's owner, reviewed Fall River's financial information with Dinsmoor, and Dinsmoor requested additional financial information from Fall River's comptroller and counsel—which Dinsmoor indicated he needed for his discussions with Abboud regarding a potential transaction. Dinsmoor also began to copy one of his colleagues at his law firm, William Sopp ("Sopp"), of Burns & Levinson, on his e-mails to Fall River's attorney. Dinsmoor also met with representatives of ***341** Banknorth, the bank that was going to foreclose on Fall River, in order to discuss ways to save the shirt factory. Ultimately, the only option Banknorth was willing to consider was a secured party sale of Fall River's assets to a new buyer.

On April 27, 2007, Dinsmoor and Sopp created an entity called Alden Street Shirt Company ("Alden"). On the same day, Christina Murray of Burns & Levinson sent a revised redlined Letter of Intent between Fall River and Alden to Fall River's counsel, and copied Dinsmoor, Sopp, and Abboud. The Letter of Intent was executed one day later. On May 14, 2007, Alden acquired Fall River's assets with 100% funding from Abboud's personal line of credit at Merrill Lynch, which first passed through Herringbone (owned by Abboud) as a loan to Alden. (TT at 909, 912, 1059, 1070.) Sopp, who through Burns & Levinson was simultaneously representing both Alden and Herringbone, prepared all of the loan agreements between Alden and Herringbone, which took the form of demand notes that could be called by Herringbone at any point in time.

Dinsmoor, who was working on Abboud's behalf throughout this process, admitted that he was the "architect" of this arrangement. Dinsmoor and his colleagues also installed Kidder as Alden's manager and so-called owner. At trial, Abboud freely admitted that he loaned money to the shirt company, through his bank, in order to keep it alive until his non-compete agreement expired. (TT at 470–71.) He also admitted that Dinsmoor set up this series of loans because Abboud understood that a direct acquisition of Fall River during the Restricted Period would have violated his non-compete obligations. (TT at 470, 474.)

After Alden's purchase of Fall River, Alden continued to manufacture men's dress and sport shirts for sale at Nordstrom's and other stores, and Abboud continued to receive financial information, at his Herringbone address, regarding the plant's financial condition. Less than two months after the expiration of the Restricted Period, Herringbone foreclosed on the Demand Notes to Alden —despite there being no record of a written demand by Herringbone to Alden for repayment of the loan. (PX 200; Sopp Tr. 234–35.) At or around this same time, Abboud changed the name of Alden to Herringbone Shirt Manufacturing Company.

In light of this evidence, Abboud admits, as he must, that "he advanced his Merrill Lynch line of credit through Herringbone to Alden Street during the Restricted Period," but argues that "the mere loaning of money does not constitute participation in the debtor business or competition with JA Apparel unless, as is not the case here, the restrictive covenant expressly prohibits the lending of money." (*See* Defs.' Post–Trial Mem., at 134.) Abboud goes on to say, rather incredibly, that there is no evidence "that Abboud participated in any commercial transaction involving Alden Street" and that "Alden Street was not in competition with JA Apparel, because Alden Street manufactures private label shirts under contract, while JA Apparel wholesales its own shirt brand." (*Id.*)

Even putting aside the considerable evidence presented at trial that Kidder was the owner of Alden only on the most superficial of levels [32] —and that Abboud was ***342** the true "owner" of, and decision-maker behind, Alden—Abboud's loan to Fall River, which kept it alive until after the expiration of the Restricted Period, certainly indicates that, during the Restricted Period, Abboud was, at a minimum, "indirectly" associated with an entity that was either already in competition with, or was proposing to compete with JA Apparel. [33] Indeed, it was only due to Abboud's participation and involvement that Fall River was able to continue competing with JA Apparel during the Restricted Period, and in a position to propose to compete with JA Apparel subsequent to the Restricted Period. Defendants' argument that Abboud merely extended funds to Fall River, and did not have any direct participation in the control of Fall River during the Restricted Period, is simply not supportable in light of the evidence at trial.

Plaintiff has, thus, met its burden of establishing a breach of the Side Agreement's non-compete provision.

2. *Jack Victor*

[27] Having already found a breach of the non-compete provision, this Court need delve no further into Abboud's other activities during the Restricted Period. Nevertheless, the Court concludes that Abboud's activities in connection with, at a minimum, the Jack Victor company, also constitute a breach of the non-compete provision. Based on the evidence submitted at trial, Abboud met with the Jack Victor management team as early as January 31, 2007, at which point Abboud presented the new "jaz" logo, toured the factory, and generally discussed "what a collection would look like." (TT 458; Victor Tr. 135–36.) Abboud then had additional meetings with representatives of Jack Victor and began to discuss the structure of a possible license agreement, which Abboud wrote to Mr. Victor about, as "President" of Herringbone, on February 20, 2007. In his letter, Abboud enclosed a list of fourteen subjects for a proposed licensing agreement and stated as follows:

> After a considerable amount of research over the last 18 months, my team and I are absolutely convinced that the market is ready and more than eager for a new tailored collection. As I have mentioned before, I have spoken to retailers at the highest levels who are very supportive of this new concept in menswear.

(PX 137.)

Thereafter, Abboud had additional meetings and exchanged drafts of terms for a licensing agreement, which led to Dinsmoor sending a detailed 30–page license agreement between "Houndstooth Corporation and [_______]" to Jack Victor's counsel. ***343** [34] In late April, Abboud met again with the Jack Victor management team to work on the "jaz" line. (TT at 677; PX 122.) On May 1, 2007, Abboud sent Alan Victor a detailed set of design notes for "jaz" suits (PX 172; TT 686) and, on May 2, 2007, Jack Victor purchased 700 yards of fabric, at least some, if not all, of which was ordered for "jaz" suits. (TT 696–98.) During this time, attorneys for Abboud and Jack Victor continued to negotiate the licensing agreements, and at least in Dinsmoor's eyes, had it within "an hour" of completion. (PX 147.) [35]

These actions go beyond mere preparation. For all practical purposes, during the Restricted Period, Abboud, through Herringbone, had in place a fully negotiated licensing agreement for his new "jaz" line with a third-party, Jack Victor, in anticipation of competing with JA Apparel. This constitutes a breach of the Side Agreement which forbade "directly or indirectly through any partnership, corporation ... or other entity," association as "an owner, director ... or other participant," with any "person, group, business enterprise or other entity which is engaged in or proposes to engage in," competition with JA Apparel. (*See* PX 2 ¶ 2(a).)

* * *

Consequently, the Court concludes that Abboud's actions in connection with, at a minimum, Fall River/Alden, and Jack Victor constitute breaches of the non-compete provision in the Side Agreement in that they entailed impermissible association with individuals or entities that were proposing to engage in competition with JA Apparel during the Restricted Period. The only remaining question, therefore, is the remedy, if any, to which Plaintiff is entitled.

C. *Remedy*

[28] The non-compete provision at issue specifically discusses the type of remedy to which JA Apparel is entitled in the event of a breach by Abboud:

> Abboud acknowledges that ... in the event of any breach by Abboud of his agreements set forth in such Sections [1 and 2 (the non-compete provision)] the Buyer will not have an adequate remedy at law and therefore will be entitled to obtain equitable relief in the form of a preliminary or permanent injunction from any court of competent jurisdiction in order to enforce such agreements.

(PX 2 at ¶ 2(d).)

[29] Based on Abboud's breaches of the Side Agreement, Plaintiff seeks an injunction barring "defendants from competing with JA Apparel for 90 days from the date of entry of the Court's order, which is the period of time that Mr. Abboud breached the non-competition provisions of his Side Letter Agreement prior to July 13, 2007." (*See* Pl.'s Post–Trial Mem., at 164–65.) As support for the propriety of this form of injunctive relief, which would be imposed after the expiration of the non-compete agreement, Plaintiff relies on ***344** *New York Real Estate Inst. v. Edelman,* 42 A.D.3d 321, 839 N.Y.S.2d 488 (1st Dep't 2007) and *J.H. Goldberg Co., Inc. v. Stern,* 53 A.D.2d 246, 385 N.Y.S.2d 427 (4th Dep't 1976). Both cases hold that, despite the fact a non-compete period has terminated, a court can prospectively preclude competition for the period of time that the defendant was in breach of the non-compete. *See* *New York Real Estate,* 42

A.D.3d at 321–22, 839 N.Y.S.2d at 488; *J.H. Goldberg,* 53 A.D.2d at 252, 385 N.Y.S.2d at 432.

In a post-trial letter submitted to the Court, Defendants argue that "such injunctive relief is beyond a federal court's Article III jurisdictional power." (*See* Letter from Defendants' counsel, dated April 15, 2008 ("Defs.' Ltr.") at 1).

Whether or not the Court has jurisdiction to grant the type of injunctive relief Plaintiff seeks is a purely academic question here because, even assuming *arguendo* that it could grant the relief sought, it would decline to do so in this case. Although the Court does, as set forth above, believe that Abboud breached the broad non-compete provision, he did not actually compete with Plaintiff through the sale of merchandise. Indeed, the Court perceives little, if any, damage flowing to JA Apparel as a result of the breaches. Plaintiff claims that Abboud's activities during the Restricted Period "enabled him to sell products in competition with JA Apparel a full season earlier than he would have been able to do without his breach." (Pl.'s Ltr., at 1.) Plaintiff did not present sufficient evidence at trial to prove this assertion. Abboud intends to commence sales of his new "jaz" line in the Fall of 2008—more than a year after the expiration of his non-compete provision. Plaintiff did not establish that Abboud could not have commenced sales in the Fall of 2008 without having breached his non-compete provision before July 13, 2007. Alternatively stated, Plaintiff did not prove that only because of Abboud's breaches is he in a position to commence sales this Fall.[36] Plaintiff does not allege any other specific damage resulting from Abboud's activities during the Restricted Period.

The Court, therefore, is unable to discern significant damage to JA Apparel stemming from Abboud's activities during the Restricted Period. Consequently, the Court exercises its discretion not to grant an injunction precluding Abboud from marketing his "jaz" line in the coming months. *See, e.g., Kapps v. Wing,* 404 F.3d 105, 122 (2d Cir.2005) ("district courts have broad discretion in deciding whether to award injunctive relief") (internal quotations omitted). On the other hand, if the Court were to grant Plaintiff an injunction, it would certainly have the effect of precluding Abboud from marketing his Fall 2008 line of clothing; indeed, by now, he has no doubt licensed and manufactured the line, and taken orders from customers for sales. (*See* Defs.' Ltr., at 3.) Therefore, an injunction would cause clear harm to third-parties, not just Abboud. That concrete harm would, in the Court's view, far outweigh Plaintiff's speculative injury resulting from Abboud's activities during the Restricted Period.

Plaintiff also seeks monetary relief as a result of Abboud's breaches of the non-compete provision. Specifically, Plaintiff seeks $578,104.10 in damages, which purportedly represents Alden's profits during the Restricted Period. The Court is likewise ***345** disinclined to grant this relief. As an initial matter, the request for monetary relief is somewhat inconsistent with JA Apparel's request for equitable relief in the way of an injunction, which, of course, assumes an inability to establish an adequate remedy at law. Moreover, the Side Agreement itself provides that injunctive relief, not monetary damages, would be the relief available in the event of a breach. (PX 2 at ¶ 2(d).) Finally, Plaintiff is correct that, having established Alden's revenues during the Restricted Period, Defendants had the burden of proving the amount of Alden's variable expenses in order to establish its actual profits, and Defendants failed to meet their burden. At trial, however, Abboud did testify under oath that Alden lost between $400,000 and $700,000 in 2007, and continued to lose money in 2008. (TT at 477.) Indeed, it was because it was on the verge of bankruptcy that Abboud advanced it funds. Although it would have been preferable for Defendants to have submitted documentary evidence to support Abboud's assertion, the Court credits Abboud's statement that the company has been operating at a loss and, therefore, for this additional reason, declines to award Plaintiff the monetary damages it seeks based simply on Alden's gross revenues.

VI. *Defendants' Counterclaims*

Defendants assert counterclaims against JA Apparel and Staff for false endorsement, false advertising, violation of New York civil rights and general business laws, and common law unfair competition, stemming from activities in which JA Apparel and Staff engaged subsequent to the execution of both the Purchase and Sale Agreement and Side Agreement. Essentially, Defendants contend that Plaintiff exploited the name and reputation of Joseph Abboud the individual by using, in connection with its products under the "Joseph Abboud" and "JOE" labels, promotional and advertising campaigns with slogans such as "Hey Joseph, What Should I Wear?" "Do You Know Joe?" and "Ask Joseph Abboud." Under all five Counterclaims, Defendants seek the same damages—$37.5 million—which they contend equates to a 10% royalty on Plaintiff's wholesale sales from July, 2005 until the present.

Due to the fact that all of these claims, with the exception of a small portion of one claim, are premised, either explicitly or implicitly, on a position that the Court has already rejected—specifically, that Plaintiff did not purchase the exclusive right to commercially use the Joseph Abboud name in connection with goods and services—these claims must be dismissed for the reasons set forth below. [37]

A. *Violations of Abboud's "Right Of Publicity" Under 15 U.S.C.A. § 1125(a) & §§ 50–51 of N.Y. Civil Rights Law*

In his first Counterclaim, under Section 43(a) of the Lanham Act, Abboud alleges that Plaintiff violated his right of publicity "by using Abboud's name in such a fashion as to mislead consumers into believing that Abboud is still associated with JA Apparel and/or sponsors and endorses JA Apparel's products." (*See* Defs.' Post–Trial Mem., ¶ 229.) Similarly, in connection with his third Counterclaim, under New York Civil Rights Law §§ 50 and 51, Abboud argues that Plaintiff violated his ***346** right of publicity "by using Abboud's name in a non-trademark fashion in advertising and promotional materials without Abboud's consent." (*See id.* ¶ 249.) These claims, however, are expressly based on the following argument:

> [B]y way of the Purchase and Sale Agreement, Abboud only conveyed or assigned to JA Apparel the trademarks and the goodwill pertaining thereto, as well as license agreements. Abboud did not convey or assign to JA Apparel the "exclusive right" to use his name in any way, shape or form, nor did Abboud contract away his right to use his name in connection with his future design efforts in the apparel industry following the expiration of his two year Restricted Period.

(*See id.* ¶¶ 240, 256.) As set forth above, the Court rejects this interpretation of the Agreement, and concludes that Abboud did sell all rights to use his name for commercial purposes. Thus, the platform for these two Counterclaims is a legal position that has no merit, and the counterclaims must, therefore, be dismissed. [38]

It is also worth noting that Defendants did not present credible evidence, as they were required to do for their Lanham Act claim, that consumers have been or are likely to be misled into believing that the "Do You Know Joe?" "Hey Joseph, What Should I Wear?" or "Ask Joseph Abboud" campaigns indicated an association with Joseph Abboud the individual, as opposed to Joseph Abboud, the brand. *See* 15 U.S.C. § 1125(a). Defendants also fail to acknowledge that to prevail on their state law publicity claims, they were required to show that Plaintiff used Abboud's name "without [his] written consent." *See* N.Y. Civil Rights Law § 51. As set forth above, Abboud provided his consent to use his name by way of the Agreement. Indeed, by selling to Plaintiff the right to use such designations as "by Joseph Abboud," "designed by Joseph Abboud," and "JOE," Defendants' contention that Plaintiff is improperly invoking an association with the individual Joseph Abboud rings hollow.

Finally, to the extent that Abboud bases these counterclaims on the argument that he "reserved his personal publicity rights to himself, and was specifically permitted to make media and celebrity appearances in his individual capacity, and to develop his reputation" (*see* Defs.' Post–Trial Mem., ¶¶ 240, 256), this argument has also already been rejected because this provision of the Side Agreement terminated on July 13, 2007, and Abboud did not reserve the right to make media appearances, or otherwise use his name, in a way that competed with JA Apparel. (*See* Section I.B.4.(e), *supra.*) [39]

***347** B. *False Advertising Under 15 U.S.C. § 1125(a)(1)(B)*

[30] In his second Counterclaim, under Section 43(a)(1)(B) of the Lanham Act, Abboud seeks relief based on his assertion that the advertising and promotional campaigns set forth above either explicitly or implicitly "create the false impression that Abboud is still associated with JA Apparel and that JA Apparel still possesses Abboud's individual reputation as a designer, as well as his unique talents, skills and artistic abilities to design menswear and other consumer products for JA Apparel." (Defs.' Post–Trial Mem., at 146–47.) Abboud submits authorities for the proposition that if JA Apparel's statements in its advertising campaigns are explicitly false, the Court may grant relief without a showing that the advertisement had an impact on the buying public. (*See id.* ¶ 265 (citing *McNeil–P.C.C., Inc. v. Bristol–Myers Squibb Co.,* 938 F.2d 1544, 1549 (2d Cir.1991))). However, if JA Apparel's statements are only implicitly false, Abboud must demonstrate that the advertisements tend to mislead or confuse consumers, *see, e.g.*, *Johnson & Johnson * Merck Consumer Pharms. Co. v. Smithkline Beecham Corp.,* 960 F.2d 294, 298 (2d Cir.1992), and can only avoid that burden if he can show that JA Apparel intentionally set out to deceive the public with egregious conduct. *See* *id.* at 298–99; *Resource Developers, Inc. v. Statue of Liberty–Ellis Island Found.,* 926 F.2d 134, 140 (2d Cir.1991).

This Counterclaim must also be dismissed. The campaigns used by JA Apparel do not contain statements that are explicitly false because the statements merely use the Abboud marks and names, including "JOE" and "Joseph Abboud," which Plaintiff owns, to promote its brands. Indeed, Staff testified that Plaintiff developed the "JOE" campaign to promote a younger, less expensive line of clothing that would be popular among men between the ages of twenty-two and thirty. (*See* TT at 61–62.) The campaign, according to Staff, does not seek to evoke images of Joseph Abboud, the individual, because that is not the right demographic for the JOE line. (*Id.*)

Even assuming *arguendo* that the statements are implicitly false, which the Court does not believe they are, Defendants have not made a sufficient showing of consumer confusion, and Plaintiff's conduct could hardly be labeled as egregious in light of its justifiable (and ultimately correct) belief that it can creatively use the Joseph Abboud name and related trademarks to promote its brands.

Consequently, for these reasons and those set forth above, Defendants' second Counterclaim for false advertising must be dismissed. [40]

C. *Deceptive Acts and Practices Under* *New York G.B.L. § 349* *& Common Law Unfair Competition*

[31] In his fourth and fifth Counterclaims, Abboud argues, based on the same conduct set forth above, that Plaintiff engaged in deceptive business practices and unfair competition, respectively. In order to prove a claim for deceptive business practices, Defendants were required to show, among other things, a misleading act ***348** or practice that caused direct harm to consumers at large. *See* *Stutman v. Chem. Bank,* 95 N.Y.2d 24, 29, 709 N.Y.S.2d 892, 895, 731 N.E.2d 608 (2000); *Securitron Magnalock Corp. v. Schnabolk,* 65 F.3d 256, 264–65 (2d Cir.1995). Aside from the fact that the Court does not believe that the complained of campaigns constitute misleading practices, Abboud has also failed to submit credible evidence that the campaigns caused the requisite injury to consumers at large. *See* *Gaetano Assocs., Ltd. v. Artee Collections, Inc.,* No. 05 Civ. 3329(DLC), 2006 WL 330322, at *3 (S.D.N.Y. Feb. 14, 2006) ("A non-consumer plaintiff can, in rare cases, plead a cause of action under Section 349, but only if the gravamen of the complaint [is] consumer injury or harm to the public interest.") (internal quotations omitted). This claim must therefore be dismissed.

[32] Abboud's unfair competition claim fares no better. To prove such a claim, Abboud is required to show, among other things, that Plaintiff acted in bad faith. *See, e.g.*, *Computer Assocs. Int'l, Inc. v. Computer Automation,* 678 F.Supp. 424 (S.D.N.Y.1987). For all of the reasons set forth above, the Court does not believe that Plaintiff acted in bad faith by creatively using the Joseph Abboud name and trademarks that it owns to promote its brand. [41]

[33] **[34]** In the only portion of Abboud's Counterclaims that is unrelated to Plaintiff's use of Abboud's name in the advertising and promotional campaigns set forth above, Abboud argues that Plaintiff and Staff engaged in unfair competition by wrongfully contacting individuals in the industry in an attempt to prevent or impede the launch of Abboud's new "jaz" line, and otherwise injure Abboud. The evidence presented to support this claim was thin, and, in all events, these allegations are not the proper basis for an unfair competition claim because (a) unfair competition claims under New York law are analyzed in the same manner as a trademark infringement claim under the Lanham Act, *see e.g.,* *Louis Vuitton Malletier v. Dooney & Bourke, Inc.* 454 F.3d 108, 119 (2d Cir.2006), and (b) Defendants provided no legal support for the position that interference with existing or prospective business relations constitutes unfair competition, as opposed to tortious interference, a claim Defendants did not assert. (*See generally* Defs.' Post–Trial Mem., SI 289.)

* * *

For all of these reasons, Defendants' Counterclaims are dismissed in their entirety. [42]

CONCLUSION

For all of the foregoing reasons, IT IS HEREBY ORDERED:

***349** 1) In the June 16, 2000 Purchase and Sale Agreement, Abboud sold, and JA Apparel purchased, all rights that exist in, and all rights to use and apply for the registration of, the names, trademarks, trade names, service marks, logos, insignias, and designations that contain the words "Joseph Abboud," "designed by Joseph Abboud," "by Joseph Abboud," or anything similar to or derivative thereof, either alone or in conjunction with other words or symbols, for any and all products and services;

2) Abboud's proposed use of his name in connection with his new "jaz" line would constitute (a) a breach of the June 16, 2000 Purchase and Sale Agreement and (b) trademark infringement under Section 32(1) of the Lanham Act, 15 U.S.C. § 1114(1);

3) Abboud is permanently enjoined and restricted from using his personal name to sell, market, or otherwise promote, goods, products, and services to the consuming public;

4) Abboud engaged in activities during the Restricted Period set forth in the July 13, 2000 Side Letter Agreement, which constituted breaches of that agreement's non-competition provision; nevertheless, the Court exercises its discretion not to award Plaintiff damages as a result of these breaches;

5) Plaintiff's claims for (a) dilution, unfair competition, and false designation of origin under Sections 43(a) & (c) of the Lanham Act, 15 U.S.C. §§ 1125(a)(1) & (c)(1), N.Y. Gen. Bus. Law §§ 360–61, and the common law, and (b) false and deceptive trade practices under N.Y. Gen. Bus. Law §§ 349–50, are hereby dismissed; and

6) Defendants' counterclaims for (a) right of publicity, false designation of origin and false advertising under Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a), (b) right of publicity under N.Y. Civil Rights Law §§ 50–51, (c) false and deceptive trade practices under N.Y. Gen. Bus. Law § 349, and (d) unfair competition under the common law, are hereby dismissed.

The Clerk of Court shall enter Judgment consistent with the terms of this Memorandum Opinion and Order.

All Citations

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Footnotes

1 The following citation formats will be used herein: trial testimony will be cited as (TT at ___); April 3, 2008 closing argument will be cited as (CA at ___); deposition testimony will be cited as ([Last name] Tr., at ___); Plaintiff's trial exhibits will be cited as (PX ___); Defendants' trial exhibits will be cited as (DX ___); Plaintiff's Post–Trial Proposed Findings of Fact and Conclusions of Law will be cited as (Pl.'s Post–Trial Mem., at ___); and Defendants' Post–Trial Proposed Findings of Fact and Conclusions of Law will be cited as (Defs.' Post–Trial Mem., at ___).

2 The Complaint alleges that the joint venture was with GFT USA, Inc.—as opposed to GFT International B.V. (*See* Complaint ¶ 19.) The discrepancy is of no moment to the Court's decision.

3 From 1987 through the present, Abboud has been the recipient of numerous awards and honors based on his work as a fashion designer and philanthropist. For purposes of this decision, Abboud's well-respected reputation—at least within the fashion industry—is assumed.

4 Although the injunction Plaintiff seeks is broad, for purposes of this case Defendants have conceded that they are not seeking to use the Joseph Abboud name on clothes, labels, or hang-tags for the "jaz" line (TT at 4–5), and Plaintiff has conceded that it is not seeking to prevent Abboud from being in business and competing, or personally presenting his new "jaz" line to prospective purchasers, such as Bloomingdale's. (*Id.* at 8, 12.) Thus, the specific dispute presented to the Court, which was left open by these concessions,

is whether Abboud can use his name in advertising or marketing materials to promote his "jaz" line. (*See id.* at 3 (Counsel for Defendants: "All [Abboud] is asking to do in this case is to be able to use his name in advertising materials ... to be able to identify himself in text as the designer of the ... jaz products that are at issue."); at 11 (Counsel for Plaintiff: "We're not trying to stop him from competing against us.... But once he starts advertising, then he's trading on the same reputation that is, in fact, merged into the goodwill of the brand that he sold to us.").)

5 The parties agree that New York law governs this case.

6 As stated above, this rule applies with particular force here because the contract was negotiated by sophisticated business people who were represented by counsel.

7 Plaintiff claims that it first became aware of Defendants' intention to rely on extrinsic evidence in late December, 2007, when the parties exchanged witness and exhibit lists. (*See* Pl's Post–Trial Mem., at 102, n. 46.) Plaintiff does not explain why it waited until two weeks before trial—and at least seven weeks after learning of Defendants' intention—to file its Motion *In Limine.*

8 Defendants' opposition is based on the unusual position that, although Defendants believe the Agreement is unambiguous, if the Court were to disagree, it would be required to take into account all of the extrinsic evidence which Defendants believe supports their position. The main argument Defendants advance in support of this argument as to why the Court should hear parol evidence is that, in the context of a bench, as opposed to jury, trial, the risk of prejudice based on the admission of parol evidence is significantly decreased. (*See* Defs.' Resp., at 15–16.)

9 Although legally irrelevant under this ruling, it should be noted that the extrinsic evidence submitted at trial did not overwhelmingly support either party's position.

10 Plaintiff also argues that the Court would be required to ignore the word "collectively" because the use of that word "necessarily means that the defined term 'Trademarks' means each of the seven items specified in the 'collection.' " (*See* Pl.'s Post–Trial Mem., at 96.)

11 As set forth below, Defendants' interpretation would also entail ignoring or negating the term "trade names," which has a commonly understood meaning that is distinct from that of a trademark, and is not capable of being interpreted merely as a description of a trademark.

12 Indeed, Defendants argue that the contract is unambiguous, even though, without doubt, it could have been more clearly worded to convey their claimed intent.

13 In *Levitt,* unlike the instant case, there was not even a claim that the defendant had sold his "name," as opposed to a trademark or trade name containing his name. Yet, the court upheld restrictions on how Levitt used his personal name, observing that "[w]hen a name is used as a trademark, it risks becoming a symbol of the corporation and its past accomplishments and losing its individual identity." *Levitt,* 593 F.2d at 468.

14 Contrary to Defendants' distinction, *Levitt* goes beyond the proposed use of a name as a trademark or trade name. Indeed, the court permanently forbade defendant Levitt from publicizing, in reciting the highlights of his career, his association with his former company in connection with all future residential developments. *Levitt,* 593 F.2d at 467.

15 Defendants also argue that because another company owned by Abboud, Joseph Abboud Worldwide, Inc., survived the Agreement, Plaintiff must not have bought the Abboud name for all purposes. (*See* Defs.' Post–Trial Mem., at 71.) But Abboud testified at trial that the company is dormant, has not conducted any business since it transferred the license agreements to JA Apparel upon execution of the Agreement, and has not used its name in any kind of advertisement since June, 2000. (TT at 657–58.) Accordingly, this argument does not change the Court's analysis.

* * *

16 As set forth below, Defendants' claim that these phrases, such as "by award-winning designer Joseph Abboud," are merely accurate descriptions that are not trademarks and do not violate the Agreement further undermines Defendants' position. Abboud clearly sold the rights to the trademark or designation "by Joseph

Abboud." *See* Agreement § 1.1(a)(C). Defendants fail to adequately explain how their proposed uses would not violate the express terms of the Agreement.

17 In connection with Plaintiff's common law unfair competition claims, common law trademark infringement claims, and dilution claim under N.Y. Gen. Bus. Law § 360–1, Defendants argue, as well, that they must be dismissed because Abboud's proposed use constitutes fair use.

18 *See* TT at 7 (Court: "I take it, if I were to decide that he's precluded from using his name under the contract there would be no reason to reach the Lanham Act issue, right?"—Defense Counsel: "If you were to decide that he sold the exclusive right to use his name under the contract, then under the *Madrigal* case, you're correct.").

19 "The standard for trademark infringement under the Lanham Act is similar to the standard for analogous state law claims." *Merck & Co., Inc. v. Mediplan Health Consulting, Inc.,* 425 F.Supp.2d 402, 410 n. 6 (S.D.N.Y.2006); *see also* *Bristol–Myers Squibb Co. v. McNeil–P.P.C., Inc.,* 973 F.2d 1033, 1048 (2d Cir.1992) (applying same likelihood of confusion analysis to claims under New York law as to claims under Lanham Act).

20 Defendants argue that because Abboud is not "intending to use his personal name as a trademark, but is intending to use his name other than as a trademark in connection with his business, as a matter of law, a finding of likelihood of confusion is irrelevant." (*See* Defs.' Post–Trial Mem., at 93.) This is an overstatement. While likelihood of confusion is not mutually exclusive with the "fair use" defense, this "does not foreclose the relevance of the extent of any likely consumer confusion in assessing whether a defendant's use is objectively fair." *KP Permanent Make–Up, Inc. v. Lasting Impression I, Inc.,* 543 U.S. 111, 123, 125 S.Ct. 542, 550, 160 L.Ed.2d 440 (2004).

21 To the extent that Abboud argues that he will not be using his name as a trademark because it will be only be used with the "jaz" mark, the Court gives this argument little weight because multiple marks can clearly be used together. *See, e.g.,* *Quiksilver Inc. v. Kymsta, Corp.,* 466 F.3d 749, 757 (9th Cir.2006) ("A product mark like 'ROXY,' even if always displayed with a house mark like 'QUIKSILVER,' may acquire independent trademark significance.").

22 Abboud argues that the word "work" in this exchange "refers to Abboud's design work, not his 'jaz' products." (*See* Defs.' Post–Trial Mem., at 103, n. 21.) Not only is this assertion unpersuasive, it also highlights the inherent difficulty and confusion in assessing Abboud's objectives in connection with the proposed uses of his name.

23 *See, e.g.,* *Cosmetically Sealed Indus., Inc. v. Chesebrough–Pond's USA Co.,* 125 F.3d 28, 30 (2d Cir.1997) (descriptive term "Seal it with a Kiss" deemed permissible as an "instruction to seal by kissing the complimentary postcard"); *Kiki Undies Corp. v. Alexander's Dep't Stores, Inc.,* 390 F.2d 604, 605 (2d Cir.1968) ("kicky" permissible for ladies apparel); *Eli Lilly & Co. v. Revlon, Inc.,* 577 F.Supp. 477, 485–86 (S.D.N.Y.1983) ("lip repair cream" for lip treatment cream).

24 This is not to say that Abboud no longer has a separate, personal identity or well-deserved, stellar reputation in the fashion industry, or that Joseph Abboud the person has lost his ability to identify himself.

25 Plaintiff also seeks an injunction based on Abboud's breach of the Side Agreement. That request will be discussed below.

26 Plaintiff's proposed order is attached to its Post–Trial Memorandum.

27 Although, at first blush, this concession appears to be inconsistent with Plaintiff's position that Abboud sold all rights to use his name, it need not be so. Plaintiff recognizes that Abboud has a personal identity and name that was not sold. Thus, Abboud, the person, is not precluded from being who he is and identifying himself in business transactions.

28 In its proposed Judgment and Permanent Injunction Order, Plaintiff requests reasonable attorneys' fees under the Lanham Act, 15 U.S.C. 1117(a). The Court declines that request, finding that this is not an

"exceptional case" of trademark infringement that would warrant the imposition of attorneys' fees. *Id.* Indeed, any infringement has not yet occurred since Abboud has thus far refrained from using his name in print media to promote the "jaz" line.

29 Defendants also argue that Abboud's ownership and control of Herringbone, cannot, in and of itself, be a breach of the Side Agreement because Abboud would have been in immediate breach of the Side Agreement by virtue of his mere association with Herringbone, which was known to JA Apparel, and because Abboud did not become an owner of a third-party competitive business during the Restricted Period.

30 Plaintiff cites to the district court decision, which can be found at 176 F.Supp. 104, 122–23 (S.D.N.Y.1959).

31 Defendants' attempt to distinguish *World Auto* is weak. Defendants argue that because the agreement was called "Retirement Agreement," it is obvious that the parties intended that the defendant would "disappear from the landscape entirely." (*See* Defs.' Post–Trial Mem., at 132.) While here, defendants argue, it is undisputed that Abboud intended to re-enter the clothing business. But this argument ignores the fact that the *World Auto* opinion also specifically references the expiration of the non-compete provision, which indicates that the defendant may have expected to re-enter the market, and otherwise undermines the obviousness of Defendants' assumption. 629 N.Y.S.2d at 896.

32 At his deposition, Kidder repeatedly testified that he believed Alden was owned by Herringbone, not him, during the Restricted Period. (*See* Kidder Tr., 101–02, 133, 138–39, 146–47, 150–51.) Seven weeks later, he attempted to change his position on that issue by submitting an affidavit that he, not Herringbone, owned Alden. In all events, however, despite being a graduate of Harvard University and a sophisticated businessman with over 30 years of experience, Kidder (a) did not have his own legal counsel during the transaction (*see* Sopp Tr., 238; Kidder 142–45), (b) had "no idea" how Alden came to hire Dinsmoor's firm, Burns & Levinson, during the transaction (*see id.,* 107, 112–13), (c) was not involved in the creation of Alden (*see id.,* 130, 132), (d) had no role in negotiating many of the documents leading up to the transaction (*see id.* at 102–110, 112, 157, 159), (e) was not copied on many of the significant documents and correspondence regarding the transaction (PX 53, 128), (f) did not attend many of the key meetings (*see* TT 706–07, 1052–54; Kidder Tr., 97–98, 108–110), and (g) did not invest any of his own money in Alden (TT 718–19, 1071, 1074–75; Kidder Tr. 128–29).

33 Even assuming *arguendo,* that Defendants are correct in their argument that, under the doctrine of *ejusdem generis,* the word " 'participant' must be construed to mean something similar to 'owner, director, officer, employee [and] consultant', i.e., someone who has active involvement in the business,' " (*see* Defs.' Post–Trial Mem., at 30), based on the foregoing evidence, the Court concludes that Plaintiff met this standard. Abboud, through Herringbone, was actively involved as a "participant" in, and the *de facto* owner of, Alden during the Restricted Period.

34 The final executed license agreement between Abboud and Victor closely tracks the agreement that Dinsmoor provided during this time. (PX 140; DX 192.)

35 There is also evidence that Abboud knew that he was skating dangerously close to the limits of his non-compete provision. For example, in advance of a press conference to present and announce the "jaz" line, on July 30, 2007, Abboud instructed Jack Victor's representatives to avoid answering any questions regarding his non-compete provision. (*See* TT 730; PX 160 (Abboud advised them to "avoid completely" any discussion of **"[a]ny interaction during my non-compete period")** (emphasis in original).)

36 In fact, at least with respect to the manufacturing of clothes, some of the evidence suggests that Abboud could have been prepared for the Fall 2008 season—at least fourteen months after the expiration of the non-compete—even without his three month head-start. (*See* TT at 74 (Staff testifying: "Well, designing, getting fabric for and making a suit is not dissimilar in time from having a baby. It takes months.").)

37 The one portion that is unrelated to that legal position is an argument, under Defendants' common law unfair competition claim, that Plaintiff and Staff wrongfully contacted people in the industry in an attempt to prevent or impede the launch of Abboud's new venture, and otherwise injure Abboud. This claim will be addressed below.

38 Despite its holding that JA Apparel bought the exclusive right to commercially use the Joseph Abboud name, the Court believes that there remain ways JA Apparel could improperly use the name by invoking images of Joseph Abboud the individual, as opposed to Joseph Abboud the brand. As an extreme example, JA Apparel would likely be intruding on Joseph Abboud's personal rights, and misleading the public as well, by stating: "Joseph Abboud, the designer, will be at Bloomingdale's to present JA Apparel's new fall line of menswear." This situation, however, has not been presented to the Court and it is difficult to fashion an injunction that could contemplate all potential encroachments on Abboud's individual rights. In this context, the appropriate course of conduct may be similar to Justice Stewart's statement regarding obscenity in *Jacobellis v. Ohio,* 378 U.S. 184, 197, 84 S.Ct. 1676, 12 L.Ed.2d 793 (1964), "I know it when I see it." In all events, however, Defendants have not made such a showing here.

39 As set forth above, however, Abboud still has the right to make personal appearances that do not relate to the marketing, sale, and promotion of goods and services. However, that Joseph Abboud the person retains the right to his personal identity, does not mean that JA Apparel cannot creatively use the names it purchased to promote its brand by, for example, an advertising slogan "ask Joseph Abboud."

40 This is not to say that Plaintiff could never use the Joseph Abboud name in a way that constituted false advertising. As set forth above, a statement that Joseph Abboud, the individual, will be at a certain location or endorses a certain statement or brand, would likely violate Abboud's rights and mislead the public. But the campaigns Abboud complains of here do not meet that standard.

41 For these reasons, the Court also rejects Defendants' argument that Plaintiff is not entitled to an injunction because of its "unclean hands" in connection with its advertising and promotional campaigns using the Joseph Abboud name. (*See* Defs.' Post–Trial Mem., at 116–19.)

42 Although the Court's resolution of Defendants' counterclaims renders discussion of the damages they seek unnecessary, it is worth noting that even if Defendants had prevailed on their claims, they did not adequately establish any damages. Under all five Counterclaims, Defendants seek $37.5 million, which they contend equates to a 10% royalty on Plaintiff's wholesale sales from July, 2005 until the present. Defendants did not, however, establish what profits, if any, resulted from the campaigns which they claimed were objectionable. Because such profits surely count for a small percentage of Plaintiff's overall profits, the Court could not accept Defendants' damage calculations in any event.

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568 F.3d 390
United States Court of Appeals,
Second Circuit.

JA APPAREL CORP., Plaintiff–Counterclaim–Defendant–Appellee,
v.
Joseph ABBOUD, Houndstooth Corp., Herringbone Creative Services, Inc., Defendants–Counterclaimants–Appellants,
v.
Martin Staff, Counterclaim–Defendant–Appellee.

Docket No. 08–3181–cv.
|
Argued: Oct. 22, 2008.
|
Decided: June 10, 2009.

Synopsis
Background: Manufacturer filed action against clothing designer alleging breach of purchase agreement, and trademark infringement, false designation of origin, unfair competition, trademark dilution, and false and deceptive trade practices under Lanham Act and state law. Defendant counterclaimed alleging false endorsement and false advertising in violation of Lanham Act, violation of right of publicity, and false and deceptive trade practices and unfair competition under state law. Parties consented to final disposition by magistrate judge. The United States District Court for the Southern District of New York, Theodore H. Katz, United States Magistrate Judge, 591 F.Supp.2d 306, permanently enjoined defendant from using name "Joseph Abboud" commercially. Defendant appealed.

Holdings: The Court of Appeals, Kearse, Circuit Judge, held that:

[1] scope of right conveyed by sale agreement to use name of clothing designer commercially was ambiguous;

[2] designer did not have intent to confuse; and

[3] individualized consideration of various elements in proposed advertisements, as well as likely effect of proposed advertisement as whole, had to be rendered before decision could be made on fair use defense.

Vacated and remanded.

Sack, Circuit Judge, filed concurring opinion.

West Headnotes (17)

[1] **Evidence** Contracts of sale

Scope of right conveyed by sale agreement to use name of clothing designer commercially was ambiguous under New York law, allowing for submission of extrinsic evidence as to intent with which parties entered into agreement, under designer's agreement to "sell, convey, transfer, assign and deliver all of [his] right, title and interest in and to: (A) The names, trademarks, trade names, service marks, logos, insignias and designations identified on Schedule 1.1(a)(A) [which included designer's name], and all trademark registrations and applications therefor, and the goodwill related thereto (collectively, the "Trademarks")."

7 Cases that cite this headnote

[2] **Contracts** Ambiguity in general

Under New York law, the question of whether a written contract is ambiguous is a question of law for the court.

71 Cases that cite this headnote

[3] **Contracts** Existence of ambiguity

Under New York law, contractual ambiguity is determined by looking within the four corners of the document, not to outside sources.

49 Cases that cite this headnote

[4] **Contracts** Existence of ambiguity

Under New York law, contract language is not ambiguous if it has a definite and precise meaning, unattended by danger of misconception in the purport of the contract itself, and concerning which there is no reasonable basis for a difference of opinion.

61 Cases that cite this headnote

[5] **Contracts** Existence of ambiguity

Under New York law, contractual language whose meaning is otherwise plain does not become ambiguous merely because the parties urge different interpretations in the litigation; rather, ambiguous language is language that is capable of more than one meaning when viewed objectively by a reasonably intelligent person who has examined the context of the entire integrated agreement and who is cognizant of the customs, practices, usages and terminology as generally understood in the particular trade or business.

95 Cases that cite this headnote

[6] **Federal Courts** Contracts

A district court's decision as to whether a contract is ambiguous is subject to de novo review.

3 Cases that cite this headnote

[7] **Contracts** Ambiguity in general

Under New York law, if a contract is unambiguous, its meaning is likewise a question of law for the court to decide.

46 Cases that cite this headnote

[8] **Contracts** Construction as a whole

Contracts Construing whole contract together

Evidence Grounds for admission of extrinsic evidence

Under New York law, when interpreting an unambiguous contract, a court is to consider its particular words not in isolation but in the light of the obligation as a whole and the intention of the parties as manifested thereby, but the court is not to consider any extrinsic evidence as to the parties' intentions.

57 Cases that cite this headnote

[9] **Evidence** Grounds for admission of extrinsic evidence

Under New York law, where the contract language creates ambiguity, extrinsic evidence as to the parties' intent may properly be considered.

67 Cases that cite this headnote

[10] **Contracts** Extrinsic facts

Under New York law, where extrinsic evidence as to the parties' intent is properly considered on the basis that the contract language creates ambiguity, the meaning of the ambiguous contract is a question of fact for the factfinder.

112 Cases that cite this headnote

[11] **Trademarks** Use of own name

Clothing designer, who had conveyed his rights to trademarks associated with other clothing lines that he had created and promoted, did not have intent to confuse by attempting to distinguish his subsequent clothing lines from that of trademark owner and advise consumers that he was source of his new line of clothing, allowing for application of fair-use defense to claim of trademark infringement, even if consumers would have been confused by designer's proposed use of his name in association with new line of clothing. Lanham Act, § 33(b)(4), 15 U.S.C.A. § 1115(b)(4); Restatement (Third) of Unfair Competition § 28 comment..

2 Cases that cite this headnote

[12] **Trademarks** Of one's own product; fair use

Assessment of the fair use defense under the Lanham Act requires analysis of whether a given use was (1) other than as a mark, (2) in a descriptive sense, and (3) in good faith. Lanham Act, § 33(b)(4), 15 U.S.C.A. § 1115(b)(4).

18 Cases that cite this headnote

[13] **Trademarks** Of one's own product; fair use

When making the assessments associated with the assertion of the fair use defense under the Lanham Act, a court focuses on the actual or proposed uses themselves. Lanham Act, § 33(b)(4), 15 U.S.C.A. § 1115(b)(4).

8 Cases that cite this headnote

[14] **Trademarks** Of one's own product; fair use

In the analysis of the fair-use defense under the Lanham Act, the inquiry into the defendant's good faith concerns the question whether the user of a mark intended to create consumer confusion as to source or sponsorship. Lanham Act, § 33(b)(4), 15 U.S.C.A. § 1115(b)(4).

9 Cases that cite this headnote

[15] **Trademarks** Use of own name

Individualized consideration had to be given to various elements in proposed advertisements, such as size, location, and context of trademarked name in comparison with appearance of other descriptive matter, as well as likely effect of proposed advertisement as whole, before decision could be made on fair use defense as to whether name of clothing designer, who had conveyed his rights to trademarks associated with other clothing lines that he had created and promoted, was being used as trademark, whether consumers likely would have been confused and believed that designer's new line came from trademark owner, and whether particular size and placement of designer's name in advertisement evinced intent to confuse. Lanham Act, § 33(b)(4), 15 U.S.C.A. § 1115(b)(4).

5 Cases that cite this headnote

[16] **Trademarks** Alphabetical listing

jaz.

[17] **Trademarks** Alphabetical listing

Joseph Abboud.

Attorneys and Law Firms

***392** Thomas A. Smart, New York, N.Y. (Phillip A. Geraci, Richard A. De Sevo, Michael Denvir (pending admission), Kaye Scholer, New York, NY, on the brief), for Plaintiff–Counterclaim–Defendant–Appellee and Counterclaim–Defendant–Appellee.

Randy Lipsitz, Kramer Levin Naftalis & Frankel, New York, N.Y. (Louis Ederer, Arnold & Porter, New York, NY, on the brief) for Defendants–Counterclaimants–Appellants.

Before: KEARSE, SACK, and KATZMANN, Circuit Judges.

Opinion

Judge SACK concurs, in a separate opinion.

KEARSE, Circuit Judge:

Defendants Joseph Abboud ("Abboud") *et al.* appeal from so much of a final judgment entered in the United States District Court for the Southern District of New York following a bench trial before Theodore H. Katz, *Magistrate Judge,* as permanently enjoined them from using, *inter alia,* the name "Joseph Abboud" to sell, market, or promote, goods, products, or services to the consuming public, and dismissed their counterclaims against plaintiff JA Apparel Corp. ("JA Apparel" or "JA") and counterclaim-defendant Martin Staff alleging improper use of Joseph Abboud's name. The district court found that JA, Abboud, and defendant Houndstooth Corp. ("Houndstooth") had entered into an unambiguous contract pursuant to which Abboud and Houndstooth sold to JA the exclusive rights to the commercial use of the name "Joseph Abboud" and trademarks containing that name, and that Abboud's proposed use of his name in connection with a new line of clothing would breach the terms of that sale agreement and infringe trademarks sold to JA. On appeal, defendants contend principally that the district court misinterpreted the sale agreement, erred in rejecting their defense of fair use, and fashioned an overly broad injunction. For the reasons that follow, we conclude that the district court erred in finding that the sale agreement is unambiguous ***393** and in declining therefore to consider extrinsic evidence as to the contracting parties' intent. We also conclude that the judgment cannot be upheld on the basis of the court's rulings on the trademark issues. We thus vacate the judgment and remand for further proceedings on the contract issue and, if necessary, on the trademark issues.

I. BACKGROUND

The following facts are taken from the district court's findings after trial, *see* *JA Apparel Corp. v. Abboud,* 591 F.Supp.2d 306 (S.D.N.Y.2008) ("*JA Apparel*"), and, unless otherwise indicated, are not disputed.

A. *The Parties*

Abboud is a world-famous fashion designer and philanthropist whose work in both capacities has garnered numerous honors and awards. Defendants Houndstooth and Herringbone Creative Services, Inc. ("Herringbone"), are companies wholly owned by Abboud. Since 1987, Abboud's personal name "Joseph Abboud" has been registered as a trademark with the United States Patent and Trademark Office.

JA is a corporation engaged in the manufacture, marketing, and sale of products using "Joseph Abboud" trademarks; Martin Staff is JA's chief executive officer. JA was formed in 1988 as a joint venture between Houndstooth and GFT International B.V. ("GFT") and operated under a license from Abboud. In 1996, GFT purchased Houndstooth's interest in JA, thereby becoming JA's sole owner. The 1988 license was canceled and Abboud issued new licenses to JA.

B. *The Sale Agreement*

In 2000, Abboud, Houndstooth, and JA entered into an Agreement of Purchase and Sale dated June 16, 2000, and executed on July 13, 2000 ("Sale Agreement" or "Agreement"), for the sale of certain assets to JA. The Sale Agreement provided in pertinent part that Abboud and Houndstooth would, in exchange for the payment to Abboud of $65.5 million, transfer to JA all of their

> right, title and interest in and to:
>
> (A) The names, trademarks, trade names, service marks, logos, insignias, and designations identified on *Schedule 1.1(a)(A),* and all trademark registrations and applications therefor, and the goodwill related thereto (collectively the "Trademarks"), together with all causes of action (and the proceeds thereof) in favor of [Abboud and Houndstooth] heretofore accrued or hereafter accruing with respect to any of the Trademarks, and all other Intellectual Property (as hereinafter defined).
>
> (B) All licenses to use the Trademarks granted by Houndstooth or Abboud. (collectively, the "License Agreements").
>
> (C) 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 thereto or derivative thereof, either alone or in conjunction with other words or symbols (collectively, the "New Trademarks"), for any and all products or services.
>
> (D) All books, financial records, invoices, and other documents, records and data files relating primarily to the Trademarks or the License Agreements.
>
> (E) The goodwill of or pertaining to the Trademarks. (The items referred to in clauses (A) through (E) of this Section 1.1(a) are collectively referred to as the "Assets").

***394** (Sale Agreement ¶ 1.1(a) (emphasis in original).) The Agreement defined "Intellectual Property," referred to in ¶ 1.1(a)(A), as "all of the trademark registrations, service mark registrations and applications and copyright registrations and applications currently used by [Abboud and Houndstooth] in connection with the Trademarks" listed in "*Schedule 1.1(a)(A).*" (*Id.* ¶ 3.6(a) (emphasis in original).)

Schedule 1.1(a)(A), referred to in ¶¶ 1.1(a)(A) and 3.6(a), bore the title "Joseph Abboud/J.A. Apparel," with a subheading "Trademark Report by Mark." It listed pending and completed trademark and service mark registrations in various countries, grouped largely by type of design, with headings such as "Diamond and Rectangle Design," "Miscellaneous Diamond Design," "Joseph Abboud," "Joseph Abboud & Design," and "Joseph Abboud and Miscellaneous Diamond Design."

In conjunction with their execution of the Sale Agreement on July 13, 2000, Abboud and JA also executed a Personal Services Agreement that was to span a total of seven years. In the Personal Services Agreement, Abboud agreed that for the first five years he would provide personal services to JA (the "personal services period") by, *inter alia,* becoming "Chairman Emeritus" and supplying ideas for the design and marketing of "Joseph Abboud" products. For two additional years, Abboud agreed not to compete with JA (the "non-compete period").

C. *The Present Action*

During the non-compete period of the Personal Services Agreement, which ended on July 13, 2007, Abboud undertook, in part through Herringbone, preparations for the design and launch of a new collection of high-end men's clothing for sale under the label "jaz" in the fall of 2008. Abboud's plans became public in two articles published on August 6, 2007, one in the *Wall Street Journal*—Ray A. Smith, *What's in a Name? Not Much, He Hopes, Wall Street Journal,* Aug. 6, 2007, at B1—and the other in *DNR,* the leading magazine of the men's fashion industry. The *DNR* article initially stated that "Abboud, the person, is prohibited from using the Joseph Abboud name on any product or marketing materials." David Lipke, *All That Jaz: Abboud Unveils His New Label, DNR,* Aug. 6, 2007, at 12. At Abboud's request, however, *DNR* issued a "Clarification" that stated, "according to Abboud and his attorney, ... the designer ... is, in fact, allowed to use his name on marketing and advertising materials for Jaz." *DNR,* Aug. 13, 2007, at 5.

JA commenced the present action on September 4, 2007. Its complaint alleged principally that Abboud's proposed use of his personal name to sell the "jaz" brand breached the Sale Agreement and constituted trademark infringement in violation of § 32(1) of the Lanham Act, 15 U.S.C. § 1114(1), and New York common law. The complaint also contained claims of, *inter alia,* false designation of origin and trademark dilution in violation of §§ 43(a) and (c) of the Lanham Act, 15 U.S.C. §§ 1125(a) and (c), and New York General Business Law ("N.Y.Gen.Bus.Law") § 360–1, and false and deceptive trade practices in violation of N.Y. Gen. Bus. Law §§ 349–50. JA requested damages and permanent injunctive relief, and it moved for a preliminary injunction.

Abboud, Houndstooth, and Herringbone denied wrongdoing and asserted defenses of, *inter alia,* trademark fair use and unclean hands. They also asserted counterclaims alleging that JA and Staff had improperly used Abboud's name in connection with "Joseph Abboud" products ***395** following the expiration of the Personal Services Agreement's personal services period. The counterclaims alleged that JA and Staff had thereby engaged in, *inter alia,* false endorsement, false advertising, and unfair competition, and had violated New York civil rights laws. The counterclaims requested injunctive relief and damages.

The parties consented to have the proceedings conducted before a magistrate judge. They also agreed to have the magistrate judge conduct a hearing on JA's preliminary injunction motion consolidated with trial on the merits.

Prior to the trial, JA moved *in limine* to exclude parol evidence as to the meaning of the Sale Agreement. However, as the parties' submissions on that motion were not completed before the eve of trial, the magistrate judge reserved judgment on the motion, stating that he would allow the parties to present parol evidence but that he would not consider that evidence if he found the Sale Agreement to be unambiguous.

At trial, therefore, the parties presented "fairly extensive extrinsic evidence" as to the meaning of the Sale Agreement, *JA Apparel,* 591 F.Supp.2d at 318, including correspondence, meeting minutes, testimony by the negotiating attorneys, and other documentation of the drafting process. In addition, on the trademark issue, the court received, *inter alia,* testimony from Abboud about his proposed use of his name and "mock-ups" of proposed "jaz" advertisements displaying his name in various ways. (*See* Part II.B. below.)

In an opinion issued on June 5, 2008, the court found the Sale Agreement to be unambiguous, and it thus declined to consider the parties' parol evidence. As discussed in Part II.A. below, the court found that the Sale Agreement unambiguously conveyed to JA "all of Abboud's rights to use his name for commercial purposes," *JA Apparel,* 591 F.Supp.2d at 320. The court found that Abboud's planned use of his name to market "jaz" would thus constitute a breach of contract. *Id.* at 326–27.

Although finding that its decision on the contract claim made it largely unnecessary to rule on JA's trademark infringement claims, *see* *id.* at 327 the court addressed the Lanham Act infringement claim in the interest of completeness and concluded that "Abboud's proposed use of his name in connection with the 'jaz' line would also constitute trademark infringement...." *Id.* The court stated that JA had

> already established that it purchased the exclusive right to the Joseph Abboud name for commercial purposes, and, therefore, any proposed use by Abboud of his name commercially is improper. Moreover, in this specific case, it is difficult to analyze the trademark claims in isolation from the Agreement because Abboud not only sold the rights to his name, he also sold the rights to use and apply for the registration of, among other things, new trademarks or designations containing the words "Joseph Abboud," "by Joseph Abboud," "designed by Joseph Abboud," and "JOE," or anything similar to or derivative of those phrases. Thus, 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. The court further explained that Abboud had not met his burden of establishing a trademark defense of fair use, stating, *inter alia,* that

> Abboud is attempting to use his name, and the goodwill associated with it, to identify and distinguish goods, and to advise consumers that he is the source of his new "jaz" line. Therefore, although ***396** there is a descriptive component to Abboud's proposed uses, the Court concludes that he is also attempting to use his name, at least in part, as a trademark and that the confusion generated by his proposed uses would be far more than incidental. It is patently obvious that consumers seeing JA Apparel's products, marked or advertised as "Joseph Abboud" or "by Joseph Abboud," would be utterly confused as to whether the "jaz" products advertised as "by designer Joseph Abboud," were derived from the same source.

Id. at 331.

In addition, the court rejected defendants' unclean-hands defense and counterclaims, which asserted that JA had used Abboud's name unfairly, after the end of the personal services period, to indicate his personal endorsement of JA products. The court concluded that JA had not acted in bad faith by creatively using the Joseph Abboud name and trademarks it had purchased to promote its brand. *See* *id.* at 348 & n. 41.

The court entered judgment accordingly and permanently enjoined Abboud from "using his personal name to sell, market, or otherwise promote, goods, products, and services to the consuming public." Judgment, decretal ¶ 3.

II. DISCUSSION

[1] On appeal, defendants contend principally that the district court misinterpreted the Sale Agreement as evincing Abboud's intent to convey to JA all of his rights to use his name for commercial purposes. They argue that the transactional documents and the surrounding circumstances made it clear that Abboud did not intend to sell his name other than as a brand name, service mark, or trademark. They also contend that the district court erred in rejecting their trademark defense of fair use, in issuing an injunction that is unduly broad, and in rejecting their unclean-hands defense and counterclaims premised on JA's alleged misuse of Joseph Abboud's name and persona. For the reasons that follow, we conclude (a) that the district court erred in ruling that the Sale Agreement unambiguously conveyed all of Abboud's rights to use his name commercially, and (b) that that error affected several of its other rulings, and we therefore remand for further proceedings.

A. *The Contract Claim*

[2] [3] [4] [5] [6] Under New York law, which the parties agree governs their contract dispute, the question of whether a written contract is ambiguous is a question of law for the court. *See, e.g., Seiden Associates, Inc. v. ANC Holdings, Inc.,* 959 F.2d 425, 429 (2d Cir.1992) ("*Seiden*"). "Ambiguity is determined by looking within the four corners of the document, not to outside sources...." *Kass v. Kass,* 91 N.Y.2d 554, 566, 673 N.Y.S.2d 350, 356, 696 N.E.2d 174 (1998). Contract language is not ambiguous if it has "a definite and precise meaning, unattended by danger of misconception in the purport of the [contract] itself, and concerning which there is no reasonable basis for a difference of opinion." *Breed v. Insurance Company of North America,* 46 N.Y.2d 351, 355, 413 N.Y.S.2d 352, 355, 385 N.E.2d 1280 (1978); *see, e.g., Seiden,* 959 F.2d at 428. "Language whose meaning is otherwise plain does not become ambiguous merely because the parties urge different interpretations in the litigation." *Hunt Ltd. v. Lifschultz Fast Freight, Inc.,* 889 F.2d 1274, 1277 (2d Cir.1989). Rather, "[a]mbiguous language is language that is 'capable of more than one meaning when viewed objectively by a reasonably intelligent person who has examined the context of the entire integrated agreement and who is cognizant of the ***397** customs, practices, usages and terminology as generally understood in the particular trade or business.' " *Revson v. Cinque & Cinque, P.C.,* 221 F.3d 59, 66 (2d Cir.2000) ("*Revson*") (quoting *Seiden,* 959 F.2d at 428 (other internal quotation marks omitted)); *see, e.g., Readco, Inc. v. Marine Midland Bank,* 81 F.3d 295, 299 (2d Cir.1996) ("contract is ambiguous where reasonable minds could differ on what a term means"). We review *de novo* the district court's decision as to whether a contract is ambiguous. *See, e.g., Revson,* 221 F.3d at 66; *Tourangeau v. Uniroyal, Inc.,* 101 F.3d 300, 306 (2d Cir.1996); *Seiden,* 959 F.2d at 429.

[7] [8] If the contract is unambiguous, its meaning is likewise a question of law for the court to decide. *See, e.g., Revson,* 221 F.3d at 66; *K. Bell & Associates v. Lloyd's Underwriters,* 97 F.3d 632, 637 (2d Cir.1996). In interpreting an unambiguous contract, the court is to consider its "[p]articular words" not in isolation "but in the light of the obligation as a whole and the intention of the parties as manifested thereby," *Kass v. Kass,* 91 N.Y.2d at 566, 673 N.Y.S.2d at 356–57, 696 N.E.2d 174, but the court is not to consider any extrinsic evidence as to the parties' intentions, *see, e.g., Seiden,* 959 F.2d at 428; *Metropolitan Life Insurance Co. v. RJR Nabisco, Inc.,* 906 F.2d 884, 889 (2d Cir.1990).

[9] [10] However, where the contract language creates ambiguity, extrinsic evidence as to the parties' intent may properly be considered. *See, e.g., Seiden,* 959 F.2d at 426, 429; *In re Consolidated Mutual Insurance Co.,* 77 N.Y.2d 144, 150, 565 N.Y.S.2d 434, 436, 566 N.E.2d 633 (1990); *67 Wall Street Co. v. Franklin National Bank,* 37 N.Y.2d 245, 248, 371 N.Y.S.2d 915, 918, 333 N.E.2d 184 (1975). Where there is such extrinsic evidence, the meaning of the ambiguous contract is a question of fact for the factfinder. *Revson,* 221 F.3d at 66; *Consarc Corp. v. Marine Midland Bank, N.A.,* 996 F.2d 568, 574 (2d Cir.1993); *Rothenberg v. Lincoln Farm Camp, Inc.,* 755 F.2d 1017, 1019 (2d Cir.1985).

In the present case, addressing the threshold question of ambiguity, we conclude that the scope of the right to use Abboud's name conveyed by the Sale Agreement is ambiguous. In ¶ 1.1(a)(A) of the Agreement, set out in full in Part I.B. above, Abboud and Houndstooth transferred to JA all their right, title, and interest to

> [t]he names, trademarks, trade names, service marks, logos, insignias and designations identified on *Schedule 1.1(a)(A),* and all trademark registrations and applications therefor, and the goodwill related thereto (collectively the "Trademarks").

(Sale Agreement ¶ 1.1(a)(A) (emphasis in original).) JA contended, and the district court agreed, that this language unambiguously conveyed to JA all right to use Joseph Abboud's name commercially. The court reached this conclusion based on the use of the phrase "[t]he names":

> *Abboud agreed to sell all rights to,* among other things, *the "names" on Schedule 1.1(a)(A),* and *the name Joseph Abboud appears repeatedly on that schedule.* Alternatively

> stated, if Abboud only intended to convey trademarks, then the Agreement could have and should have said: "Abboud agrees to sell ... all of [his] right, title and interest in and to the trademarks identified on Schedule 1.1(a)(A)." But it said more than that, and *in order to give the word "names" due meaning and effect, the Court must interpret the Agreement in a manner that provides JA Apparel with that which it expressly purchased* ***398** *—all of Abboud's rights to use his name for commercial purposes.*

JA Apparel, 591 F.Supp.2d at 320 (emphases added).

We cannot agree that the Sale Agreement unambiguously so provided. Preliminarily, we note that although that court stated that JA "expressly" purchased "all of Abboud's rights to use his name for commercial purposes," *id.,* there is in fact no such language in the Agreement. The court may have been influenced by its apparent acceptance of JA's contention that

> it would defy common sense to accept the premise that JA Apparel paid $65.5 million to acquire the ... right to use "Joseph Abboud" or "by Joseph Abboud" as a trademark, while agreeing to let Abboud use the exact same words with respect to a competing clothing line, but in a non-trademark sense,

JA Apparel, 591 F.Supp.2d at 333. However, the fact that JA paid a large price for the Joseph Abboud brand (and existing licensing agreements) does not necessarily mean that JA purchased the right to prohibit Abboud from using his name to refer to himself in a non-trademark sense. There is no provision in the Sale Agreement conveying "all of Abboud's rights to use his name for commercial purposes," *JA Apparel,* 591 F.Supp.2d at 320, and the district court was not entitled to supply such a provision in the name of common sense, much less to call it "express[ ]," *id.*

Nonetheless, the court's interpretation of the Agreement as conveying to JA all commercial right to use Joseph Abboud's name is a plausible reading of the word "names" in ¶ 1.1(a)(A), given that that word is unadorned and that the name "Joseph Abboud" is used many times in Schedule 1.1(a)(A).

Defendants contend, however, that the word "names" in ¶ 1.1(a)(A) was intended to mean only brand names, and their interpretation is reasonable in light of several aspects of the Agreement. First, such an interpretation is reasonable given that brand names are similar to the items immediately following the word "names" in that paragraph, to wit "trade names, service marks, logos [and] insignias." And, indeed, ¶ 1.1(a)(A) itself defined all of these terms—along with the registrations, applications, and associated goodwill—as "(collectively the 'Trademarks')," a term that would seem to connote existing or pending uses. If JA intended to acquire "*all* of Abboud's rights to use his name for commercial purposes," *JA Apparel,* 591 F.Supp.2d at 320 (emphasis added), the Agreement could have said, instead of simply "names," "the names 'Abboud' and 'Joseph Abboud,' " and done so without the accompanying reference to the schedule of existing and pending uses of the names.

Second, given that ¶ 1.1(a)(A) conveyed "[t]he names ... identified on *Schedule 1.1(a)(A)* " (emphasis in original), it is reasonable to read that paragraph as conveying those names in the context in which they were shown in that Schedule. That Schedule listed foreign and domestic trademark and service mark registrations that had been completed or were pending. (*See, e.g.,* Sale Agreement ¶ 3.6(a) (describing Schedule 1.1(a)(A) as a list of "registrations and applications currently used by [Abboud and Houndstooth]").) Registrations and applications "currently used" plainly did not exhaust Abboud's right to use his name in the future.

Finally, ¶ 1.1(a)(A) is not the only paragraph in which Abboud and Houndstooth conveyed rights. In subparagraph (C) of ¶ 1.1 they also conveyed

> [a]ll rights to use and apply for the registration of new trade names, trademarks, service marks, logos, insignias and designations containing the words ***399** "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 (collectively, the "New

> Trademarks"), for any and all products or services.

(Sale Agreement ¶ 1.1(a)(C).) If, as the district court concluded, the word "names" in ¶ 1.1(a)(A) conveyed "*all* of Abboud's rights to use his name for commercial purposes," *JA Apparel,* 591 F.Supp.2d at 320 (emphasis added), there would have been no need for the parties to add subparagraph (C) to give JA the right to use and apply for new registrations of marks "containing the words 'Joseph Abboud.' " Under the district court's interpretation of the Agreement, subparagraph (C) is redundant. Such redundancy itself makes the unadorned word "names" in ¶ 1.1(a)(A) ambiguous.

JA contends that "[s]ection [*sic*] 1.1(a)(C) clearly conveyed the right to use 'Joseph Abboud' and 'designed by Joseph Abboud' 'or anything similar thereto or derivative thereof,' as designations regardless of whether used as a trademark." (JA brief on appeal at 30.) This reading of ¶ 1.1(a)(C) would enhance, rather than eliminate, the redundancy of subparagraph (C) if "names" in ¶ 1.1(a)(A) is interpreted as all rights to use Abboud's name. Further, although JA is correct that the language of subparagraph (C) clearly gave JA the right to use Abboud's name in more than trademarks—given that it conveyed "[a]ll rights to use and apply for registration of new trade names, trademarks, service marks, logos, insignias and designations containing the words 'Joseph Abboud,' 'designed by Joseph Abboud,' " etc. (Sale Agreement ¶ 1.1(a)(C))—it did not clearly grant the right to "use" Abboud's name other than as it would be "contain[ed]" in such new names, marks, and logos, etc.

If, as defendants contend, the word "names" in ¶ 1.1(a)(A) means brand names or those uses of the names "identified on" Schedule 1.1(a)(A) as existing or pending uses, subparagraph (C) is not redundant. Interpreted in this way, ¶ 1.1(a)(A) simply conveyed to JA the right to all existing brands and marks and all marks for which application had been made (referred to in ¶ 3.6(a) as "current[ ]" "Trademarks"), while ¶ 1.1(a)(C) conveyed to JA the right to use Joseph Abboud's name in applying for new marks (indeed, defined in ¶ 1.1(a)(C) as "(collectively, the 'New Trademarks')"). Nothing in these conveyances of the rights to use Abboud's name in the current marks or in new marks, however, used any form of the word "exclusivity" or stated in words that Abboud could not make non-trademark use of his name in connection with his new creations following the end of the non-compete period.

Given the above conflicting interpretations of the Sale Agreement, we conclude that the intended meaning of the word "names" in ¶ 1.1(a)(A), on which the district court's rulings turned, is ambiguous. Given the ambiguity, the parties were entitled to submit extrinsic evidence as to the intent with which they entered into the Agreement, and the court should have considered that evidence in determining whether JA had met its burden of proving that Abboud breached the Agreement.

B. *The Lanham Act Trademark Claim*

[11] The district court also ruled against defendants on the ground that Abboud's proposed use of his name in conjunction with his new "jaz" line of clothing would constitute trademark infringement in violation of the Lanham Act. We note that the issues in the litigation had been limited, with the dispute centering on Abboud's ***400** right to use his name in advertising. As the district court described the parties' respective positions, defendants "conceded that they [we]re not seeking to use the Joseph Abboud name on clothes, labels, or hang-tags for the 'jaz' line"; Abboud merely wanted "to be able to use his name in advertising materials ... to be able to identify himself in text as the designer of the ... jaz products that are at issue." *JA Apparel,* 591 F.Supp.2d at 316 n.4 (internal quotation marks omitted). JA, for its part, conceded that it was "not seeking to prevent Abboud from being in business and competing, or personally presenting his new 'jaz' line to prospective purchasers, such as Bloomingdale's," but it sought to prohibit Abboud from using his name in "advertising." *Id.* (" '[O]nce he starts advertising, then he's trading on the same reputation that is, in fact, merged into the goodwill of the brand that he sold to us.' " (quoting counsel for JA)). Both sides introduced mock-ups of Abboud's proposed advertisements.

In the district court, as here, defendants effectively conceded that JA owned valid "Joseph Abboud" trademarks and that it had made a *prima facie* showing under the *Polaroid* test, *Polaroid Corp. v. Polarad Electronics Corp.,* 287 F.2d 492, 495 (2d Cir.), *cert. denied,* 368 U.S. 820, 82 S.Ct. 36, 7 L.Ed.2d 25 (1961); *see, e.g.,* *Streetwise Maps, Inc. v. VanDam, Inc.,* 159 F.3d 739, 742 (2d Cir.1998), that the use of his name as a trademark would likely cause confusion, *see, e.g.,* *Mattel, Inc. v. Azrak–Hamway International, Inc.,* 724 F.2d 357, 360–61 (2d Cir.1983) ("*Mattel* ") ("confusion" means whether "consumers [have been] misled

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into believing that the two [products] came from the same source"). But defendants contended that they were entitled, under the Lanham Act, to the defense of fair use, which is not defeated by the existence of some confusion, *see* *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.,* 543 U.S. 111, 121–22, 125 S.Ct. 542, 160 L.Ed.2d 440 (2004). Such a defense is available to a defendant who establishes, to the extent pertinent here,

> [t]hat the use of the name, term, or device charged to be an infringement is a use, otherwise than as a mark, of the party's individual name in his own business, or of the individual name of anyone in privity with such party, or of a term or device which is descriptive of and used fairly and in good faith only to describe the goods or services of such party ....

15 U.S.C. § 1115(b)(4).

[12] **[13]** Assessment of this defense thus requires analysis of whether a given use was "(1) other than as a mark, (2) in a descriptive sense, and (3) in good faith." *EMI Catalogue Partnership v. Hill, Holliday, Connors, Cosmopulos Inc.,* 228 F.3d 56, 64 (2d Cir.2000) ("*EMI* "). In making these assessments, the court focuses on the actual or proposed uses themselves. *See, e.g., id.* at 66–68 (evaluating both a mock-up and the final version of an allegedly infringing commercial); *see also* *TCPIP Holding Co. v. Haar Communications, Inc.,* 244 F.3d 88, 104 (2d Cir.2001); *Venetianaire Corp. of America v. A & P Import Co.,* 429 F.2d 1079, 1082 (2d Cir.1970). In addressing defendants' fair-use defense, the district cited the above three elements of the defense, *see* *JA Apparel,* 591 F.Supp.2d at 329, but its analysis of the first and third elements, discussed below, gives us pause.

With respect to the first element, we have equated "use ... as a mark" with "the use of [a] term as a symbol to attract public attention." *Safeway Stores, Inc. v. Safeway Properties, Inc.,* 307 F.2d 495, 499 (2d Cir.1962). *Compare* *id.* (term was used as a mark where it was obviously employed "as a symbol to attract public attention"), *with* *Mattel,* 724 F.2d at 361 ***401** (phrase was used otherwise than as a mark where it "was located on the package in a place and manner that only the close reader would notice"). *See also* *Restatement (Third) of Unfair Competition* § 28 comment *c* (noting the relevance of the "physical nature of the use in terms of size, location, and other characteristics in comparison with the appearance of other descriptive matter or other trademarks," as well as the "presence or absence of precautionary measures such as labeling or other devices designed to minimize the risk that the term will be understood in its trademark sense").

[14] With respect to the third element of the fair-use defense, the inquiry into the defendant's good faith "concerns the question whether the user of a mark intended to create consumer confusion as to source or sponsorship." *EMI,* 228 F.3d at 66–67; *see also* *id.* at 66 (noting that in "analyzing the proper scope of fair use good faith, precedents discussing good faith as the sixth Polaroid factor ... are relevant because the focus of the inquiry is the same"); *Grotrian, Helfferich, Schulz, Th. Steinweg Nachf. v. Steinway & Sons,* 523 F.2d 1331, 1339 (2d Cir.1975) (analysis of the sixth *Polaroid* factor requires inquiry as to whether the alleged infringer had a "deliberate intent to infringe").

The district court in the present case indicated that defendants may have established the second element of their fair-use defense, as it noted that "such phrases as 'by the award-winning designer Joseph Abboud' " have "a descriptive component." *JA Apparel,* 591 F.Supp.2d at 330. But it found that defendants had not established the otherwise-than-as-a-mark and good-faith elements. As to the latter, the court stated, *inter alia,* that "in the context of the good faith analysis under the 'fair use' doctrine, it must be noted that Abboud is attempting to use that which he expressly sold to [JA]." *Id.* at 331. As to the former, the court stated that

> Abboud is attempting to use his name, and the goodwill associated with it, to identify and distinguish goods, and to advise consumers that he is the source of his new "jaz" line. Therefore, although there is a descriptive component to Abboud's proposed uses, the Court concludes that he is also attempting to use his

> name, at least in part, as a trademark and that the confusion generated by his proposed uses would be far more than incidental. It is patently obvious that consumers seeing JA Apparel's products, marked or advertised as "Joseph Abboud" or "by Joseph Abboud," would be utterly confused as to whether the "jaz" products advertised as "by designer Joseph Abboud," were derived from the same source.

Id. at 331.

With respect to the good faith issue, we conclude that the district court applied a standard that was erroneous for at least two reasons. First, giving effect, respectively, to the end and the beginning of the above extended passage from page 331, we note that the district court found that consumers would be confused by Abboud's proposed use of his name, but that Abboud was not attempting to confuse. Rather than finding an attempt to confuse, the court found that Abboud was "*attempting* " to "*distinguish* " his clothing from that of JA and to "advise consumers that *he* is the source of his new 'jaz' line" (emphases added). Thus, the court's finding of a lack of good faith could not be premised—as required by our fair-use precedents—on an intent to confuse.

Second, the court's actual premise for finding that Abboud's proposed use of his name was not in good faith was its conclusion that the Sale Agreement unambiguously conveyed to JA all right to use Abboud's ***402** name commercially. *See, e.g., JA Apparel,* 591 F.Supp.2d at 330 ("in the context of the good faith analysis under the 'fair use' doctrine, it must be noted that Abboud is attempting to use that which he expressly sold to [JA]"); *id.* at 331 (finding it "very difficult, if not improper, to completely ignore the Agreement in the context of Abboud's 'fair use' defense"); *id.* at 327 ("[as JA] established that it purchased the *exclusive* right to the Joseph Abboud name for commercial purposes, ... *any* proposed use by Abboud of his name commercially is improper" (emphases added)); *id.* ("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"). As the district court's premise that the Sale Agreement was an unambiguous all-commercial-use-encompassing conveyance was erroneous (*see* Part II.A. above), its rejection of the fair-use defense on the basis that there could be no good-faith use of what the court viewed as having been sold was likewise erroneous.

In sum, given that the district court found that Abboud was attempting to distinguish the "jaz" line from JA products—which is inconsistent with an intent to confuse—and that its finding as to lack of good faith rested on its erroneous view of the Sale Agreement, the court's finding that Abboud's proposed advertising use of his name was not in good faith lacked any proper foundation.

[15] With respect to whether Abboud sought to "use" his name "otherwise than as a mark," 15 U.S.C. § 1115(b)(4), our principal difficulty with the district court's conclusion is that the court appears to have resolved this question without considering the proposed uses themselves. Although there is a sentence in the background section of the court's opinion in which the court, in describing defendants' contentions, mentions the presentation of advertisement mock-ups, *see JA Apparel,* 591 F.Supp.2d at 315, the mock-ups are not mentioned again, and the court gives no indication of having considered such matters as the size, location, or context of the "Joseph Abboud" name in comparison with the appearance of other descriptive matter in any given proposed advertisement, or the likely effect of any given proposed advertisement as a whole.

Our review of the record persuades us that individualized consideration of the various proposed advertisements is needed. For example, in some of the 8 ½–by–11–inch mock-ups, the "jaz" name is displayed prominently in script some three inches high; in others it is about one inch high. In the latter mock-ups, beneath the "jaz" logo are the words —all in type smaller than "jaz"—"A New Composition by JOSEPH ABBOUD" in solid capitals, with the name "JOSEPH ABBOUD" in larger capitals than the rest. (JA Exhibits 41–42.)

On the other hand, in several advertisements in which the "jaz" logo is some three inches high, the tagline below "jaz" does not mention Abboud but rather reads "An american Luxury collection" in letters about ¼ of an inch high. (JA Exhibit 43.) In these mock-ups, a picture of Abboud appears on the far right side, and in the bottom corner, below the image of Abboud, is the following text:

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> Designer Joseph Abboud in a 2 Button Super 120 S Charcoal Chalkstripe from His Fall 2008 Jaz Collection
>
> Designer Joseph Abboud Is No Longer Associated or Affiliated with JA Apparel Corp., the Owner of the Trademark “Joseph Abboud” TM.

(*Id.*) This text is in letters approximately 1/16 of an inch high.

***403** As indicated above, resolution of a fair-use defense requires the court to focus on the defendant's (actual or proposed) use. We see no indication that the district court considered the advertisement mock-ups submitted by the parties here, where given mock-ups could lend themselves to divergent conclusions as to, *inter alia,* whether Abboud's name was being used a trademark, whether consumers would likely be confused and believe the “jaz” line comes from JA, and whether a particular size and placement of Abboud's name in a mock-up evinced an intent to confuse.

In the event that the district court does not rule in favor of JA on the contract claim on remand, it will be required to address the trademark issues.

C. *Other Issues*

Defendants have raised other issues on this appeal, including challenges to the dismissal of their defense of unclean hands, the dismissal of their counterclaims based on the same factual assertions, and the breadth of the permanent injunction issued by the district court. In light of our decision vacating the judgment and remanding for further proceedings on the ground that the district court's principal rationales were erroneous, we decline to address these additional contentions, except to note that an injunction of scope similar to that originally entered would seem to be inappropriately broad if based solely on trademark infringement rather than on breach of contract. The district court is free on remand to revisit that matter, as well as the other appellate issues raised by defendants and the claims of JA that the court dismissed as duplicative of the claims on which JA originally prevailed.

CONCLUSION

We have considered all of the parties' arguments in support of their respective positions on this appeal and, except to the extent indicated above, have found them to be without merit. The judgment of the district court is vacated, and the matter is remanded for further proceedings not inconsistent with this opinion.

SACK, Circuit Judge, concurring.

I concur in the panel's opinion with respect to JA Apparel Corp.'s Lanham Act claim. I concur in the result with respect to the contract claim, but depart from the panel's reasoning. While I agree that the term “names”—as it appears in ¶ 1.1(a)(A) of the Agreement of Purchase and Sale dated June 16, 2000 (“Sale Agreement”)—is ambiguous, I would, respectfully, reach that conclusion by a different route.

In ¶ 1.1(a), Joseph Abboud promised to “sell, convey, transfer, assign and deliver to [JA Apparel] ... all of [his] right, title and interest in and to,” *inter alia,*

> (A) The names, trademarks, trade names, service marks, logos, insignias and designations identified on Schedule 1.1(a)(A), and all trademark registrations and applications therefor, and the goodwill related thereto (collectively, the “Trademarks”) ... and all other Intellectual Property (as hereinafter defined).
>
> (B) All licenses to use the Trademarks granted by [Abboud]....
>
> (C) 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 (collectively, the “New Trademarks”), for any and all products and services.

***404** Sale Agreement ¶ 1.1(a) (underline in original). Schedule 1.1(a)(A) to the Sale Agreement contains a five-page list of trademarks—the words “Trademark Report by Mark” appear at the top left corner of each page—including, for each listed mark, information such as the countries of registration, reference numbers, dates filed, and registration numbers. A sixth page consists of a “Filing Receipt for Trademark Application” for a mark containing “the words JOSEPH ABBOUD.” The question before us is whether the term “names” in ¶ 1.1(a)(A) is ambiguous.

JA Apparel asserts that ¶ 1.1(a)(A) unambiguously conveys to it, through that term, rights to Abboud's personal name, at least for commercial purposes. Abboud insists that it unambiguously conveys rights to Abboud's trade and service marks only. The parties have staked the expense of a trial and an appeal on their positions. The district court initially thought both interpretations were plausible enough to warrant a trial on the contract claim. After a bench trial, however, the court decided ¶ 1.1(a)(A) was not ambiguous, agreeing with JA Apparel's interpretation of the words at issue. This rendered the "fairly extensive" extrinsic evidence the court had received "legally irrelevant." *JA Apparel Corp. v. Abboud,* 591 F.Supp.2d 306, 318 & n. 9 (S.D.N.Y.2008).

I. Applicable New York Law

I would settle the question whether ¶ 1.1(a)(A) is ambiguous by reference to several familiar rules of contract interpretation used to determine "the manifest purpose" of the parties to an agreement. *In re Herzog,* 301 N.Y. 127, 135, 93 N.E.2d 336, 339 (1950). When an agreement is "clear" and "complete," that purpose is determined by reference only to the contract's terms: "Evidence outside the four corners of the document as to what was really intended but unstated or misstated is generally inadmissible to add to or vary the writing." *W.W.W. Assocs., Inc. v. Giancontieri,* 77 N.Y.2d 157, 162, 566 N.E.2d 639, 642, 565 N.Y.S.2d 440, 443 (1990). When a contract term is "reasonably susceptible to more than one interpretation," however, it is ambiguous as to the parties' intent. *Andy Warhol Found., for Visual Arts, Inc. v. Fed. Ins. Co.,* 189 F.3d 208, 215 (2d Cir.1999).

Whether a term is ambiguous is a matter of law for the court to resolve. *W.W.W. Assocs.,* 77 N.Y.2d at 162, 566 N.E.2d at 642, 565 N.Y.S.2d at 443. [1] If the court identifies an ambiguity, the controlling meaning is determined by application of principles of interpretation and construction under the controlling state law. *See, e.g., Wallace v. 600 Partners Co.,* 86 N.Y.2d 543, 548, 658 N.E.2d 715, 717, 634 N.Y.S.2d 669, 671 (1995); *Rentways, Inc. v. O'Neill Milk & Cream Co.,* 308 N.Y. 342, 347, 126 N.E.2d 271, 273 (1955). Then, only if necessary, extrinsic evidence of the parties' intent is employed. *See W.W.W. Assocs.,* 77 N.Y.2d at 163, 566 N.E.2d at 642, 565 N.Y.S.2d at 443.

> It is a generally accepted proposition that where the terms of a writing are plain and unambiguous, there is no room for interpretation or construction.... However, this formulation may be technically overbroad, in the sense that the interpretation of a contract requires an initial determination of whether the contract is ambiguous ... and this determination itself involves an assessment of the contract's meaning.
>
> ***405** Richard A. Lord, 11 Williston on Contracts § 30:4 (4th ed.2008). At least some principles of interpretation therefore ordinarily guide the inquiry into whether a contract term is ambiguous.

New York courts conducting the inquiry typically apply three rules of interpretation.

First, they determine ambiguity by "examin[ing] the entire contract and consider[ing] the relation of the parties and the circumstances under which it was executed," interpreting "[p]articular words ... not as if isolated from the context, but in the light of the obligation as a whole and the intention of the parties as manifested thereby." *Kass v. Kass,* 91 N.Y.2d 554, 566, 696 N.E.2d 174, 180–81, 673 N.Y.S.2d 350, 356–57 (1998) (quoting *Atwater & Co. v. Panama R.R. Co.,* 246 N.Y. 519, 524, 159 N.E. 418, 419 (1927)); *see also Eternity Global Master Fund Ltd. v. Morgan Guar. Trust Co.,* 375 F.3d 168, 173 (2d Cir.2004) ("An ambiguity exists where the terms of a contract could suggest more than one meaning when viewed objectively by a reasonably intelligent person who has examined the context of the entire integrated agreement and who is cognizant of the customs, practices, usages and terminology as generally understood in the particular trade or business." (internal quotation marks omitted)).

Second, the New York courts apply the rule that each term is to be assigned its "fair and reasonable meaning." *Sutton v. E. River Sav. Bank,* 55 N.Y.2d 550, 555, 435 N.E.2d 1075, 1078, 450 N.Y.S.2d 460, 463 (1982) (internal quotation marks omitted); *see also Bethlehem Steel Co. v. Turner Constr. Co.,* 2 N.Y.2d 456, 459, 141 N.E.2d 590, 593, 161 N.Y.S.2d 90, 93 (1957) ("reasonable and ordinary meaning").

Third, they apply the rule "that a court should not adopt an interpretation which will operate to leave a provision of a contract without force and effect," *Corhill Corp. v. S.D. Plants, Inc.,* 9 N.Y.2d 595, 599, 176 N.E.2d 37, 38, 217 N.Y.S.2d 1, 3 (1961) (citation, ellipsis, and internal quotation marks omitted), i.e., the rule against surplusage.

For example, in *R/S Associates v. New York Job Development Authority,* 98 N.Y.2d 29, 771 N.E.2d 240, 744 N.Y.S.2d 358 (2002), an opinion by then-New York Court of Appeals Judge Wesley, the Court of Appeals addressed "the interpretation of the term 'effective cost of funds' in a loan agreement" which provided that the rate to be charged by the lender for the loan in question " 'may be revised from time to time but will not exceed one and one half (1 ½%) percent over [the lender's] effective cost of funds.' " *Id.* at 31, 32, 771 N.E.2d at 241, 744 N.Y.S.2d at 359. The purchaser and the lender disputed whether the phrase "effective cost of funds" included —in addition to the interest on the bonds issued to finance the loan and the direct costs of issuance—"the cost of defaults by other borrowers." *Id.* at 32, 771 N.E.2d at 241, 744 N.Y.S.2d at 359. The purchaser argued that the phrase unambiguously excluded the cost of defaults, the lender argued that the phrase unambiguously included it. *See id.*

The Court of Appeals concluded that the phrase was unambiguous and reasonably susceptible to only the lender's proposed meaning. It reached that conclusion by applying the reasonable meaning rule and the rule against surplusage:

> *Under its ordinary usage,* the 'effective' cost of the funds means the 'actual' cost of securing such funds for a specific loan (*see, e.g.,* 5 Oxford English Dictionary 80 [2d ed 1989] ...). Regardless of borrower defaults, the [lender]'s funding mechanism required it to repay the underlying bond when due. Thus, the 'actual' or 'effective' cost of the funds loaned by ***406** the [lender] necessarily included the interest it had to pay to the bondholders, the cost of issuing the bond, and the cost of defaults by the borrowers who received loans from bond proceeds. *Any other interpretation of this agreement would ignore the import of "effective" in modifying "cost of funds."*

Id. at 33, 771 N.E.2d at 242, 744 N.Y.S.2d at 360 (some emphases added, some emphases in original omitted).

The ambiguity inquiry commonly involves the application of these three rules. *See also Golden Gate Yacht Club v. Societe Nautique De Geneve,* 12 N.Y.3d 248, 257, 907 N.E.2d 276, 879 N.Y.S.2d 363, 369 (2009) ("Taken as a whole, we conclude that the settlor intended to link the annual regatta requirement to the other eligibility requirements.... Any other interpretation would render the annual regatta requirement a nullity.... We conclude there is no ambiguity as to the annual regatta clause at issue."); *S. Road Assocs., LLC v. IBM Corp.,* 4 N.Y.3d 272, 277–78, 826 N.E.2d 806, 809, 793 N.Y.S.2d 835, 838 (2005) (concluding that a lease read "as a whole" reflects that "the term 'premises' refers only to the interior space" of the leased real property, because "[t]he lease repeatedly mentions the 'premises' separately from the water tower, appurtenances, land, parking lot [,] and building," which language "would be superfluous" if the term "premises" covered those exterior areas); *Kass,* 91 N.Y.2d at 568, 696 N.E.2d at 181, 673 N.Y.S.2d at 357 (rejecting appellant's proposed reading of consent clause because "[a]ppellant's construction ignores ... words that also must be given meaning"); *Riverside S. Planning Corp. v. CRP/Extell Riverside, L.P.,* 869 N.Y.S.2d 511, 516–17, 60 A.D.3d 61, 67 (1st Dep't 2008) ("In the instant case, the ordinary and natural meaning of the [contract's] words [is] dispositive.... A plain reading ... makes clear that 10 years is the maximum term of the contract at issue.... We note that clear contractual language does not become ambiguous simply because the parties to the litigation argue different interpretations."). [2]

II. Application to ¶ 1.1(a)(A)

Again, ¶ 1.1(a)(A) conveys to the plaintiff

> [t]he names, trademarks, trade names, service marks, logos, insignias and designations identified on Schedule 1.1(a)(A), and all trademark registrations and applications therefor, and the goodwill related thereto (collectively the "Trademarks") ... and all other Intellectual Property (as hereinafter defined).

Sale Agreement ¶ 1.1(a)(A) (underline in original). The parties each contend that the term "names" in ¶ 1.1(a)(A) means something different. The rules of interpretation applied by the New York courts support both parties' proposed meanings. It is for this reason that I would conclude the term "names," as used in the Sale Agreement, is ambiguous.

A. JA Apparel's Proposed Meaning

1. Application of the Rules of Interpretation. The plaintiff argues that the term "names" in ¶ 1.1(a)(A) denotes Joseph Abboud's personal name itself, not a mark related to his name. As the district court concluded, application of the rule against surplusage makes this interpretation reasonable. Pursuant to that rule, the term ***407** "names" must be given a meaning different from the meaning of the other properties listed by ¶ 1.1(a)(A); otherwise the term "would be superfluous." S. Road Assocs., 4 N.Y.3d at 278, 826 N.E.2d at 809, 793 N.Y.S.2d at 838. So the term must refer to intellectual property other than that which is subsequently referred to in the paragraph, i.e., other than a "trademark [ ]," for example, or a "trade name[ ]" or "service mark[ ]." Sale Agreement ¶ 1.1(a)(A). [3] From the ordinary usage of the term "name," it is reasonable to conclude that the other intellectual property in question is Abboud's personal name. *See* The American Heritage Dictionary of the English Language 1167 (4th ed.2000) (defining "name" principally as "[a] word or words by which an entity is designated and distinguished from others"). [4]

Reading the Sale Agreement as a whole supports this result. Paragraph 1.1(a)(C), quoted in full at the outset of this opinion, contains a list of intellectual property strikingly similar to that in ¶ 1.1(a)(A) but omits the term "names" with which the list in ¶ 1.1(a)(A) begins. *See* Sale Agreement ¶ 1.1(a)(C) (conveying "[a]ll rights to use and apply for the registration of new trade names, trademarks, service marks, logos, insignias and designations containing ['Joseph Abboud' and similar words]"). That "names" appears in one list but not the other suggests that the parties and their counsel took deliberate care to include the term in ¶ 1.1(a)(A) so as to convey an interest in something *other than* trademarks, trade names, and the like.

2. The Panel Majority's Analysis. The panel majority concludes that the term "names" is reasonably susceptible to JA Apparel's proposed interpretation because the term "is unadorned and ... the name 'Joseph Abboud' is used many times in Schedule 1.1(a)(A)." *Supra* at 398. I ***408** find both reasons problematic. To be sure, the term "names" in ¶ 1.1(a)(A) is "unadorned" in the sense that it has no modifiers. But that does not alone render either party's proposed meaning a reasonable one.

Schedule 1.1(a)(A), attached to the Sale Agreement and referred to in ¶ 1.1(a)(A), does not support JA Apparel's reading, because the name "Joseph Abboud," as a personal name, appears nowhere in the schedule. The schedule is a list of marks. The heading of each page reads: "Trademark Report by Mark." The schedule lists categories of marks by name in bold-face capital letters, with each mark in the category set forth along with its registration information. So, while the schedule contains, among many other things, the words "Joseph Abboud," those words are mentioned only as a mark or a part of a mark, reflecting a trademark property related to "Joseph Abboud," not Joseph Abboud's personal name or whatever property right he may have in it.

B. Abboud's Proposed Meaning

1. Application of the Rules of Interpretation. According to Abboud, the term "names" in ¶ 1.1(a)(A) denotes only trademarks or service marks and therefore does not convey rights to his personal name. The ordinary-meaning rule yields Abboud's interpretation. The interpretation flows not from the ordinary usage of the term "names," which, of course, can be used to refer to personal names and property interests in them, but from the appearance of the term in context: "[t]he names, trademarks, trade names, service marks, logos, insignias and designations identified on Schedule 1.1(a)(A)." Sale Agreement ¶ 1.1(a)(A) (underline omitted). Because, as noted, Schedule 1.1(a)(A) appears to identify only marks, not personal names, and the schedule "identifie[s]" what is conveyed by the Sale Agreement in ¶ 1.1(a)(A), it seems to me reasonable to conclude that what is conveyed by ¶ 1.1(a)(A) is only marks, and not the personal name of Joseph Abboud or his property rights in it. The text in ¶ 1.1(a)(A) therefore is reasonably susceptible to Abboud's proposed interpretation.

The rule against surplusage supports this reading. The phrase "Trademark Report by Mark," which is the page heading of the first five pages of Schedule 1.1(a)(A), must be given meaning. And if it is to mean nothing more than, as it says, a set of marks, then it cannot also mean personal names. If, departing from Abboud's interpretation, one does not restrict "names" and its surrounding terms to the property identified by Schedule 1.1(a)(A), and does not interpret that property to include only marks, one thereby "ignore[s] ... words that ... must be given meaning," *Kass,* 91 N.Y.2d at 568, 696 N.E.2d at 181, 673 N.Y.S.2d at 357, albeit words in a schedule and not the body of the agreement. [5]

This application of the ordinary-meaning rule and the rule against surplusage is bolstered by ¶ 3.6 of the contract, which states that "Schedule 1.1(a)(A) sets forth a list of all of the trademark registrations, service mark registrations and applications and copyright registrations and applications currently used by [Abboud] in connection with the Trademarks." Sale Agreement ¶ 3.6 (underline omitted). ***409** That list omits any mention of personal names.

2. The Panel Majority's Analysis. The panel majority looks to Schedule 1.1(a)(A), as the text of ¶ 1.1(a)(A) instructs, and concludes that its listing "plainly did not exhaust Abboud's right to use his name in the future." *Supra* at 398. I agree. But I am less certain about the panel's view that "brand names [i.e., marks] are similar to the items immediately following the word 'names' in [¶ 1.1(a)(A)], to wit 'trade names, service marks, logos [and] insignias.' " *Supra* at 398. I think that the rule against surplusage requires the term "names" to have a meaning different from the words in that list. [6] The panel majority also observes that the defined term "the 'Trademarks' "—which collectively identifies property conveyed in ¶ 1.1(a)(A)—"would seem to connote existing or pending uses." *Id.* But I would think that drafters define terms in contracts in order to *avoid* speculative meanings. The term "the 'Trademarks,' " as defined, "connote [s]" nothing more than the set of terms it is defined to mean; it tells us nothing about how to interpret the terms that define it, including the term "names." [7]

Finally, the Court finds significance in the language of ¶ 1.1(a)(C), which conveys

> [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 (collectively, the "New Trademarks"), for any and all products or services.

Sale Agreement ¶ 1.1(a)(C) (emphasis added). I do not see how this text tells us whether Abboud transferred the rights to his personal name by including the term "names" in ¶ 1.1(a)(A). The term is absent from ¶ 1.1(a)(C). If ¶ 1.1(a)(A) did transfer to JA Apparel the right to use Abboud's personal name along with the listed trademarks, ¶ 1.1(a)(C) would still be necessary—or at least advisable—to ensure the transfer of the separate right to use and apply for "new trade names, trademarks, service marks, logos, insignias and designations containing the words 'Joseph Abboud' [and associated combinations]." The rights in question—the right to use a personal name for commercial purposes and the right to apply for and use a new trademark containing the words of that name—are different and independent.

It seems to me that if Joseph Abboud sold the right to use his personal name as a personal name, the purchaser could open and run and advertise a clothing line called "Joseph Abboud Men." And if he already owned the mark "Joseph Abboud Men," and sold it, the purchaser would then have the right to use that term as a mark. But I do not think it necessarily follows from either hypothetical transaction that the ***410** purchaser could then have the exclusive right to apply for and use, as marks, *new* trademarks made up of or derived from the words Joseph Abboud, e.g., "Joseph Abboud Women." Without an explicit sale of the right to apply for and use, as marks, new marks similar to or including his personal name, I should think both Abboud and the purchaser might each apply for such marks, and the rightful owner of that property would be determined by application of ordinary principles of trademark law.

For these reasons, the drafter's decision to cover the use of the name Joseph Abboud in the context of new trademarks in ¶ 1.1(a)(C) does not seem to me to indicate that the parties meant not to transfer the use of the name along with existing trademarks in ¶ 1.1(a)(A).

C. The Ambiguity

In my view, the rules of interpretation do not conclusively establish the reasonableness of one party's interpretation over the other in this case; they yield both interpretations as plausible results. And, as I have suggested, I think that both proposed resolutions do at least some violence to the rules of interpretation. The rules therefore leave us with an ambiguity that they are insufficient to resolve. I therefore agree with the panel majority that the district court should now consider whether extrinsic evidence will shed light on the matter, and if so, employ it to determine the meaning of the language in dispute.

III. Conclusion

For the foregoing reasons, I concur in the result reached by the panel majority.

All Citations

568 F.3d 390, 91 U.S.P.Q.2d 1095

Footnotes

1 "[C]lear contractual language does not become ambiguous simply because the parties to the litigation argue different interpretations." *Riverside S. Planning Corp. v. CRP/Extell Riverside, L.P.,* 869 N.Y.S.2d 511, 517, 60 A.D.3d 61, 67 (1st Dep't 2008).

2 The rule against surplusage is said to be a rule "of preference in interpretation," Restatement (Second) of Contracts § 203 (1981), which applies only *after* it is established that a term has more than one reasonable interpretation, *see id.* cmt. a. As the cited cases illustrate, however, New York courts nonetheless apply the rule in the inquiry whether a term is ambiguous.

3 Abboud is therefore wrong to assert that ¶ 1.1(a)(A) "do[es] not mention, manifest or express any intent to sell the exclusive right to use Abboud's name, other than as a trademark." Defs.' Br. 31.

4 It also seems to me that although the rule against surplusage is said to apply not only to contract provisions, *see Corhill Corp.,* 9 N.Y.2d at 599, 176 N.E.2d at 38, 217 N.Y.S.2d at 3, but to particular words within a contract provision, *see, e.g., Kass,* 91 N.Y.2d at 568, 696 N.E.2d at 181, 673 N.Y.S.2d at 357, the rule should nonetheless be applied with a grain or two of salt when examining a list of words having similar or even overlapping meaning in a commercial agreement. Such an itemization of terms may reflect an intent to occupy a field of meaning, not to separate it into differentiated parts. Indeed, this is a common—perhaps all-too-familiar—technique used in drafting agreements, commercial and otherwise. With this technique, words are used more like the brush strokes of a house painter than of those of a portrait painter—each intended principally to ensure that the surface is covered, not to convey a separate piece of information. *See, e.g.,* Sale Agreement ¶ 1.1(a) (providing that "the Sellers shall sell, convey, transfer, assign, and deliver" the "right, title and interest in and to" the properties in question); *In re Luxottica Group S.p.A. Sec. Litig.,* No. CV 01–3285(JBW)(MDG), 2005 WL 3046686, *1, 2005 U.S. Dist. LEXIS 27765, *11 (E.D.N.Y. Nov. 15, 2005) (in the case of a specified event, "the Stipulation, including any amendment(s) thereof, ... shall be null and void, of no further force or effect, and without prejudice to any party, and may not be introduced as evidence or referred to in any actions or proceedings by any person or entity, and each party shall be restored to his, her or its respective position as it existed prior to the execution of the Stipulation"); *In re Host Am. Corp. Sec. Litig.,* No. 05–CV–1250 (VLB), 2008 U.S. Dist. LEXIS 94194, *17–*18 (D.Conn. Nov. 19, 2008) (similar) (not available on Westlaw). A "house painter" analysis of ¶ 1.1(a)(A) also supports JA Apparel's reading of "names" as meaning something different from "trademarks": listing all possible types of the mentioned intellectual property may be taken to signal an intention not to restrict the denotation of the listed terms to one type only.

5 Thus, the rule against surplusage counsels both in favor of interpreting the term "names" as denoting property other than the trademarks, service marks, and the other types of property listed in ¶ 1.1(a)(A) and in favor of interpreting the term as merely an instance of the more general category of trademark as set forth in Schedule 1.1(a)(A).

6 If the panel is suggesting that Abboud's proposed meaning is supported by application of the canon *noscitur a sociis,* pursuant to which "a word is given more precise content by the neighboring words with which it is associated," *United States v. Williams,* 553 U.S. 285, 128 S.Ct. 1830, 1839, 170 L.Ed.2d 650 (2008); *see also Harris v. Allstate Ins. Co.,* 309 N.Y. 72, 76, 127 N.E.2d 816, 818 (1955) (applying canon), I disagree. Even if the canon applies in the ambiguity inquiry, under the majority's reasoning it would stand for the proposition that the term "names" should denote "trademarks" and therefore have an *identical* denotation to the terms with which it appears. I am aware of no such application of *noscitur a sociis.*

7 Schedule 1.1(a)(A) employs the terms “Trademark” and “Mark,” but not the specially defined term “the ‘Trademarks.’ ” Abboud's interpretation of the schedule is therefore unaffected by the defined term.

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KeyCite Yellow Flag - Negative Treatment
Distinguished by IRVING MINOTT, Plaintiff, v. WICHITA WATER CONDITIONING, INC. , Defendant., D.Colo., February 7, 2020

682 F.Supp.2d 294
United States District Court,
S.D. New York.

JA APPAREL CORP., Plaintiff,
v.
Joseph ABBOUD, Houndstooth Corp., and Herringbone Creative Services, Inc., Defendants.
Joseph Abboud, Houndstooth Corp., and Herringbone Creative Services, Inc., Counterclaim–Plaintiffs,
v.
JA Apparel Corp. and Martin Staff, Counterclaim–Defendants.

No. 07 Civ. 7787(THK).
|
Jan. 12, 2010.

Synopsis
Background: Manufacturer filed action against clothing designer alleging breach of purchase agreement, and trademark infringement, false designation of origin, unfair competition, trademark dilution, and false and deceptive trade practices under Lanham Act and state law. Defendant counterclaimed alleging false endorsement and false advertising in violation of Lanham Act, violation of right of publicity, and false and deceptive trade practices and unfair competition under state law. Parties consented to final disposition by magistrate judge. The District Court, 591 F.Supp.2d 306, permanently enjoined defendant from using name "Joseph Abboud" commercially. Defendant appealed. The Court of Appeals, 568 F.3d 390, vacated and remanded.

Holdings: On remand, the District Court, Theodore H. Katz, United States Magistrate Judge, held that:

[1] parties' agreement did not grant manufacturer exclusive right to use designer's name commercially;

[2] designer's use of his name in advertisements was descriptive non-trademark use of his name;

[3] designer failed to establish fair use defense;

[4] permanent injunctive relief was warranted; and

[5] manufacturer's use of designer's name did not violate his statutory right to privacy.

Judgment for plaintiff.

Procedural Posture(s): On Appeal.

West Headnotes (28)

[1] **Contracts** Language of contract

Under New York law, fundamental, neutral precept of contract interpretation is that agreements are construed in accordance with parties' intent, and that best evidence of what parties to written agreement intend is what they say in their writing.

2 Cases that cite this headnote

[2] **Contracts** Rewriting, remaking, or revising contract

Contracts Terms implied as part of contract

Under New York law, where contract is negotiated by sophisticated parties at arm's length, courts should be extremely reluctant to interpret agreement as impliedly stating something that parties have neglected to specifically include, and thus courts may not by construction add or excise terms, nor distort meaning of those used and thereby make new contract for parties under guise of interpreting writing.

2 Cases that cite this headnote

[3] **Federal Civil Procedure** Validity or construction of pleadings or documents

Determination of whether or not writing is ambiguous is question of law to be resolved by courts.

[4] **Contracts** Existence of ambiguity

Under New York law, writing is not ambiguous simply because parties urge different interpretations in litigation.

[5] **Evidence** Grounds for admission of extrinsic evidence

Under New York law, if court makes determination that contract is unambiguous, extrinsic evidence regarding parties' intent is inadmissible and cannot be considered.

[6] **Evidence** Grounds for admission of extrinsic evidence

Under New York law, if contract's words are ambiguous, extrinsic evidence is properly considered.

[7] **Contracts** Extrinsic circumstances

Contracts Construction by Parties

Customs and Usages Explanation of Contract

Under New York law, if contract's ambiguity requires consideration of extrinsic evidence, court must look to all surrounding facts and circumstances in order to ascertain parties' intended meaning of contract, including any relevant course of performance, course of dealing, and usage of trade, as well as party's own admissions, party's actions or statements from which knowledge or reason to know may be inferred, and usages and meanings of third persons with which party probably was familiar.

2 Cases that cite this headnote

[8] **Contracts** Subject, object, or purpose as affecting construction

Contracts Language of Instrument

Under New York law, in resolving contract's ambiguity, court may resort to common and legal meanings of terms involved, where such meanings are clear, and, of paramount significance, to manifest purpose sought to be accomplished.

[9] **Contracts** Intention of Parties

Under New York law, in interpreting contract, court is prohibited from considering parties' uncommunicated subjective intent.

3 Cases that cite this headnote

[10] **Trademarks** Competition by assignor

Under New York law, purchase and sale agreement, by which clothing designer sold all of his right, title, and interest in and to "names, trademarks, trade names, service marks, logos, insignias and designations" did not grant buyer exclusive right to use designer's name commercially, even though designer did not object to inclusion of term "names" in contract, where parties' communications indicated that from outset of their negotiations they intended to buy or sell only trademarks and related intellectual property, and there was no evidence of any negotiations or discussions of sale of designer's name as asset distinct from trademarks and related intellectual property.

[11] **Trademarks** Nature of Confusion

Trademarks Infringement

In order to prevail on claim for trademark infringement under Lanham Act, plaintiff is required to show that its marks are valid and entitled to protection and that defendant's use of those marks is likely to cause consumer confusion as to origin or sponsorship of defendant's goods. Lanham Act, § 32(1), 15 U.S.C.A. § 1114(1).

3 Cases that cite this headnote

[12] **Trademarks** Factors considered in general

In evaluating likelihood of confusion in trademark infringement suit, court should consider: (1) strength of plaintiff's mark;

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(2) degree of similarity between marks; (3) proximity of parties' products or services; (4) likelihood that prior owner will bridge gap between parties' products or services; (5) actual confusion; (6) defendant's bad faith in adopting its mark; (7) quality of defendant's products or services; and (8) sophistication of relevant consumers. Lanham Act, § 32(1), 15 U.S.C.A. § 1114(1).

1 Cases that cite this headnote

[13] **Trademarks** Of one's own product; fair use

In order to determine whether use of trademarked term is "fair," court should endeavor to assess whether term is used (1) descriptively, (2) other than as mark, and (3) in good faith. Lanham Act, § 33(b)(4), 15 U.S.C.A. § 1115(b)(4).

3 Cases that cite this headnote

[14] **Trademarks** Identification or Description

Use of mark is "descriptive" where name or term is used to describe goods. Lanham Act, § 33(b)(4), 15 U.S.C.A. § 1115(b)(4).

7 Cases that cite this headnote

[15] **Trademarks** Of one's own product; fair use

Descriptive use is evident in where mark incorporates term that is only reasonably available means of describing characteristic of another's goods. Lanham Act, § 33(b)(4), 15 U.S.C.A. § 1115(b)(4).

3 Cases that cite this headnote

[16] **Trademarks** Intent; knowledge of confusion or similarity

Defendant who intends to trade on good will of trademark holder by creating confusion as to source or sponsorship cannot claim that his use is employed in good faith. Lanham Act, § 33(b)(4), 15 U.S.C.A. § 1115(b)(4).

[17] **Trademarks** Of one's own product; fair use

Fact that defendant uses another's mark with knowledge of plaintiff's federal registration or without consulting counsel does not preclude fair use defense. Lanham Act, § 33(b)(4), 15 U.S.C.A. § 1115(b)(4).

1 Cases that cite this headnote

[18] **Trademarks** Competition by assignor

If individual sold only right to use his name as trademark, as opposed to exclusive right to use his name commercially, seller may advertise his affiliation with new company, but must do so in not overly intrusive manner.

3 Cases that cite this headnote

[19] **Trademarks** Use of own name

Clothing designer's use of his name in advertisements to alert potential buyers that he had designed new clothing line was descriptive non-trademark use of his name, for purposes of determining whether use of name was fair use after designer had previously sold trademark rights to his name to clothing manufacturer, where sentence identifying designer was in significantly smaller font than name of new clothing line, and name was not focal point of ads. Lanham Act, § 33(b)(4), 15 U.S.C.A. § 1115(b)(4).

5 Cases that cite this headnote

[20] **Trademarks** Use of own name

Clothing designer's use of his name in advertisements to alert potential buyers that he had designed new clothing line was not descriptive non-trademark use of his name, and thus was not fair use of name after designer had previously sold trademark rights to his name to clothing manufacturer, where advertisements displayed name in block letters near slightly larger trademark for new line, and words were written in same font as federal trademark registration. Lanham Act, § 33(b)(4), 15 U.S.C.A. § 1115(b)(4).

2 Cases that cite this headnote

[21] **Trademarks** Use of own name

Clothing designer's use of his name in advertisements for new clothing line was descriptive non-trademark use of his name, for purposes of determining whether use of name was fair use after designer had previously sold trademark rights to his name to clothing manufacturer, where name was used only within block of very small text in lower right-hand corner of ad next to his photo, and ad contained disclaimer indicating that he was no longer affiliated with trademark owner. Lanham Act, § 33(b)(4), 15 U.S.C.A. § 1115(b)(4).

6 Cases that cite this headnote

[22] **Trademarks** Use of own name

Clothing designer's commercial exploitation of his name to sell new line of clothing after he had sold trademark rights to his name to clothing manufacturer was not in good faith, as required to establish fair use defense in manufacturer's trademark infringement action, where designer's use of his name, absent disclaimer, was likely to create significant confusion, and designer intended to use his name to attract public attention to new line. Lanham Act, §§ 32(1), 33(b)(4), 15 U.S.C.A. §§ 1114(1), 1115(b)(4).

1 Cases that cite this headnote

[23] **Trademarks** Infringement in general

Although injunctions in trademark cases involving use of individual's personal name should be narrowly tailored, where infringing party has previously sold his business, including use of his name and its goodwill, to plaintiff, sweeping injunctive relief is more tolerable.

[24] **Trademarks** Infringement in general

In framing injunction in trademark infringement suit involving use of individual's personal name, court must seek to avoid confusion in marketplace, protect prior company's property interest in its name, and permit individual to exploit his own identity and reputation in legitimate manner.

[25] **Trademarks** Scope and Extent of Relief

Clothing designer who sold trademark rights to his name to clothing manufacturer was permanently enjoined from using his personal name as trademark, service mark, trade name, or brand name for competing line of clothing, from using his name on clothes, labels, hang-tags, or product packaging, from prominently displaying his name on promotional and advertising materials, or from using his name on promotional and advertising materials in any manner except descriptively and with disclaimer.

[26] **Torts** Name

Torts Waiver or consent

Under New York law, clothing manufacturer's advertising and promotional materials asking “Do You Know Joe?” “Hey Joseph, What Should I Wear?” and “Ask Joseph Abboud” did not violate clothing designer's statutory right to privacy, even though designer was no longer employed by manufacturer, where designer had sold manufacturer trademark rights to his name to manufacturer, and advertisements clearly informed consumers that their questions were being answered by “The Joseph Abboud Design Staff,” and not any single individual. N.Y.McKinney's Civil Rights Law §§ 50, 51.

[27] **Antitrust and Trade Regulation** Advertising, marketing, and promotion

Under New York law, clothing manufacturer's advertising and promotional materials asking “Do You Know Joe?” “Hey Joseph, What

Should I Wear?" and "Ask Joseph Abboud" did not constitute deceptive trade practice, where manufacturer believed in good faith that it had contractual right to use "Joseph Abboud" name in advertising. N.Y.McKinney's General Business Law § 349.

[28] **Trademarks** Alphabetical listing
JOSEPH ABBOUD.

Attorneys and Law Firms

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MEMORANDUM OPINION AND ORDER

THEODORE H. KATZ, United States Magistrate Judge.

In this action, Plaintiff JA Apparel Corp. ("Plaintiff" or "JA Apparel") sues Defendants Joseph Abboud ("Abboud"), Houndstooth Corp. ("Houndstooth"), and Herringbone Creative Services, Inc. ("Herringbone") (at times, collectively "Abboud") for (1) breach of contract, (2) trademark infringement, false designation ***298** of origin, unfair competition, trademark dilution, false and deceptive trade practices, and (3) a declaratory judgment regarding the nature of its rights, stemming from a June 16, 2000 Purchase and Sale Agreement (the "Agreement"), and a related July 13, 2000 Side Letter Agreement (the "Side Letter"), between, on the one hand, JA Apparel, and on the other, Abboud and Houndstooth.

Defendants assert counterclaims against JA Apparel and one of its principals, Martin Staff ("Staff"), for false endorsement, false advertising, violation of New York Civil Rights and General Business Laws, and common law unfair competition, stemming from activities in which JA Apparel and Staff allegedly engaged subsequent to the expiration of the Side Letter.

The parties consented to trial before this Court, pursuant to 28 U.S.C. § 636(c) and Fed.R.Civ.P. 73. Following a bench trial, the Court issued a Memorandum Opinion and Order, concluding that the parties' Agreement clearly included the sale to JA Apparel of all of Joseph Abboud's trademarks, as well as his name for all commercial purposes. The Court, therefore, granted Plaintiff injunctive relief and dismissed all of Abboud's counterclaims. *See* *JA Apparel Corp. v. Abboud,* 591 F.Supp.2d 306 (S.D.N.Y.2008) ("Abboud I"). On appeal, the Second Circuit concluded that the language of the Agreement was ambiguous, and vacated this Court's decision and remanded for further proceedings. *See* *JA Apparel Corp. v. Abboud,* 568 F.3d 390, 403 (2d Cir.2009).

Following remand, the parties submitted hefty briefs, containing their proposed findings of fact and conclusions of law with respect to those issues raised by the Second Circuit, namely, any extrinsic evidence of the parties' intent regarding the sale of Abboud's name, and whether Abboud's proposed advertisements for his new clothing line, containing his name, constitute trademark fair use. (*See* Plaintiff and Counterclaim–Defendants' Supplemental Proposed Findings of Fact and Conclusions of Law on Remand, dated Nov. 6, 2009 ("Pl.'s Post–Remand Mem."); Defendants and Counterclaim–Plaintiffs' Second Supplemental Findings of Fact, dated Nov. 6, 2009 ("Defs.' Post–Remand Mem. I"); Defendants and Counterclaim–Plaintiffs' Second Supplemental Proposed Rulings of Law, dated Nov. 6, 2009 ("Defs.' Post–Remand Mem. II"); Plaintiff and Counterclaim–Defendants' Reply Brief on Remand, dated Nov. 20, 2009 ("Pl.'s Post–Remand Reply Mem."); Defendants and Counterclaim–Plaintiffs' Reply Memorandum of Law, dated Nov. 20, 2009 ("Defs.' Post–Remand Reply Mem.").) What follows are the Court's findings of fact and conclusions of law.

FACTUAL BACKGROUND

The facts underlying this action are set out in more complete detail in the Court's initial Opinion. *See* *Abboud I,* 591 F.Supp.2d at 311–15. The Court assumes the reader's familiarity with those facts, and, in this Opinion, includes

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only relevant background information, procedural history, and facts relating to any extrinsic evidence of the parties' intent and Abboud's proposed use of his name in promoting his new clothing line. [1]

***299 I. The Purchase and Sale Agreement**

At the heart of this litigation is the interpretation of the Purchase and Sale Agreement, executed on June 16, 2000, by and between JA Apparel, Abboud and Houndstooth. In exchange for a payment of $65.5 million, which was to be "allocated 100% to Abboud," Abboud agreed to "sell, convey, transfer, assign and deliver" to JA Apparel "all of [his] right, title and interest in and to" the following:

> (A) The names, trademarks, trade names, service marks, logos, insignias and designations identified on Schedule 1.1(a)(A), and all trademark registrations and applications therefor, and the goodwill related thereto (collectively, the "Trademarks") ... and all other Intellectual Property (as hereinafter defined).
>
> (B) All licenses to use the Trademarks granted by Houndstooth or Abboud ... (collectively, the "License Agreements").
>
> (C) 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 (collectively, the "New Trademarks"), for any and all products and services.
>
> (D) All books, financial records, invoices, and other documents, records and data files relating primarily to the Trademarks or the License Agreements.
>
> (E) The goodwill of or pertaining to the Trademarks. (The items referred to in clauses (A) through (E) of this Section l.l(a) are collectively referred to as the "Assets").

(PX–1 ¶ 1.1(a)(A)-(E).) [2] The Schedule attached as an exhibit to the Agreement is labeled "Trademark Report by Mark," and contains the name Joseph Abboud.

The Agreement also has an integration clause, which states:

> 9.9. *Entire Agreement.* This Agreement, including the Exhibits and Schedules hereto and the documents, certificates and instruments referred to herein, embody [sic] the entire agreement and understanding of the parties hereto in respect of the transactions contemplated by this Agreement. There are no restrictions, promises, representations, warranties, covenants or undertakings, other than those expressly set forth or referred to herein. This Agreement supersedes all prior agreements and understandings between the parties with respect to such transactions.

(*Id.* ¶ 9.9.)

II. The Side Letter

On July 13, 2000, the same parties entered into the Side Letter, pursuant to which Abboud agreed to serve as "Chairman Emeritus" of JA Apparel, and, for a period of five years, provide JA Apparel with, among other things, consulting services relating to fashion design and brand promotion of products sold under the Abboud marks. The Side Agreement, therefore, was to expire on July 13, 2005, but the terms provided that upon expiration, Abboud would not compete with JA Apparel for a period of two years—until July 13, 2007 (the "Restricted Period").

III. The Underlying Dispute

Not long after the execution of the Agreement and the Side Letter, the parties' ***300** relationship soured. They fought over Abboud's role in the creative process at JA Apparel, and Abboud filed and later dismissed a lawsuit against JA Apparel. The parties temporarily resolved their differences in the summer of 2004 by way of a June 29, 2004 Letter Agreement, pursuant to which Abboud was given new responsibilities at JA Apparel. The following year, in the spring of 2005, Abboud informed JA Apparel that he would no longer continue in his position with JA Apparel. The Personal Services period terminated on July 13, 2005, thereby triggering the Restricted Period that was to run until July 13, 2007.

In early 2007, Abboud began plans to start his new "jaz" clothing line, which would compete in certain respects with the clothing and accessories sold by JA Apparel under the Joseph Abboud trademark. [3] But it was not until August 2007 that JA Apparel first learned of Abboud's intentions to use his name in connection with the new venture through an article published in DNR, a leading magazine of the men's fashion industry. (*See* PX–8.) The DNR article initially stated that "Abboud, the person, is prohibited from using the Joseph Abboud name on any product or marketing materials." (PX–8.) The article's author, however, notified JA Apparel that Defendants had requested a correction (*see* PX–9), and DNR later ran a "Clarification," which stated that Abboud is "allowed to use his name on marketing and advertising materials for Jaz." (PX–10.) In August 2007, the *Wall Street Journal* ran a similar article announcing the new "jaz" line, and which reported that Abboud "plans to promote his new label with the tagline 'a new composition by designer Joseph Abboud.' " (PX–11.)

Subsequently, Abboud created several "mock-ups" of proposed ads for the new "jaz" clothing line. (*See, e.g.,* PX–42, PX–43, DX–187, and DX–188.) Each of these ads includes the words "Joseph Abboud" in addition to Abboud's new trademark, "jaz." While the ads are similar in many respects, the font, size, and placement of the words differ in each of the ads, and are discussed in greater detail in this Opinion's fair use analysis.

JA Apparel maintains that while Abboud is free to compete in the menswear market, he sold all rights to use his name in connection with goods and services, and that his proposed uses of his name in connection with the "jaz" line would violate the Agreement, infringe JA Apparel's trademarks, and constitute unfair competition.

Defendants, conversely, maintain that Abboud merely sold the use of his name as a trademark and did not sell the exclusive right to use his name for all commercial purposes. Thus, they argue, the proposed use of his name in advertising constitutes trademark fair use. In furtherance of that position, Defendants assert Counterclaims against JA Apparel and Staff for using the Joseph Abboud name in ways that they claim deceive consumers, trade on Abboud's personal reputation, and constitute unfair competition.

PROCEDURAL HISTORY

I. Abboud I

At trial, both Defendants and Plaintiff argued that the Agreement was unambiguous. ***301** Plaintiff contended that since the Agreement provided for the sale of the names—in addition to the trademarks, trade names, service marks, logos and designations—contained in the exhibit to the Agreement, and the name Joseph Abboud was in the exhibit, Abboud sold the right to the commercial use of his name. Defendants, in turn, argued that the word "names" was merely one of several ways of describing the trademarks in the Agreement's exhibit, and, therefore, Abboud sold only trademarks containing his name.

In *Abboud I,* after determining that the relevant provisions of the Agreement were unambiguous, this Court agreed with Plaintiff and concluded that Abboud "sold, conveyed, transferred, assigned, and delivered to JA Apparel all of his right, title and interest to the use of his personal name, in addition to the trademarks, trade names, and designations containing his name, for commercial purposes." *Abboud I,* 591 F.Supp.2d at 326. Thus, Abboud's proposed use of his name in connection with his new "jaz" clothing line would constitute a breach of the Agreement. *See* *id.* As a result, the Court permanently enjoined Abboud from, *inter alia,* using the name Joseph Abboud "to sell, market, or otherwise promote goods, products, and services to the consuming public." *Id.* at 349.

Notwithstanding this interpretation of the Agreement, and "in the interest of completeness," the Court determined that "Abboud's proposed use of his name in connection with the 'jaz' line would also constitute trademark infringement." *Id.* at 327; *see also* *id.* at 328–32. In light of these findings, the Court dismissed Plaintiff's remaining claims as duplicative. *See* *id.* at 332. Finally, the Court dismissed all of Abboud's counterclaims, based primarily on Abboud's sale to Plaintiff of "the exclusive right to commercially use the Joseph Abboud name in connection with goods and services." *Id.* at 345; *see also* *id.* at 345–48.

II. The Second Circuit's Decision

On appeal, the Second Circuit disagreed with this Court's conclusion that the word "names" in the Agreement unambiguously conveyed to Plaintiff the exclusive right to commercially use the Joseph Abboud name, and remanded for further consideration of any extrinsic evidence of the parties' intent. *See JA Apparel Corp.,* 568 F.3d at 399. The Second Circuit agreed that JA Apparel's interpretation of the Agreement (as endorsed by this Court in *Abboud I*) was "a plausible reading of the word 'names' in ¶ 1.1(a)(A)," but also found Abboud's interpretation "reasonable in light of several aspects of the Agreement." [4] *Id.* at 398.

Next, the Second Circuit stated that "[i]n the event that the district court does not rule in favor of JA [Apparel] on the contract claim on remand, it will be required to address the trademark issues." *Id.* at 403. This was due, in part, to the fact that this Court's analysis of trademark fair use relied on its findings with respect to the Agreement. Furthermore, the Second Circuit determined that "individualized consideration of the various proposed advertisements is needed" to address Abboud's fair use defense. *Id.* at 402. The Court of Appeals declined to address any other issues decided by this Court, but noted that this Court "is free on remand to revisit" those issues. *Id.* at 403.

***302 DISCUSSION**

On remand from the Court of Appeals, this Court must first decide two narrow questions: (1) based on the Agreement's language and any extrinsic evidence of the parties' intent, did Abboud agree to sell his name, other than as a trademark or related intellectual property, to JA Apparel?; and (2) if Abboud sold his name only as a trademark or related intellectual property, do his proposed ads qualify as fair use under the Lanham Act? Answering the first question in the affirmative disposes of the need to address the second, as well as the parties' other remaining claims and counterclaims.

I. Contract Interpretation

A. *Legal Standard*

[1] [2] Under New York law, [5] "the fundamental, neutral precept of contract interpretation is that agreements are construed in accordance with the parties' intent, and that the best evidence of what parties to a written agreement intend is what they say in their writing." *Innophos, Inc. v. Rhodia, S.A.,* 10 N.Y.3d 25, 29, 852 N.Y.S.2d 820, 823, 882 N.E.2d 389 (2008) (internal citations omitted). Where, as here, a contract is negotiated by sophisticated parties at arm's length:

> [C]ourts should be extremely reluctant to interpret an agreement as impliedly stating something which the parties have neglected to specifically include. Hence, courts may not by construction add or excise terms, nor distort the meaning of those used and thereby make a new contract for the parties under the guise of interpreting the writing.
> *Vt. Teddy Bear Co., Inc. v. 538 Madison Realty Co.,* 1 N.Y.3d 470, 475, 775 N.Y.S.2d 765, 768, 807 N.E.2d 876 (2004) (internal citations omitted); *see also* *Beth Isr. Med. Ctr. v. Horizon Blue Cross & Blue Shield of N.J., Inc.,* 448 F.3d 573, 580 (2d Cir.2006) ("Under New York law, [c]ourt[s] must enforce contract provisions clearly-expressing parties' intent."); *Terwilliger v. Terwilliger,* 206 F.3d 240, 245 (2d Cir.2000) ("A court may neither rewrite, under the guise of interpretation, a term of the contract when the term is clear and unambiguous, nor redraft a contract to accord with its instinct for the dispensation of equity upon the facts of a given case."); *Belle Harbor Wash. Hotel, Inc. v. Jefferson Omega Corp.,* 17 A.D.3d 612, 612, 795 N.Y.S.2d 597, 598 (2d Dep't 2005) ("A written agreement that is complete, clear, and unambiguous on its face must be enforced in accordance with the plain meaning of its terms.").

[3] [4] [5] [6] The determination of "[w]hether or not a writing is ambiguous is a question of law to be resolved by the courts." *W.W.W. Assocs., Inc. v. Giancontieri,* 77 N.Y.2d 157, 162, 565 N.Y.S.2d 440, 443, 566 N.E.2d 639 (1990). A writing is not ambiguous simply because the parties urge different interpretations in the litigation. *See Hunt Ltd. v. Lifschultz Fast Freight, Inc.,* 889 F.2d 1274, 1277 (2d Cir.1989). If a court makes a determination that the contract is unambiguous, extrinsic evidence regarding the intent of the parties is inadmissible and cannot be considered. *See W.W.W. Assocs., Inc.,* 77 N.Y.2d at 162, 565 N.Y.S.2d at 443, 566 N.E.2d 639; *see also* *Terwilliger,* 206 F.3d at 245 ("[M]atters extrinsic to the agreement may not be considered when the intent of the parties can fairly be gleaned from the face of the instrument."). On the other hand, if the words of a contract are ambiguous, extrinsic evidence is properly considered. ***303** *See* *Seiden Assocs., Inc. v. ANC Holdings, Inc.,* 959 F.2d 425, 429 (2d Cir.1992).

[7] [8] [9] If an ambiguity requires consideration of extrinsic evidence, a court must look to all "surrounding facts

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and circumstances" in order to ascertain the parties' intended meaning of the contract. *See* *U.S. Naval Inst. v. Charter Commc'ns, Inc.,* 875 F.2d 1044, 1048 (2d Cir.1989) (citing *67 Wall St. Co. v. Franklin Nat'l Bank,* 37 N.Y.2d 245, 248, 371 N.Y.S.2d 915, 918, 333 N.E.2d 184 (1975)); *see also* *Korff v. Corbett,* 18 A.D.3d 248, 251, 794 N.Y.S.2d 374, 377 (1st Dep't 2005) ("[W]here words used in a written contract are susceptible of more than one interpretation, the courts will look at the surrounding circumstances existing when the contract was entered into, the situation of the parties and the subject matter of the instrument.") (internal quotation marks and citations omitted). This includes "any relevant course of performance, course of dealing, [and] usage of trade," *Restatement (Second) of Contracts* § 202, as well as "a party's own admissions, the party's actions or statements from which knowledge or reason to know may be inferred, and the usages and meanings of third persons with which the party probably was familiar." 5–24 *Corbin on Contracts* § 24.10. In resolving ambiguity, a court may also resort to "the common and legal meanings of the terms involved, where such meanings are clear, and, of paramount significance, to the manifest purpose sought to be accomplished." *Teig v. Suffolk Oral Surgery Assocs.,* 2 A.D.3d 836, 837, 769 N.Y.S.2d 599, 600 (2d Dep't 2003). A court is prohibited, however, from considering the parties' "[u]ncommunicated subjective intent." *Wells v. Shearson Lehman/Am. Express, Inc.,* 72 N.Y.2d 11, 24, 530 N.Y.S.2d 517, 524, 526 N.E.2d 8 (1988); *see also* *First Montauk Secs. Corp. v. Menter,* 26 F.Supp.2d 688, 689 (S.D.N.Y.1998) ("[I]t is hornbook law that the uncommunicated subjective intent of a party is irrelevant in interpreting a contract."); *Padovano v. Vivian,* 217 A.D.2d 868, 869, 629 N.Y.S.2d 844, 846 (3d Dep't 1995) (same).

B. *Application*

[10] Although the parties previously maintained that the Agreement is unambiguous, and this Court agreed, we are nonetheless bound by the Second Circuit's conclusion that the Agreement is, in fact, ambiguous. Thus, the Court must consider both the plain language of the Agreement and any extrinsic evidence of intent in order to decide whether Abboud sold the exclusive right to use his name commercially to JA Apparel. Upon a careful review of the Agreement and all attendant circumstances to its execution, the Court concludes that he did not.

On November 11, 1999, after preliminary discussions regarding the transaction that would ultimately result in the Agreement and the Side Letter, Abboud sent a "letter of understanding" to Mr. Roberto Jorio Fili, CEO of JA Apparel's then-owner, GFT. (*See* DX–161.) Specifically, Abboud noted as one of three "Points of Agreement," the sale of "all Joseph Abboud trademarks." (*Id.*) The letter made no mention of the sale of Abboud's personal name for commercial use, but concluded with Abboud's self-proclaimed ultimate goal: "to build the Joseph Abboud name into the successful global brand I know it can be." (*Id.*) On December 3, 1999, Mr. Paolo Vigitello of GFT, responded to Abboud, noting that "it must be defined that the acquisition target is represented by all Joseph Abboud trademarks personally owned by Mr. Abboud." (DX–2.)

On February 2, 2000, the parties met in Milan, Italy to discuss further details of the sale. In minutes from this meeting, ***304** Fili "stresses that GFT wants to buy only the trademarks and not the two companies currently owned by J[oseph] Abboud." (DX–162.) A letter outlining the "key points" from the verbal agreement reached at this meeting makes clear that the "[o]bject of the operation" is the "acquisition of trademarks." (DX–3.)

Two days later, on February 4, 2000, Vigitello sent a letter to Abboud confirming that the "[t]arget of the deal" is the "purchase of all the trademarks existing and worldwide registered plus exclusive and perpetual right to the buyer to use and apply for registration of whatever new denomination in association with the name 'Joseph Abboud' and/or using 'designed by Joseph Abboud' or simply 'by Joseph Abboud' linked to automotive industries products, to clothing, casualwear, sportswear and furnishing products and/or accessories in the most wide meaning ... and home products." (DX–4.) Vigitello continued, "[If JA Apparel intends to use] the name 'Joseph Abboud' in association with products different from the ones above mentioned[, it] must obtain the previous written consent [of Abboud] ..., which consent cannot be unreasonably withheld." [6] (*Id.*)

The following week, on February 10, 2000, the parties entered into a letter of intent, specifying the "[a]ssets to be [p]urchased" as all "right, title and interest in and to all trade names, trademarks and service marks existing as of the Closing (as defined below) and registered or used in any country in the world (collectively, the 'Trademarks'), together with all registrations and applications therefor, the goodwill related thereto and any and all claims for past infringement.” (DX–5.) The letter of intent also denoted that JA Apparel was purchasing “all licenses to use the Trademarks” and “all of the right, title and interest ... to use and apply for the registration of new trade names, trademarks and service marks 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 (collectively, the ‘New Trademarks').” (*Id.*) The letter of intent did not include the sale of “names.”

As discussions continued, the agreement not to compete became a point of contention for Abboud. In a February 23, 2000 letter, Abboud's counsel, Mr. Theodore Dinsmoor, wrote to JA Apparel's counsel, Mr. Jeffrey LaGueux, alerting him that:

> [Abboud] wants to have the opportunity to pursue his trade as a designer of apparel [after the expiration of the five-year Personal Services period.] In this regard, Mr. Abboud understands that any effort on his part to pursue his trade as a designer of apparel could not include his use of the name “Joseph Abboud” or any of the other trademarks conveyed to JA Apparel.

(PX–347.)

Concerned that the tension between the parties might derail the deal, Fili wrote directly to Abboud on February 25, 2000, and reiterated that “[r]ight from the initial steps of our negotiation I have always declared that our objective was and still is the acquisition of the trade marks.” (DX–8.) In response, Abboud wrote to Fili:

> If, for whatever reasons, the corporation does not want to continue with my services ***305** after five years, I want the option to practice my skills should I choose to continue working in the future. It goes without saying that at *no time* will I have any rights to any of the Joseph Abboud trademarks. Here is where you must separate Joseph Abboud personally from the Joseph Abboud trademarks.

(DX–9.) In conclusion, Abboud wrote that his decision is “emotional, because I am relinquishing my name (albeit for a large sum) which I have worked toward building since I entered this industry full time in 1972, 28 years ago.” (*Id.*)

On March 17, 2000, the parties entered into a letter agreement, whose language mirrored that of the February 10, 2000 letter of intent. (DX–165.) Again, the letter agreement made no mention of the sale of “names.”

JA Apparel, as agreed upon by the parties, prepared the first draft of the Agreement.[7] The draft Agreement, sent from LaGueux to Dinsmoor on May 3, 2000, described certain of the assets to be purchased as “[t]he *names,* trademarks, trade names, service marks, logos, insignias and designations identified on Schedule 1.1(a)(i)(A).”[8] (PX–318 (emphasis added).) This was the first time the word “names,” standing alone as an asset to be purchased, appeared in any of the parties' correspondence. Dinsmoor wrote to LaGueux on May 19, 2000, proposing various changes to the draft Agreement, but did not comment on the newly inserted term, “names.” (DX–163.) As discussed by the parties, Dinsmoor compiled a listing of all trademarks owned by Abboud that was to be used as Schedule 1.1(a)(A), and sent it to LaGueux on May 23, 2000. (DX–185.) The parties exchanged a second draft of the Agreement in June (*see* DX–166), which continued to include the word “names,” but Dinsmoor again did not address its inclusion or meaning. (*See* DX–167.)

On June 16, 2000, the parties prepared a draft press release to accompany the acquisition. (*See* DX–178.) The release noted that “[o]n the basis of the signed contract, GFT Net will acquire the trademarks and licensing agreements registered in the name of Joseph Abboud.” (*Id.*) A subsequent revised release contained similar language, referencing the purchase of “all existing trademarks and licensing agreements and all future trademarks bearing the Joseph Abboud name.” (DX–14.) Neither version of the release indicated that the “name” Joseph Abboud, as anything other than a trademark, would be sold.

At the closing of the sale, Abboud assigned “all rights, title and interest in and to the Marks and registrations or applications associated with them, together with the goodwill of the business symbolized by and associated with the Marks and their respective registrations or applications." (DX–180.) Abboud did not assign any rights to his name, other than for use as a trademark. [9]

***306** The final Agreement, as did the drafts, included the sale of "names," in addition to "trade names, trademarks, service marks, logos, insignias and designations identified on Schedule 1.1(a) (A)," but there is no evidence of any negotiations or discussions of the sale of Abboud's name as an asset distinct from the trademarks and related intellectual property. (PX–1.) [10]

Despite the "fairly extensive extrinsic evidence" submitted at trial, *see* *Abboud I,* 591 F.Supp.2d at 318, this evidence sheds little, if any, light on the parties' intended meaning of the term "names." That said, the parties' communications indicated that from the outset of their negotiations they intended to buy or sell only trademarks and related intellectual property. (*See, e.g.,* DX–161 ("letter of understanding" from Abboud to Fili denoting a "Point of Agreement" as the sale of "all Joseph Abboud trademarks"); DX–2 (letter from Vigitello to Abboud, noting that "the acquisition target is represented by all Joseph Abboud trademarks"); DX–162 (meeting minutes indicating that GFT "wants to buy only the trademarks"); DX–4 (letter from Vigitello to Abboud identifying the "[t]arget of the deal" as the "purchase of all the trademarks"); DX–5 (letter of intent specifying the "[a]ssets to be [p]urchased" as all "trade names, trademarks and service marks"); DX–8 (letter from Fili to Abboud reiterating that "our objective was and still is the acquisition of the trade marks").) It was only at the drafting stage that the word "names" entered the picture as a term of the Agreement. (*See* PX–318 (May 3, 2000 draft of the Agreement including, for the first time, the word "names").) In fact, the word "names" as an asset to be sold is included only in the drafts and final version of the Agreement, and in no other correspondence relating to the transaction. Indeed, neither party has been able to point the Court to any extrinsic evidence that evinces the reason for this word's inclusion or meaning in the Agreement.

JA Apparel focuses primarily on Abboud's failure to object to the term "names" in the draft Agreement to support its proposed interpretation. The Court does not find such silence to constitute sufficient evidence of an intent to buy or sell an additional and distinct asset never discussed by the parties. [11]

JA Apparel does, however, emphasize two letters that it claims illustrate that "Abboud did not retain the right to use his name under the terms of the Agreement." (*See* Pl.'s Post–Remand Mem. at 16.) The first is a letter written several months before the Agreement was executed, from Abboud's attorney to JA Apparel's attorney. (*See* PX–347.) In the letter, Dinsmoor writes, "Mr. Abboud understands that any effort on his part to pursue his trade ***307** as a designer of apparel *could not include the use of the name Joseph Abboud* or any of the other trademarks conveyed to JA Apparel." (*Id.* (emphasis added).) Although at first glance this sentence appears to preclude "use of the name Joseph Abboud," it is followed by the phrase "or any of the other trademarks." (*Id.*) The inclusion of the word "other" to qualify "trademarks" demonstrates that "Joseph Abboud" was also referenced as a trademark. But the Court need not rely on this academic exercise of sentence deconstruction, because in the same letter, Dinsmoor writes, "technically JA Apparel is only acquiring Mr. Abboud's trademarks." (*Id.*)

JA Apparel also relies heavily on a letter from Abboud to Fili in March of 2000, in which he characterizes his decision to consummate the sale as "emotional, because I am relinquishing my name (albeit for a large sum) which I have worked toward building since I entered this industry full time in 1972, 28 years ago." (DX–9.) JA Apparel argues that Abboud could not be referring to only trademarks in this sentence, because "Joseph Abboud" was not used as a trademark until 1987. (*See* Pl.'s Post–Remand Mem. at 16–17.) At first blush, this document does lend some support to JA Apparel's position. Nevertheless, in the same letter, Abboud writes, "It goes without saying that at *no time* will I have any rights to any of the Joseph Abboud trademarks." (DX–9.) And then, in a sentence that perhaps underscores the essence of this entire dispute, Abboud writes, "Here is where you must separate Joseph Abboud personally from the Joseph Abboud trademarks." [12] (*Id.*)

Although JA Apparel has offered both a reasonable and persuasive interpretation of the Agreement—and one that the Court previously adopted—Abboud has offered a competing interpretation that the Second Circuit has concluded is equally reasonable. *See* *JA Apparel Corp.,* 568 F.3d at 398–99. This fact, coupled with the extrinsic evidence that explicitly discusses the sale of trademarks and related intellectual property, and the absence of any extrinsic evidence that addresses Abboud's sale of his personal name for all other commercial purposes, compels the Court to conclude that section 1.1(a)(A) did not convey to JA Apparel the exclusive right to use Abboud's name for commercial purposes other than as a trademark, service mark, trade name, or brand name.

The Court, however, is mindful that such an interpretation might be construed as rendering the word “names” mere surplusage. *See* *God's Battalion of Prayer Pentecostal Church, Inc. v. Miele Assocs., LLP,* 6 N.Y.3d 371, 374, 812 N.Y.S.2d 435, 437, 845 N.E.2d 1265 (2006) (“A contract ‘should be read to give effect to all its provisions.’ ”) (quoting *Mastrobuono v. Shearson Lehman Hutton, Inc.,* 514 U.S. 52, 63, 115 S.Ct. 1212, 1219, 131 L.Ed.2d 76 (1995)); *see also* *Two Guys from Harrison–N.Y., Inc. v. S.F.R. Realty Assocs.,* 63 N.Y.2d 396, 403, 482 N.Y.S.2d 465, 468, 472 N.E.2d 315 (1984) (“[O]ne of a court's goals is to avoid an interpretation that would leave contractual clauses meaningless.”). Nevertheless, as Judge Sack noted in his concurring opinion in the Court of Appeals' remand decision:

> [T]he rule [against surplusage] should nonetheless be applied with a grain or two of salt when examining a list of words having similar or even overlapping ***308** meaning in a commercial agreement. Such an itemization of terms may reflect an intent to occupy a field of meaning, not to separate it into differentiated parts. Indeed, this is a common—perhaps all-too-familiar—technique used in drafting agreements, commercial and otherwise. With this technique, words are used more like the brush strokes of a house painter than of those of a portrait painter—each intended principally to ensure that the surface is covered, not to convey a separate piece of information.

JA Apparel Corp., 568 F.3d at 407 n. 4 (Sack, J., concurring).

In memorializing their intent, the parties included what amounted to a laundry list of words that fell under the more general penumbra of “trademarks” and related intellectual property (which can include, e.g., brand names or commercial names). That the word “names” could bear a broader meaning, including one's personal name, cannot overcome the dearth of extrinsic evidence in support of JA Apparel's interpretation of the Agreement. Thus, it is more reasonable to conclude that the word names was intended to mean something similar to the other assets sold in section 1.1(a)(A) of the Agreement—such as “brand names” or “commercial names”—and not the exclusive right to all commercial use of Abboud's personal name. This is consistent with the language of section 1.1(a)(C), in which Abboud sold to JA Apparel the right to use and apply for new marks containing Abboud's personal name.

Because the Court concludes that Abboud did not sell the exclusive right to use his personal name commercially, the Court must continue with an analysis of JA Apparel's trademark claims.

II. Trademark Infringement

Based upon Abboud's proposed use of his name in advertising the “jaz” line of clothing, JA Apparel also asserts claims for trademark infringement under Section 32 of the Lanham Act, 15 U.S.C. § 1114(1), and New York common law. In response, Abboud relies on the defense of “fair use” pursuant to Section 33(b)(4) of the Lanham Act, 15 U.S.C. § 1115(b)(4). In addition, Abboud argues that his “proposed use is protected commercial speech under the First Amendment to the United States Constitution, and that JA Apparel is not entitled to equitable relief on its infringement claims because of its own unclean hands.” *Abboud I,* 591 F.Supp.2d at 327.

Before addressing the merits of the trademark claims and defenses, it bears noting the inherent relationship between the trademark and contract claims. Despite the Court's conclusion that Abboud did not sell the exclusive right to commercially use his name, there is no question that Abboud sold his trademarks to JA Apparel, which include the mark “Joseph Abboud.” Thus, if JA Apparel prevails on its trademark claims, Abboud is not only liable for infringement, but also for breach of contract.

A. *Legal Standard for Trademark Infringement*

[11] In order to prevail on a claim for trademark infringement under Section 32(1) of the Lanham Act, 15 U.S.C. § 1114(1), a plaintiff is required to show that its marks are valid and entitled to protection and that a defendant's use of those marks is likely to cause consumer confusion as to the origin or sponsorship of the defendant's goods. *See,*

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e.g., Virgin Enters. Ltd. v. Nawab, 335 F.3d 141, 146 (2d Cir.2003); ***309** *Time, Inc. v. Petersen Publ'g Co.,* 173 F.3d 113, 117 (2d Cir.1999). [13]

[12] In evaluating the likelihood of confusion, courts in this Circuit regularly apply what have become known as the *Polaroid* factors: (1) strength of plaintiff's mark; (2) degree of similarity between the two marks; (3) proximity of the parties' products or services; (4) likelihood that the prior owner will bridge the gap between the parties' products or services; (5) actual confusion; (6) defendant's bad faith in adopting its mark; (7) quality of defendant's products or services; and (8) sophistication of the relevant consumers. *Polaroid Corp. v. Polarad Elecs. Corp.,* 287 F.2d 492, 495 (2d Cir.1961); *see also Natural Organics, Inc. v. Nutraceutical Corp.,* 426 F.3d 576, 578 (2d Cir.2005).

B. *Application*

As determined by the Court in *Abboud I:*

> Plaintiff put on competent evidence at trial demonstrating, among other things: (a) the strength of the Abboud marks (*see* TT at 30–41, 246, 257, 540–41); (b) the close proximity of the goods and services at issue (*see id.* at 72–73, 76, 87–88, 95–96, 610–614; PX 8, 11, 38); and (c) at least some instances of actual confusion within the industry (*see id.,* at 128–29, 276–280, 293–94, 300–03; PX 13, 187, 189), despite the fact that the "jaz" products have not even hit the market. Based on this evidence, the Court has no difficulty concluding that there exists a substantial likelihood of confusion between Abboud's proposed uses and Plaintiff's trademarks.

Abboud I, 591 F.Supp.2d at 328. Similarly, the Second Circuit concluded that, on appeal, "defendants effectively conceded that JA owned valid 'Joseph Abboud' trademarks and that it had made a *prima facie* showing under the *Polaroid* test, [and] that [Abboud's] use of his name as a trademark would likely cause confusion." *JA Apparel Corp.,* 568 F.3d at 400 (internal citations omitted). Despite Abboud's attempt to relitigate the likelihood of confusion on remand (*see* Defs.' Post–Remand Mem. I at 80–81), the Court sees no reason to revisit this issue. Accordingly, the Court need only address Abboud's fair use defense, and, if necessary, his First Amendment and unclean hands defenses.

C. *Legal Standard for Statutory Fair Use*

[13] The fair use defense, which allows for some level of confusion, is an absolute defense to claims of trademark infringement, trademark dilution, and false designation of origin. To successfully assert the fair use defense, an alleged infringer must demonstrate that:

> [T]he use of the name, term, or device charged to be an infringement is a use, otherwise than as a mark, ... of a term or device which is descriptive of and used fairly and in good faith only to describe the goods or services of such party, or their geographic origin.

15 U.S.C. § 1115(b)(4). Thus, in order to determine whether the use of a term is "fair" under this defense, courts endeavor to assess whether the term is used (1) descriptively, (2) other than as a mark, and (3) in good faith. *See, e.g., Car–Freshner* ***310** *Corp. v. S.C. Johnson & Son, Inc.,* 70 F.3d 267, 269 (2d Cir.1995).

Abboud argues that he is not seeking to use his name as a trademark. By the use of such phrases as "by the award-winning designer Joseph Abboud" and "a new composition by designer Joseph Abboud," Abboud argues that he is merely seeking to use his name descriptively to convey information to the public about the products sold under his "jaz" trademark. [14]

[14] **[15]** A use of a mark is descriptive where "the name or term is used 'to describe the goods.' " *Cosmetically Sealed Indus., Inc. v. Chesebrough–Pond's USA Co.,* 125 F.3d 28, 30 (2d Cir.1997) (quoting 15 U.S.C. § 1115(b)(4)). The Second Circuit has not limited the phrase "to describe the goods" to the description of a characteristic of the goods, but rather, allows for the use of words or images "in their 'descriptive sense.' " *See* *id.* (quoting *Car–Freshner Corp.,* 70 F.3d at 269). "Descriptive use is evident in such situations '[w]here a mark incorporates a term that is the only reasonably available means of describing a characteristic of another's goods.' " *Dessert Beauty, Inc. v. Fox,* 568 F.Supp.2d 416, 426 (S.D.N.Y.2008) (quoting *EMI Catalogue P'ship v. Hill, Holliday, Connors, Cosmopulos, Inc.,* 228 F.3d 56, 65 (2d Cir.2000)). Confusion that may result from a defendant's descriptive use of a plaintiff's mark is often viewed as "a risk entailed in the [plaintiff's] selection of a mark with descriptive attributes." [15] *Car–Freshner Corp.,* 70 F.3d at 270; *accord* *Cosmetically Sealed Indus.,* 125 F.3d at 30.

To determine if a defendant is using the challenged term or phrase "as a trademark," courts examine whether a defendant's use is designed to "indicate [ ] the source or origin of consumer products." *Dessert Beauty,* 568 F.Supp.2d at 424 (citing *Tommy Hilfiger Licensing, Inc. v. Nature Labs, LLC,* 221 F.Supp.2d 410, 414 (S.D.N.Y.2002)). Put another way, "the use of [a] term as a symbol to attract public attention" is generally considered "use ... as a mark." *Safeway Stores, Inc. v. Safeway Properties, Inc.,* 307 F.2d 495, 499 (2d Cir.1962). When use of the challenged words or phrase is accompanied by a defendant's own, conspicuously visible mark, this generally does not constitute trademark use. *See* *Cosmetically Sealed Indus.,* 125 F.3d at 30–31 (concluding that non-trademark use is "evidenced by the fact that the source of the defendants' product is clearly identified by the prominent display of the defendants' own trademarks"); *see also* *Car–Freshner Corp.,* 70 F.3d at 270 (finding defendant's use did not constitute "use as a mark" when product was sold "in boxes prominently bearing [defendant's] trademark [and] corporate ***311** logo"); *but see* *E. Gluck Corp. v. Rothenhaus,* 585 F.Supp.2d 505, 513 (S.D.N.Y.2008) (stating that "multiple marks may be used together"); *Quiksilver Inc. v. Kymsta Corp.,* 466 F.3d 749, 757 (9th Cir.2006) ("A product mark like 'ROXY,' even if always displayed with a house mark like 'QUIKSILVER,' may acquire independent trademark significance."). Courts should also consider the " 'physical nature of the use in terms of size, location, and other characteristics in comparison with the appearance of other descriptive matter or other trademarks,' as well as the 'presence or absence of precautionary measures such as labeling or other devices designed to minimize the risk that the term will be understood in its trademark sense.' " *See* *JA Apparel Corp.,* 568 F.3d at 401 (quoting *Restatement (Third) of Unfair Competition* § 28 cmt. c).

[16] With respect to the third factor, bad faith is often evinced by an "intent to confuse." *See* *id.* A defendant who "inten[ds] to trade on the good will of the trademark holder by creating confusion as to source or sponsorship" cannot claim that his use is employed in good faith. *See* *EMI Catalogue P'ship,* 228 F.3d at 66. This analysis is similar to the sixth *Polaroid* factor, which examines whether a defendant "intended to capitalize on plaintiff's good will." *See* *id.; see also* *Fun–Damental Too, Ltd. v. Gemmy Indus.,* 111 F.3d 993, 1005 (2d Cir.1997); *Sports Auth., Inc. v. Prime Hospitality Corp.,* 89 F.3d 955, 964 (2d Cir.1996). In this step, a court may also consider any likelihood of confusion. *See* *KP Permanent Make–Up, Inc. v. Lasting Impression I, Inc.,* 543 U.S. 111, 123, 125 S.Ct. 542, 550, 160 L.Ed.2d 440 (2004) (noting that the fair use defense "does not foreclose the relevance of the extent of any likely consumer confusion"); *Madrigal Audio Labs., Inc. v. Cello, Ltd.,* 799 F.2d 814, 823 (2d Cir.1986) (permitting defendant to advertise with his surname, provided he does so "in a not overly intrusive manner"); *see also* 2 McCarthy § 11:47 ("I think it clear that traditional evidence of likely confusion is indeed admissible and relevant on the issue of classic fair use."). [16]

[17] The fact that a defendant uses another's mark with knowledge of a plaintiff's federal registration or without consulting counsel does not preclude the fair use defense. *See* *Car–Freshner Corp.,* 70 F.3d at 270. Nevertheless, some courts have found that an inference of a lack of good faith may be drawn from a defendant's breach of an agreement not to use the disputed trademark. *See* *Inst. for Scientific Info. v. Gordon & Breach, Sci. Publishers, Inc.,* 931 F.2d 1002, 1009 (3d Cir.1991).

In the context of surnames, additional circumstances may warrant consideration. While a surname may acquire secondary meaning and become a trademark, it will generally "continue[ ] to serve the important function to its bearer of acting as a symbol of that individual's personality, reputation and accomplishments as distinguished from that of the business, corporation or otherwise, with which he has been associated." Madrigal Audio Labs., 799 F.2d at 822. Historically, courts believed that "[e]very man has the absolute right to use his own name in his own business, even though he may interfere with or injure the business of another person bearing the same name." *Meneely v. Meneely,* 62 N.Y. 427, 427 (1875). The more modern ***312** view, however, is that the "so-called 'sacred right' theory that every man may employ his own name in his business is not unlimited." *David B. Findlay v. Findlay,* 18 N.Y.2d 12, 19, 271 N.Y.S.2d 652, 655, 218 N.E.2d 531 (1966).

[18] If an individual has previously sold "use of his name and its goodwill, to the plaintiff, ... 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.' " *Levitt Corp. v. Levitt,* 593 F.2d 463, 468 (2d Cir.1979) (quoting *Guth v. Guth Chocolate Co.,* 224 F. 932, 934 (4th Cir.1915)); *see also Equibrand Corp. v. Reinsman Equestrian Prods., Inc.,* No. 03–cv–0536, 2007 WL 1461393, at *13 (N.D.Tex. May 17, 2007) (finding that if an individual sells the right to use his name in connection with certain products, a subsequent attempt to use his name with different products "is not a 'fair use' ... even if it is an accurate description of the products"). If a court determines that an individual sold only the right to use his name as a trademark, as opposed to the exclusive right to use his name commercially, the seller may advertise his affiliation with a new company, but must do so "in a not overly intrusive manner." *Madrigal Audio Labs.,* 799 F.2d at 823. Finally, in addressing whether use of a surname is in bad faith, there is certainly a distinction to be made between a defendant who happens to have the same surname as the plaintiff's trademark, and a defendant who has previously sold his surname-trademark to the plaintiff. *See* 2 McCarthy § 13:15 ("If a person whose surname has been legally adopted by a senior user, then severs his ties with that company and goes into business for himself, he has no unqualified right to use his own name, if the result is likelihood of confusion.").

D. *Application*

Throughout the trial, Abboud waffled as to the precise manner in which he believes he can use his name under the Agreement. At the outset of the trial, JA Apparel introduced as evidence several "mock-ups" of proposed ads created by Abboud. (*See, e.g.,* PX–42, PX–43.) Abboud, however, testified that these were only "potential layouts for a concept for advertising," and he had not yet "decided what he was going to do" with them. [17] (*See* TT 575–78, 596–601.) Although Abboud is reluctant to commit to these earlier proposed ads, the Court will consider them as relevant to Abboud's intentions and potential uses of the Joseph Abboud name in advertising. Towards the end of the trial, Abboud submitted two additional proposed ads that he believes will not infringe on JA Apparel's trademark rights, and to which he was willing to commit for purposes of this Court's fair use analysis. [18] (*See* DX–187, DX–188.) The Court has included as exhibits to this Opinion one of the ads contained in Plaintiff's Exhibit 42, Plaintiff's Exhibit 43, and Defendants' Exhibit 187. [19]

***313** 1. *Descriptive, Non–Trademark Use*

In the Court's view, the two proposed ads that Abboud believes qualify under the fair use defense, Defendants' Exhibits 187 and 188, do not use Abboud's name as a trademark. A viewer of these ads is immediately drawn to the large, white scripted font, approximately four inches wide by two inches high, in which Abboud's duly owned trademark, "jaz," is displayed. The words "Joseph Abboud" in these two exhibits appear in the context of a complete sentence, "JAZ IS A NEW LUXURY COLLECTION CREATED BY THE AWARD–WINNING DESIGNER JOSEPH ABBOUD." This sentence is in a significantly smaller font than "jaz," roughly 3/16 of an inch high, and placed in the lower left-hand corner of the ad. The ad also includes the words "FALL 2008" in the upper left-hand corner, and "NEW YORK" and "MONTREAL," each followed by a telephone number, in the lower right-hand corner. All of these words are in the same font, color, and size as the tagline that includes Abboud's name. As a result, Abboud's name is no more the focal point of the ads than the company's telephone number. Nor is it positioned in such a way as to attract significant public attention.

[19] Turning to the next factor in the fair use test, Abboud uses his name, at least in Defendants' Exhibits 187 and 188, in its descriptive sense. The phrase "JAZ IS A NEW LUXURY COLLECTION CREATED BY THE AWARD–WINNING DESIGNER JOSEPH ABBOUD" alerts viewers that Abboud, the individual, is the designer behind the new "jaz" clothing line. And indeed, Abboud is an award-winning designer who has created "jaz." Furthermore, Abboud's use of his name is the only "reasonably available means" by which he can inform his potential customers that he is the designer of the “jaz” line. *See* *Dessert Beauty,* 568 F.Supp.2d at 426. Thus, the Court concludes that Abboud's proposed use of his name in Defendants' Exhibits 187 and 188 is a descriptive, non-trademark use. [20]

[20] Certain of Abboud's other proposed uses, however, may not be so easily characterized as descriptive, non-trademark uses. For example, in several of the mock-ups to which Abboud refused to commit, “Joseph Abboud” is displayed in block letters, either just below or to the side of the only slightly larger trademark, “jaz.” (*See, e.g.,* PX–42.) Although Abboud's name is always preceded by the phrase “a new composition by,” oftentimes that phrase is much smaller and/or in a different font than the words “Joseph Abboud.” In addition, the words “Joseph Abboud,” in some of these ads, are written in what appears to be the identical font as one of JA Apparel's federal trademark registrations. (*See* Pl.'s Post–Trial Mem. at 16 ***314** (Registration No. 2690336).) And while Abboud's trademark, “jaz,” certainly grabs the viewer's attention, the words “Joseph Abboud,” in at least some of the mock-ups, are similarly eye-catching. In the Court's view, such a use takes Abboud's name outside of the realm of descriptive, non-trademark use, because, while perhaps technically describing the authorship of the “jaz” line, the name is used more as an attention-grabbing symbol. *See* *Safeway Stores,* 307 F.2d at 499.

[21] On the other hand, Plaintiff's Exhibit 43 is clearly a descriptive, non-trademark use. In that ad, Abboud's trademark, “jaz,” is prominently displayed, in the same large, white scripted font used in Defendants' Exhibit 187. Abboud's name is used only within a block of very small text in the lower right-hand corner of the ad next to Abboud's photo. It is practically a strain on the eyes to read the miniscule text (approximately 1/16 of an inch high), which simply identifies Abboud as the model in the ad's photo and indicates he is the designer behind the “jaz” line: “DESIGNER JOSEPH ABBOUD IN A 2 BUTTON SUPER 120 S CHARCOAL CHALKSTRIPE FROM HIS FALL 2008 JAZ COLLECTION.” (*Id.*) Further, those words are followed by a disclaimer that “DESIGNER JOSEPH ABBOUD IS NO LONGER ASSOCIATED OR AFFILIATED WITH JA APPAREL CORP., THE OWNER OF THE TRADEMARK ‘JOSEPH ABBOUD.’™” (*Id.*) The disclaimer certainly assists in eliminating any confusion that might result. In fact, JA Apparel all but admits that this ad would be a permissible use by Abboud. (*See* Pl.'s Post–Remand Mem. at 22–23.)

2. *Good Faith Use*

The more difficult question posed by Abboud's fair use defense, however, is whether Abboud intends to use his name in good faith. Abboud argues primarily that his use is in good faith due to the fact that he has refrained from running any ads, sought guidance from counsel, and requested declaratory relief from the Court on the permissible fair use of his personal name. (*See* Defs.' Post–Remand Mem. I at 69–72.) While the Court appreciates Abboud's deference to the legal process, this reasoning is misplaced. Because the Court is asked to consider Abboud's *proposed* uses, the analysis must look to whether, *if* the ad ran, Abboud is using his name with an intent to confuse. *See* *JA Apparel Corp.,* 568 F.3d at 401. If the Court concludes that Abboud, in fact, “inten[ds] to trade on the good will of [JA Apparel] by creating confusion as to source or sponsorship,” he cannot meet the third factor of the fair use test. *See* *EMI Catalogue P'ship,* 228 F.3d at 66. Any likelihood of confusion that results—even unintentionally—is also relevant. *See* *KP Permanent Make–Up,* 543 U.S. at 123, 125 S.Ct. at 551 (“[W]e do not rule out the pertinence of the degree of consumer confusion under the fair use defense.”).

The Court is troubled by several of Abboud's admissions with respect to his intent to use his name in advertising. First, Abboud testified that he intends to use “the *slogan* or *tagline* ‘a new composition by designer Joseph Abboud.’ ” (TT 579 (emphasis added).) Use of a “slogan” or “tagline” certainly suggests an intent to create an affiliation between “jaz” products and “Joseph Abboud.” And, although Abboud's subjective intent might be “to inform the public that [Abboud the individual is] the creator of the product,” (*id.*) as opposed to JA Apparel, absent a disclaimer, this seems likely to create significant confusion in certain of the proposed ads.

Further, Abboud testified that he wants his name to “[c]ertainly [be] large enough” for consumers to see and read. (TT 569.) ***315** This statement again suggests that Abboud, in effect, wants to promote his “jaz” line by using “Joseph Abboud” as a symbol to attract public attention. *See* *Safeway Stores,* 307 F.2d at 499.

Perhaps most telling, is Abboud's admission that he wants to inform the public that he is the "source" of the new "jaz" line. (*See* TT 580.) Trademarks are designed to identify the "source" of goods and services. *See* *TCPIP Holding Inc. v. Haar Commc'ns, Inc.,* 244 F.3d 88, 95 (2d Cir.2001) (noting that "trademarks functions [sic] as source-identifiers"). While Abboud admittedly used the term "source" as a layman (*see* Defs.' Post–Remand Reply Mem. at 7 n. 9), the Court cannot ignore the significance of this statement when coupled with the other evidence regarding Abboud's intentions.

Abboud's counsel has argued on remand that "Abboud's identification by *personal* name enables consumers to assess his talent, skill, artistic ability and reputation and thereby discern the quality, proficiency, suitability and safety of his 'jaz' collection." (Defs.' Post–Remand Mem. I at 73.) This is, again, precisely what trademarks are designed to protect. *See* *TCPIP Holding Co.,* 244 F.3d at 95 (noting that trademark law " 'helps assure a producer that it will reap the financial, reputation-related rewards associated with a desirable product' ") (quoting *Qualitex Co. v. Jacobson Prods., Co.,* 514 U.S. 159, 164, 115 S.Ct. 1300, 1303, 131 L.Ed.2d 248 (1995)); *see also* *Levitt Corp.,* 593 F.2d at 468 ("When a business purchases trademarks and goodwill, the essence of what it pays for is the right to inform the public that it is in possession of the special experience and skill symbolized by the name of the original concern, and the sole authority to market its products."); 1 McCarthy § 3:1 (stating that trademarks "identify" and "distinguish" goods, alerting consumers that they come from a single "source" and are of a particular "quality"). [21]

As Abboud sold the goodwill of the Joseph Abboud trademark to JA Apparel—for $65.5 million—he cannot now claim fair use based on his desire to capitalize on that reputation. (*See* PX–1 ¶ 1.1(a)(A) (selling the trademarks "and the goodwill related thereto").) *See also* *In re The Leslie Fay Cos., Inc. ("Nipon"),* 216 B.R. 117, 124 (Bankr.S.D.N.Y.1997) ("The sale of a trademark includes the sale of the mark along with the goodwill and tangible business assets that go along with the trademark."). Although it may seem unfair to Abboud, because he "worked toward building [his name] since ... enter[ing] th [e] clothing industry full time in 1972" (*see* DX–9), New York law is clear that the seller cannot "attempt[ ] to arrogate to himself the trade reputation for which he received valuable consideration." *Levitt Corp.,* 593 F.2d at 468.

[22] In sum, Abboud may alert consumers that he is the designer behind the new "jaz" line, but he cannot do so in an "overly intrusive manner," *Madrigal Audio Labs.,* 799 F.2d at 823; nor can he do so in a way that is utterly confusing. *See* *KP Permanent Make–Up,* 543 U.S. at 123, 125 S.Ct. at 550. The Court is mindful that "[t]his is not a case where a first comer seeks to save himself a place in a new market he has not yet entered by denying to a man the use of his own name ***316** in exploiting that market." *Taylor Wine Co., Inc. v. Bully Hill Vineyards,* 569 F.2d 731, 733 (2d Cir.1978). Rather, this is a case in which an individual elected to use his name for many years as a trademark, building up substantial goodwill; he then sold the same, but intends to continue to commercially exploit his name by designing clothes in competition with the purchaser of the trademark. This case therefore presents an inherently difficult scenario, because Abboud's use of his name in the sale of clothing will inevitably lead to consumer confusion.

Defendants' Exhibits 187 and 188—while a close call—satisfy all of the elements of the fair use defense, provided that Abboud includes a disclaimer as discussed below. Abboud has used his name in its descriptive sense, embedded in a complete sentence that identifies Abboud the individual as the designer of the "jaz" line. Further, Abboud's name is accompanied by the more prominently displayed "jaz" trademark.

Nevertheless, in view of the fact that the average consumer would have great difficulty discerning a difference in sources between clothes marketed under the Joseph Abboud mark and clothes designed by Joseph Abboud the person, Abboud's use of his name is not unlimited, and must yield to such consumer confusion. *See* *Levitt Corp.,* 593 F.2d at 469–70 (upholding injunction of individual's use of his name in advertising "to prevent confusion and to protect the value of plaintiff's goodwill"). Thus, Abboud may not use his name in Defendants' Exhibits 187 and 188 or anything similar absent a disclaimer of his affiliation with JA Apparel and products sold under the Joseph Abboud trademarks. *See* *Joseph Scott Co. v. Scott Swimming Pools. Inc.,* 764 F.2d 62, 69 (2d Cir.1985) (permitting defendant's use of his surname, provided he "make perfectly clear that his firm is no longer associated with, and is not a successor to, [plaintiff]"); *Taylor Wine Co.,* 569 F.2d at 736 (requiring similar disclaimer); *but see* *Soltex Polymer Corp. v. Fortex Indus., Inc.,* 832 F.2d 1325, 1330 (2d Cir.1987) (noting that disclaimers "may not always provide an effective remedy against an infringing use"). Any disclaimer must be no smaller than the accompanying text in which Abboud uses his name.

The decision of the Court would be easier if Abboud were to embrace the mock-up proposed in Plaintiff's Exhibit 43. In that ad, Abboud's use of his name unquestionably qualifies under the fair use defense. In fact, the placement, size, and usage of Abboud's name in Plaintiff's Exhibit 43, together with the disclaimer, arguably removes the likelihood of any confusion, and abrogates the need to even discuss the affirmative defense of fair use.

The Court cannot conclude, however, that the ads in Plaintiff's Exhibit 42 constitute fair use. As noted above, the size and font of "Joseph Abboud"—virtually identical to the Joseph Abboud trademark—remove it from the realm of descriptive, non-trademark use. And by doing so, Abboud creates utterly confusing ads that cannot withstand scrutiny under the fair use test, even if a disclaimer were included. Although the "jaz" trademark is also displayed in each of these ads, consumers might be led to believe that "jaz" is simply a sub-line of clothing created by the rightful owner of the "Joseph Abboud" trademark—JA Apparel. This is particularly so given the prominence of the name "Joseph Abboud" in each of these ads. Together with Abboud's admissions noted *supra,* the Court concludes that these ads (PX–42) evince an intent to confuse and do not constitute fair use.

***317** E. *Abboud's Remaining Defenses*

To the extent that Abboud's proposed uses are "fair," as discussed above, the Court need not address his remaining defenses. On the other hand, any proposed uses that are in bad faith or create considerable confusion would constitute trademark infringement and a breach of the Agreement, and foreclose Abboud's First Amendment defense. *See* *Abboud I,* 591 F.Supp.2d at 331–32 (rejecting Abboud's position that "a party cannot contract away his right to engage in what otherwise might be considered protected commercial speech"); *see also* *United We Stand America, Inc. v. United We Stand, America New York, Inc.,* 128 F.3d 86, 93 (2d Cir.1997) (rejecting First Amendment defense where defendants used a slogan as a mark to suggest the same source identification as plaintiffs); *Pfizer Inc. v. Sachs,* 652 F.Supp.2d 512, 524 (S.D.N.Y.2009) (no First Amendment defense to trademark infringement where "a defendant's use is likely to cause confusion"). The defense of unclean hands need not be addressed in light of the Court's dismissal of Abboud's counterclaims. *See infra,* Section V.

III. Plaintiff's Remaining Claims: Dilution, False Designation Of Origin, Unfair Competition, And False And Deceptive Trade Practices

Plaintiff also asserts claims for false designation of origin, unfair competition, and dilution in violation of Sections 43(a) and (c) of the Lanham Act, 15 U.S.C. §§ 1125(a), 1125(c), New York General Business Law ("N.Y.Gen.Bus.Law") § 360–1, and the common law, as well as false and deceptive trade practices under N.Y. Gen. Bus. Law §§ 349–350, all of which relate to Abboud's proposed uses of his name in connection with his new "jaz" line. Plaintiff does not seek different or additional relief in connection with its remaining claims. Thus, with respect to those ads that do not reflect fair use, further discussion of these claims, vis-a-vis Abboud's proposed uses of his name, is unnecessary. *See, e.g.,* *Morningside Group, Ltd. v. Morningside Capital Group, L.L.C.,* 182 F.3d 133, 143 (2d Cir.1999) ("We need not address the [dilution claim] because Morningside Group—having already succeeded on its infringement claim—has neither requested, nor could it receive, any further relief based on dilution."); *Utah Lighthouse Ministry v. Found. For Apologetic Info. & Research,* 527 F.3d 1045, 1050 (10th Cir.2008) ("trademark infringement is a type of unfair competition; the two claims have virtually identical elements and are properly addressed together"). Furthermore, because fair use is also a defense to Plaintiff's remaining claims, Abboud may use his name in accordance with the Court's fair use analysis without incurring liability for these claims. *See* *TCPIP Holding Co.,* 244 F.3d at 104 n. 12 (fair use a defense to federal dilution claims); *McGraw–Hill Cos. v. Int'l Sec. Exch.,* No. 05 Civ. 112(HB), 2005 WL 2100518, at *9 (S.D.N.Y. Sept. 1, 2005) (fair use a defense to New York dilution and common law trademark claims); *Wonder Labs, Inc. v. Procter & Gamble Co.,* 728 F.Supp. 1058, 1067 (S.D.N.Y.1990) ("the defense that the defendant's use of the mark is purely descriptive and not as a trademark equally precludes recovery for common law unfair competition"); *see also* *William R. Warner &*

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Co. v. Eli Lilly & Co., 265 U.S. 526, 529, 44 S.Ct. 615, 616, 68 L.Ed. 1161 (1924) (establishing fair use defense under the common law long before the passage of the Lanham Act).

IV. Permanent Injunctive Relief

On appeal, the Second Circuit did not address the injunctive relief awarded by this Court "except to note that an injunction ***318** of scope similar to that originally entered would seem to be inappropriately broad if based solely on trademark infringement rather than on breach of contract." *JA Apparel Corp.,* 568 F.3d at 403. Because the Court on remand has determined that Abboud did not sell the exclusive right to commercially use his name, the original injunction must be modified to address only those proposed uses that would constitute trademark infringement, not otherwise protected by the fair use defense, and, thus, breach the Agreement. The Court will not go through the redundant exercise of fully explaining the standard for injunctive relief. The standard remains the same as that set forth in *Abboud I. See Abboud I,* 591 F.Supp.2d at 334–37. Several points, however, are worthy of note.

[23] [24] First, as a general matter, injunctions in trademark cases involving use of an individual's personal name should be narrowly tailored. *See, e.g., Joseph Scott Co.,* 764 F.2d at 67; *see also Taylor Wine Co.,* 569 F.2d at 735 ("[w]hen the defendant demonstrates a genuine desire to build a business under his own name, courts have generally been reluctant to proscribe all surname use"). Notwithstanding the general rule, "[w]here, as here ... the infringing party has previously sold his business, including use of his name and its goodwill, to the plaintiff, sweeping injunctive relief is more tolerable." *Levitt Corp.,* 593 F.2d at 468. In framing an injunction, the Court must seek to "avoid confusion in the marketplace, protect a prior company's property interest in its name, and permit an individual to exploit his own identity and reputation in a legitimate manner." *Gucci v. Gucci Shops, Inc.,* 688 F.Supp. 916, 927 (S.D.N.Y.1988) (quoting *Joseph Scott Co.,* 764 F.2d at 67).

[25] In line with these principles, the Court concludes that Plaintiff JA Apparel is entitled to a permanent injunction prohibiting Abboud—personally, through Houndstooth, or through any other entity with which he is affiliated—from using his name as a trademark, service mark, trade name, or brand name. Abboud may not use his name in any manner on "jaz" clothes, labels, hang-tags, or product packaging. Should Abboud choose to use his name in promotional and advertising materials, he must do so in a way that is not inconsistent with this Court's fair use analysis. Abboud's name must 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 Defendants' Exhibit 187 and 188 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. [22]

V. Abboud's Counterclaims

Defendants assert counterclaims against JA Apparel and Staff for false endorsement, false advertising, violation of New York Civil Rights and General Business Laws, and common law unfair competition, ***319** stemming from activities in which JA Apparel and Staff engaged subsequent to the execution of both the Agreement and Side Letter. Essentially, Defendants contend that Plaintiff exploited the name and reputation of Joseph Abboud the individual by using, in connection with its products under the "Joseph Abboud" and "JOE" labels, promotional and advertising campaigns with slogans such as "Hey Joseph, What Should I Wear?" "Do You Know Joe?" and "Ask Joseph Abboud." Under all five counterclaims, Defendants seek the same damages—$37.5 million—which they contend equates to a 10% royalty on Plaintiff's wholesale sales from July 2005 until the present.

In *Abboud I,* this Court concluded, "[d]ue to the fact that all of the [ ] [counter]claims ... are premised, either explicitly or implicitly, on a position that the Court has already rejected—specifically, that Plaintiff did not purchase the exclusive right to commercially use the Joseph Abboud name in connection with goods and services—these claims must be dismissed ...." *Abboud I,* 591 F.Supp.2d at 345. Although the Court on remand has drawn a different conclusion with respect to the Agreement, much of the analysis in *Abboud I* remains valid, and the counterclaims must still be dismissed for the reasons set forth below.

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As an initial matter, even if Defendants had prevailed on their counterclaims, they did not adequately establish any damages. Under all five counterclaims, Defendants seek $37.5 million, which they contend equates to a 10% royalty on Plaintiff's wholesale sales from July, 2005 until the present. Defendants did not, however, establish what profits, if any, resulted from the campaigns which they claimed were objectionable. Because such profits surely count for a small percentage of Plaintiff's overall profits, the Court could not accept Defendants' damage calculations in any event.

A. *Violations of Abboud's "Right Of Publicity" Under 15 U.S.C.A. § 1125(a) & S § 50–51 of N.Y. Civil Rights Law*

In his first counterclaim, under Section 43(a) of the Lanham Act, Abboud claims that Plaintiff violated his right of publicity "by using Abboud's name in such a fashion as to mislead consumers into believing that Abboud is still associated with JA Apparel and/or sponsors and endorses JA Apparel's products." (*See* Defs.' Post–Trial Mem. ¶ 229.) Similarly, in connection with his third counterclaim, under New York Civil Rights Law §§ 50 and 51, Abboud argues that Plaintiff violated his right of publicity "by using Abboud's name in a non-trademark fashion in advertising and promotional materials without Abboud's consent." (*See id.* ¶ 249.) As stated in *Abboud I,*

> Defendants did not present credible evidence, as they were required to do for their Lanham Act claim, that consumers have been or are likely to be misled into believing that the "Do You Know Joe?" "Hey Joseph, What Should I Wear?" or "Ask Joseph Abboud" campaigns indicated an association with Joseph Abboud the individual, as opposed to Joseph Abboud, the brand. *See* 15 U.S.C. § 1125(a).

Abboud I, 591 F.Supp.2d at 346. Nothing in the instant Opinion renders that conclusion invalid. Thus, Abboud's first counterclaim must be dismissed.

[26] To succeed on his state law publicity claim, Abboud was required to show that JA Apparel "use[d] for advertising purposes, or for the purposes of trade, the name, portrait or picture of any living person without having first obtained the written consent of such person." ***320** N.Y. Civ. Rights Law § 50. Abboud has presented no evidence to support his claim that anyone actually believed that the "Joe" or "Joseph" referenced in these ads was a real individual, let alone Joseph Abboud. *See Cohen v. Herbal Concepts, Inc.,* 63 N.Y.2d 379, 384, 482 N.Y.S.2d 457, 459, 472 N.E.2d 307 (1984) (noting that a plaintiff cannot recover under N.Y. Civ. Rights Law §§ 50–51 without proving that he "is capable of being identified from the advertisement alone and that plaintiff has been so identified"). In fact, responses to questions generated by the "Hey Joseph, What Should I Wear?" campaign, after Abboud left JA Apparel, began with, e.g., "*We* recommend," and *"We* think." (*See* TT 51–52, 200; PX–173 (emphasis added).) Viewers of the ads were clearly informed that their questions were being answered by "The Joseph Abboud Design Staff," and not any single individual. (*See* TT 51–52, 200.) Similarly, the "Joe" contained on websites, billboards, posters and digital on-line banners was a fictitious character promoting the "JOE Joseph Abboud" brand, which is geared toward a younger male consumer than "Joseph Abboud" brand clothes. (*See* TT 27, 59–61, 206–08.) Thus, Abboud has not proven his state law publicity claim.

Notwithstanding the foregoing, Abboud sold the right to "use and apply for ... trademarks containing the words 'Joseph Abboud,' 'designed by Joseph Abboud,' 'by Joseph Abboud,' 'JOE' or 'JA,' or anything similar thereto or derivative thereof ... for any and all products and services," thereby giving JA Apparel the requisite written consent. (PX–1 ¶ 1.1(a)(C).) And indeed, JA Apparel both used and applied for the registration of "Ask Joseph Abboud," and "Hey Joseph, What Should I Wear?" (*See* DX–30.) Although JA Apparel ultimately abandoned these applications (and all of the allegedly offending ad campaigns), it is difficult to imagine how Abboud can credibly claim that JA Apparel's use of the Abboud name in the form of new trademarks is anything other than what JA Apparel expressly purchased. Thus, Abboud's third counterclaim must also be dismissed.

B. *False Advertising Under 15 U.S.C. § 1125(a)(1)(B)*

In his second counterclaim, under Section 43(a)(1)(B) of the Lanham Act, Abboud seeks relief based on his assertion that the advertising and promotional campaigns set forth above either explicitly or implicitly "create the false impression that Abboud is still associated with JA Apparel and that JA Apparel still possesses Abboud's individual reputation as a designer, as well as his unique talents, skills and artistic abilities to design menswear and other consumer products for JA Apparel." (Defs.' Post–Trial Mem. at 146–47.) For much the same reasons outlined in *Abboud I,* the second counterclaim must be dismissed. *See* *Abboud I,* 591 F.Supp.2d at 347 (concluding that Abboud failed to prove the statements by JA Apparel were "explicitly" or "implicitly" false, and, even if they were, "Defendants have not made a sufficient showing of consumer confusion").

C. *Deceptive Acts and Practices Under New York G.B.L. § 349 & Common Law Unfair Competition*

In his fourth and fifth counterclaims, Abboud argues, based on the same conduct set forth above, that Plaintiff engaged in deceptive business practices and unfair competition, respectively. Again, nothing has changed from the Court's original conclusion in *Abboud I,* that (1) "the complained of campaigns [do not] constitute misleading practices," (2) Defendants have "failed to submit credible evidence that the campaigns caused the requisite injury to consumers at large," and (3) JA Apparel ***321** did not act "in bad faith by creatively using the Joseph Abboud name and trademarks that it owns to promote its brand." *Id.* at 347–48. [23]

[27] Abboud failed to prove that JA Apparel "engag[ed] in an act or practice that is deceptive or misleading *in a material way* and that [Abboud] has been injured by reason thereof." *Oswego Laborers' Local 214 Pension Fund v. Marine Midland Bank, N.A.,* 85 N.Y.2d 20, 25, 623 N.Y.S.2d 529, 532, 647 N.E.2d 741 (1995) (emphasis added). Further, General Business Law § 349 "was enacted to provide *consumers* with a means of redress for injuries caused by unlawfully deceptive acts and practices." *Goshen v. Mutual Life Ins. Co. Of N.Y.,* 98 N.Y.2d 314, 323, 746 N.Y.S.2d 858, 863, 774 N.E.2d 1190 (2002) (emphasis added). As a commercial plaintiff, Abboud was therefore required to show "that the acts or practices have a broader impact on consumers at large," and he fell woefully short of doing so. *See* *Oswego Laborers' Local 214,* 85 N.Y.2d at 25, 623 N.Y.S.2d at 532, 647 N.E.2d 741. The New York statute is simply not designed to remedy contract disputes between private parties. *See* *id.* at 25, 623 N.Y.S.2d at 532, 647 N.E.2d 741 ("Private contract disputes, unique to the parties, for example, would not fall within the ambit of the statute."); *Elacqua v. Physicians' Reciprocal Insurers,* 52 A.D.3d 886, 888, 860 N.Y.S.2d 229, 231 (3d Dep't 2008) ("A claim brought under [Gen. Bus. Law § 349] must be predicated on an act or practice which is 'consumer-oriented,' that is, an act having the potential to affect the public at large, as distinguished from merely a private contractual dispute."). And, since JA Apparel believed in good faith that it had the contractual right to use the Joseph Abboud name in advertising, Abboud cannot recover on his counterclaim for unfair competition. *See* *Abe's Rooms, Inc. v. Space Hunters, Inc.,* 38 A.D.3d 690, 692, 833 N.Y.S.2d 138, 140 (2d Dep't 2007) (precluding recovery absent a showing that defendants "displayed some element of bad faith").

Finally, the Court again rejects that portion of Defendants' fifth counterclaim related to JA Apparel's and Staff's alleged wrongful contact with "individuals in the industry in an attempt to prevent or impede the launch of Abboud's new 'jaz' line, and otherwise injure Abboud." *Id.* at 348. As the Court has already made clear:

> The evidence presented to support this claim was thin, and, in all events, these allegations are not the proper basis for an unfair competition claim because (a) unfair competition claims under New York law are analyzed in the same manner as a trademark infringement claim under the Lanham Act, *see e.g.,* *Louis Vuitton Malletier v. Dooney & Bourke, Inc.,* 454 F.3d 108, 119 (2d Cir.2006), and (b) Defendants provided no legal support for the position that interference with existing or prospective business relations constitutes unfair competition, as opposed to tortious interference, a claim Defendants did not assert. (*See generally* Defs.' Post–Trial Mem., ¶ 289.)

Abboud I, 591 F.Supp.2d at 348.

* * *

For all of these reasons, Defendants' counterclaims are dismissed in their entirety.

CONCLUSION

For all of the foregoing reasons, the Court concludes:

***322** 1) In the June 16, 2000 Purchase and Sale Agreement, Abboud did not sell, and JA Apparel did not purchase, the exclusive right to use the "Joseph Abboud" name commercially. Rather, Abboud sold, and JA Apparel purchased, the "Joseph Abboud" name as a trademark and related intellectual property (which can include brand names or commercial names);

2) Abboud's proposed uses of his name in connection with his new "jaz" line, as shown in Defendants' Exhibits 187 and 188, and Plaintiff's Exhibit 43, would qualify as fair use under Section 33(b)(4) of the Lanham Act, 15 U.S.C. § 1115(b)(4), provided Abboud includes a disclaimer of any affiliation with JA Apparel and products sold under the Joseph Abboud trademarks on Defendants' Exhibits 187 and 188 or any similar ads. Such disclaimer shall be no smaller than the accompanying text in which Abboud uses his name;

3) Abboud's proposed uses of his name in connection with his new "jaz" line, as shown in Plaintiff's Exhibit 42, would constitute trademark infringement under Section 32(1) of the Lanham Act, 15 U.S.C. § 1114(1), not otherwise insulated by the fair use defense, and thus, a breach of the June 16, 2000 Purchase and Sale Agreement;

4) Plaintiff's claims for (a) dilution, unfair competition, and false designation of origin under Sections 43(a) & (c) of the Lanham Act, 15 U.S.C. §§ 1125(a)(1) & (c)(1), N.Y. Gen. Bus. Law §§ 360–61, and the common law, and (b) false and deceptive trade practices under N.Y. Gen. Bus. Law §§ 349–50, are hereby dismissed; and

5) Defendants' counterclaims for (a) right of publicity, false designation of origin and false advertising under Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a), (b) right of publicity under N.Y. Civil Rights Law §§ 50–51, (c) false and deceptive trade practices under N.Y. Gen. Bus. Law § 349, and (d) unfair competition under the common law, are hereby dismissed.

It is hereby ORDERED that Abboud is permanently enjoined from the following conduct:

1) Abboud may not use his name—either personally, through Houndstooth, or through any other entity with which he is affiliated—as a trademark, service mark, trade name or brand name;

2) Abboud may not use his name in any manner on "jaz" clothes, labels, hang-tags, or product packaging;

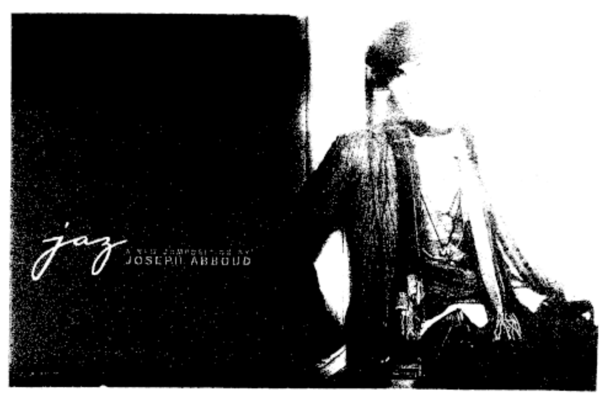
3) Abboud may not use his name in promotional and advertising materials, unless his name is used descriptively, in the context of a complete sentence or descriptive phrase, and it must be no larger or more distinct than the surrounding words in that sentence or phrase;

4) Abboud must prominently display his trademark "jaz" (or any other trademark) on any ad containing his personal name as discussed above; and

5) Should Abboud use his name as proposed in Defendants' Exhibit 187 and 188 or anything similar, he must include a disclaimer of any affiliation with JA Apparel and products sold under the Joseph Abboud trademarks. Such disclaimer shall be no smaller than the accompanying text in which Abboud uses his name.

The Clerk of Court shall enter Judgment consistent with the terms of this Memorandum Opinion and Order.

***323 PLAINTIFF'S EXHIBIT 42**

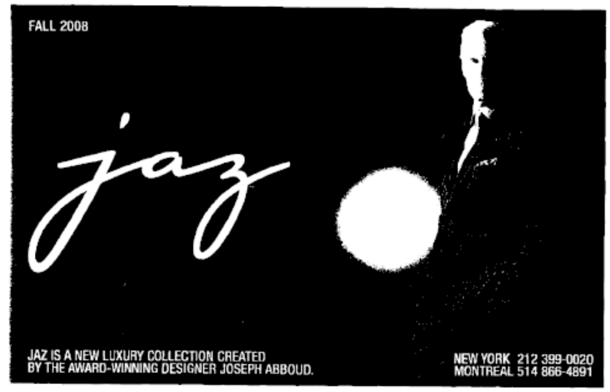


PLAINTIFF'S EXHIBIT 42

PLAINTIFF'S EXHIBIT 43

PLAINTIFF'S EXHIBIT 43

DEFENDANT'S EXHIBIT 187



DEFENDANTS' EXHIBIT 187

All Citations

682 F.Supp.2d 294

Footnotes

1 As noted by the Court in *Abboud I,* the parties have limited their arguments to "whether Abboud can use his name in advertising or marketing materials to promote his 'jaz' line" of clothing. *Abboud I,* 591 F.Supp.2d at 316 n. 4. Abboud is "not seeking to use the Joseph Abboud name on clothes, labels, or hang-tags for the 'jaz' line;" nor is Plaintiff "seeking to prevent Abboud from being in business and competing, or personally presenting his new 'jaz' line to prospective purchasers." *Id.*

2 The Court will use the same citation formats designated in its original Opinion. *See* *Abboud I,* 591 F.Supp.2d at 311 n. 1.

3 In *Abboud I,* JA Apparel successfully argued that Abboud breached his obligation not to compete with JA Apparel during the Restricted Period, but no damages were awarded for that breach. *See* *Abboud I,* 591 F.Supp.2d at 337–45. As none of the issues presently before the Court have any effect on that finding, the Court will not disturb its prior ruling on remand.

4 Specifically, Abboud argued on appeal "that the word 'names' ... was intended to mean only brand names." *Id.* at 398. However, Abboud *never* argued at trial that the word "names" was intended to mean "brand names," although he now embraces that interpretation.

5 The parties agree that the Agreement is governed by New York law.

6 The final Agreement did not specifically tie Abboud's trademarks to any one industry, as Vigitello purported to do in this letter. That said, the Court cannot ignore this letter's implications, as it clearly denotes an intent by the parties to reserve to Abboud certain rights with respect to the use of his name. Yet, neither party placed much, if any, weight on this letter at trial or on remand.

7 Notwithstanding JA Apparel's role as the initial drafter, Section 9.8 of the Agreement expressly provides that "[i]f any ambiguity or question of interpretation arises, this Agreement shall be construed as if drafted jointly by the parties and no presumptions or burden of proof shall arise favoring or disfavoring any party by virtue of authorship of any provisions of this Agreement." (PX–1 ¶ 9.8.)

8 Schedule 1.1(a)(A) was erroneously referenced in this earlier draft of the Agreement as "Schedule 1.1(a)(i)(A)."

9 The Court recognizes that it previously rejected Abboud's contention that the non-assignment of his name is dispositive as to whether he, in fact, sold his name to JA Apparel. *See* *Abboud I,* 591 F.Supp.2d at 324. *Abboud I,* however, did not address the extrinsic evidence of the parties' intent. In this Opinion, the Court finds the assignment at least somewhat probative of intent when considered in tandem with the other extrinsic evidence submitted by the parties.

10 The parties have also submitted extrinsic evidence in the way of trial testimony from a variety of witnesses as to their subjective interpretations of the contract. These post-hoc statements are most often self-serving, and of little value to the Court's present analysis of the Agreement. Accordingly, the Court has not summarized them here. In any event, and as both parties acknowledge, "subjective understandings a party may have had that it did not communicate to the opposing side" may not be properly considered by the Court as extrinsic evidence. (*See* Pl.'s Post–Remand Mem. at 37–38 & n. 13 (collecting cases); Defs.' Post–Remand Mem. II at 6–7 (same).)

11 The parties were similarly silent regarding the sale of "logos, insignias, and designations." These terms, however, fit squarely within the list of items sold in section 1.1(a)(A) as subsets of trademarks or related intellectual property.

12 Given this acknowledgment of the thorny issues that could (and did) arise regarding Abboud's future use of his name, it is unfortunate that the poignancy of this statement did not prompt either party to more clearly delineate the parties' respective rights under the Agreement.

13 "The standard for trademark infringement under the Lanham Act is similar to the standard for analogous state law claims." *Merck & Co., Inc. v. Mediplan Health Consulting, Inc.,* 425 F.Supp.2d 402, 410 n. 6 (S.D.N.Y.2006) (Chin, J.); *see also* *Louis Vuitton Malletier v. Dooney & Bourke, Inc.,* 454 F.3d 108, 119 (2d Cir.2006) ("We analyze claims under New York's unfair competition statute in a similar fashion to how we analyze claims under the Lanham Act."); *Bristol–Myers Squibb Co. v. McNeil–P.P.C., Inc.,* 973 F.2d 1033, 1048 (2d Cir.1992) (same).

14 In his post-remand briefing, Abboud also improperly injects the doctrine of "nominative fair use." (*See* Defs.' Post–Remand Mem. II at 13–19.) As JA Apparel correctly points out, "this defense applies only where, unlike here, the defendant used the plaintiff's mark to describe the plaintiff's product." (*See* Pl.'s Post–Remand Reply Mem. at 8.) *See also* 2 J.T. McCarthy, *Trademarks and Unfair Competition* § 11:45 (2009) ("McCarthy") (defining "nominative fair use" as "use of another's trademark to identify, not the defendant's goods or services, but the plaintiff's goods or services").

15 Although JA Apparel may have taken on some risk by purchasing a surname trademark, this risk is likely de minimis given the uniqueness of the Joseph Abboud name. While "Joseph Abboud" is certainly descriptive of an individual bearing that name, it also carries with it a fanciful or arbitrary quality. There are likely very few individuals named Joseph Abboud, and even less who work as fashion designers. In contrast, there may be countless individuals with the surname "McDonald" who wish to open a restaurant that sells hamburgers.

16 Abboud previously argued—incorrectly, in this Court's view—that because he is not "intending to use his personal name as a trademark, but otherwise in its descriptive sense ..., as a matter of law, the likelihood of confusion test ... is not applicable." (*See* Defs.' Post–Trial Mem. at 63.)

17 Following remand, the Court held a conference with the parties to determine how they intended to proceed. Counsel for JA Apparel noted that "one of the problems the last time around, Your Honor, was it was very difficult to pin down Mr. Abboud's side on whether the [mock-up] ads were, in fact, exemplars of what he intends to do." (*See* Transcript of Court Conference, dated Sept. 9, 2009 ("Conf. Tr."), at 5.)

18 Counsel for Abboud has argued that "I don't think we want to be limited to the exemplars in the record.... We want to be limited ... to what the law permits." (Conf. Tr. at 8.) To the extent that the Court is able to opine on such hypothetical, not-yet-established uses, it intends to do so.

19 The remaining ads in Plaintiff's Exhibit 42 are similar enough to that used as an exhibit to this Opinion that their inclusion as additional exhibits is unnecessary. Likewise, Defendants' Exhibit 188 is identical to Exhibit

187, but for the addition of the phrase "QUINTESSENTIALLY AMERICAN, JAZ IS AN EXPRESSION OF CLASSIC STYLE WITH PERSONALITY AND INNOVATION."

20 According to the *Wall Street Journal,* Abboud "plans to promote his new label with the tagline 'a new composition by designer Joseph Abboud.' " (PX–11.) While this phrase technically identifies Abboud as the designer of the new "jaz" line, Abboud's testimony that he intends to use this "slogan" or "tagline" in advertising begins to sound more like trademark use. (*See* TT 579.) There are theoretically countless ways in which Abboud could use his name in a sentence to describe himself as the designer of the "jaz" line, and Abboud would be well-served by utilizing a variety of different descriptive phrases as opposed to a "slogan" or "tagline." This is particularly so since he sold to JA Apparel the right to register as trademarks the expressions "by Joseph Abboud," "designed by Joseph Abboud," and anything similar. (*See* PX–1 ¶ 1.1(a)(C).)

21 The Second Circuit, in vacating *Abboud I,* mischaracterized this Court's assessment of Abboud's use of his name to "distinguish" his goods. *See JA Apparel Corp.,* 568 F.3d at 401. This Court never suggested that Abboud intends to use his name to " 'distinguish' his clothing from that of JA [Apparel.]" *Id.* Rather, in the Court's view, certain of Abboud's proposed uses are attempting to distinguish his clothing from *other* competitors by capitalizing on the goodwill inherent in the Joseph Abboud trademark.

22 The Court notes that Abboud proposed many of the above limitations on the use of his name in his post-trial briefing. (*See* Defs.' Post–Trial Mem. at 61.)

23 For these reasons, the Court also rejects Defendants' defense of "unclean hands" in connection with JA Apparel's advertising and promotional campaigns using the Joseph Abboud name. (*See* Defs.' Post–Trial Mem. at 116–19.)

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Side Letter Agreement
Filed as Exhibit in JA Apparel v. Joseph Abboud (SDNY)
Case 1:07-cv-07787-THK Document 5-9 Filed 09/10/07

July 13. 2000

Mr. Joseph Abboud
c/o Houndstooth Corporation
90 Pino Brook Road
Bedford, New York 10506
Joseph Abboud Worldwide inc.
49 West 57th Street
New York, New York 10019

Gentlemen:

Reference is made to the Agreement of Purchase and Safe, dated as of June 15, 2000 (the "Agreement"), among Houndstooth Corporation ("Houndstooth"), Mr. Joseph Abboud ("Abboud") and JA Apparel Corp. (the "Buyer'). Pursuant to the Agreement, on the date hereof the Buyer is acquiring from Houndstooth and Abboud (i) certain names, trade names, service marks, logos, insignias, designations, trademark registrations and applications and the goodwill related thereto (collectively, the 'Trademarks"), (ii) all licenses to use the Trademarks granted by Houndstooth, or Abboud (collectively, the "License Agreements") and (iii) 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 thereto or derivative thereof, either alone or in conjunction with other words or symbols (collectively, the "New Trademarks" and, collectively with the Trademarks and the License Agreements, the "Assets"). In consideration of the consummation of the purchase and sale of the Assets pursuant to the Agreement, and in order to induce Houndstooth, Abboud and the Buyer to consummate such purchase, the parties hereto have agreed as follows:

1. <u>Personal Services to be Performed by Abboud</u>.

(a) For a period of five (5) years from and after the date hereof (the "Personal Services Period"), Abboud agrees to serve as Chairman Emeritus of the Buyer and to provide the following personal services to the Buyer on an exclusive basis: (a) providing stylistic guidelines in connection with the Black Label collection of apparel marketed under the Trademarks, (ii) providing stylistic ideas and proposals for the design and development of all other collections marketed under the Trademarks and/or the New Trademarks, (iii) providing concepts and ideas in connection with public relations activities and advertising campaigns, (iv) providing suggestions and ideas for the development of new business opportunities and new licensing relationships for the Buyer and (v) upon reasonable prior notice to Abboud consistent with the past practices of the parties, making personal appearances at exhibitions, fashion shows and other events on behalf of the Buyer whenever the Buyer deems it reasonably necessary for the benefit of the brand awareness of the Trademarks and/or the New Trademarks. Subject to reasonable prior notice to Abboud consistent with the past practices of the parties, Abboud agrees to use his reasonable best efforts to make himself available to perform such personal services at the request of the Buyer in New York, New York and at such other places as the Buyer may from time to time reasonably request, in each case during the Personal Services Period.

(b) It is understood and agreed that Abboud's performance of such personal services will be rendered as requested from time to time by the Buyer during the Personal Services Period and that Abboud will not be entitled to engage in other business activities during the Personal Services Period, other than serving as Chairman Emeritus of the Buyer as provided herein, without the prior written consent of the Buyer, which consent shall not be unreasonably withheld in the case of any proposed business activities by Abboud which the Buyer reasonably determines are not in conflict with any of the business activities of the Buyer or any of its affiliated entities then conducted or as then reasonably proposed to be conducted. Further, it is understood and agreed that the Buyer hereby consents to Abboud (t) making media (including television) or celebrity appearances and otherwise acting as a general authority in the fashion business, (ii) serving for compensation on boards of directors, advisory boards and special committees and (iii) acquiring, owning and holding stock in public corporations, in each case as long as such activities do not result in Abboud actually competing with any of the business activities of the Buyer or its affiliated entities as conducted at that time. Any request by Abboud for the Buyer's consent to engage in any other activities during the Personal Services Period shall be directed to and determined by the Chief Executive Officer of GET Net S.p.A. (or its corporate successor) on behalf of the Buyer.

(c) Abboud agrees that the purchase price paid by the Buyer for the Assets on the date hereof pursuant to the Agreement provides him with full and fair consideration from the Buyer for the performance of such personal services during the Personal Services Period and that he will not be entitled to any additional compensation from the Buyer or any of its affiliates with respect to the performance of such personal services except as otherwise expressly provided in this Letter Agreement

(d) During the Personal Services Period, Abboud shall receive all of the benefits and compensation described hereunder. For his service hereunder. Abboud will receive an annual retainer of Twelve Thousand Dollars ($12,000), payable in arrears in semi-annual installments of Six Thousand Dollars ($6,000) each, beginning six (6) months from the date hereof, during the Personal Services Period. Abboud will be entitled to a corporate expense account from the Buyer (including a corporate credit card) which will be used exclusively for business-related expenses incurred by him in connection with his duties as Chairman Emeritus of the Buyer. Such business-related expenses will be submitted on a monthly basis to the Buyer for its reasonable approval. Abboud shall be entitled to car service transportation and first class travel and overnight accommodation arrangements at the expense of the Buyer whenever he is required to travel at the request of the Buyer in performing such personal services. Abboud shall be entitled to membership dub dues of up to Six Thousand Dollars ($6,000) per annum payable by the Buyer on or before the due date(s) thereof. Abboud shall also be entitled to a clothing allowance of up to Ten Thousand Dollars ($10,000) per annum pursuant to which he will be entitled to purchase articles of apparel manufactured by or for the Buyer at a twenty percent (20%) discount to the Buyer's standard wholesale price on an item by item basis. In addition, during the period of his service as Chairman Emeritus of the Buyer, Abboud will also be entitled to receive medical insurance coverage on the same terms and conditions as the Buyer provides from time to time to its senior executive officers, as more particularly described as of the date hereof in Schedule 1(d).

2. Prohibition of Competing Activities by Abboud.

(a) For the two-year period immediately following the expiration of the Personal Services Period (the "Restricted Period"), Abboud agrees that he will not, directly or indirectly through any partnership, corporation, limited liability company, trust or other entity, be associated as an owner, director, officer, employee, consultant or other participant with, any person, group, business enterprise or other entity which is engaged in or proposes to engage in the business of designing, licensing, manufacturing, marketing or distributing any products or services which are or would be competitive with the business of the Buyer as then conducted or as such business may be reasonably expected to be conducted in the future anywhere in the world.

(b) In order to enforce the agreement of Abboud set forth in paragraph (a)of this Section 2, Abboud agrees that at all times during the Restricted Period he will be obligated to obtain the prior written consent of the Buyer, which may be granted, withheld or conditioned in the sole discretion of the Buyer, before becoming associated in any capacity with any person, group, business enterprise or other entity, other than the Buyer or any of its affiliated entities, which is engaged in or proposes to engage in the business of designing, licensing, manufacturing, marketing or distributing any products or services which could reasonably be expected to be competitive with the business of the Buyer as then conducted or as then reasonably proposed to be conducted in the future. Any request by Abboud for the Buyer's consent to engage in any activities which require such consent during the Restricted Period shall be directed to and determined by the Chief Executive Officer of GFT Net S.p.A. (or its corporate successor) on behalf of the Buyer,

(c) Abboud agrees that the purchase price paid by the Buyer for the Assets on the date hereof pursuant to the Agreement provides him with full and fair consideration from the Buyer for the agreement of Abboud set forth in this Section 2 during the Restricted Period and that he will not be entitled to any additional compensation from the Buyer or any of its affiliates with respect to such agreement except as otherwise expressly provided in this Letter Agreement.

(d) Abboud acknowledges that his agreements set forth in this Section 2 were specifically bargained for by the Buyer in connection with the consummation of the transactions contemplated by the Agreement that the services to be performed by him pursuant to Section 1 above are special and unique and that in the event of any breach by Abboud of his agreements set forth in such Sections the Buyer will not have an adequate remedy at law and therefore will be entitled to obtain equitable relief in the form of a preliminary or permanent injunction from any court of competent jurisdiction in order to enforce such agreements The parties acknowledge that the Agreement also provides for the indemnification of the Buyer by Houndstooth and Abboud in connection with any breach by Abboud of his agreements set forth in such Sections, subject to the limitations and other provisions of the Agreement contained in Article VIII thereof, and agree that such indemnification will constitute the Buyer's sole remedy at law in case of any such breach..

(e) In the event that a court of competent jurisdiction would refuse to enforce the agreement of Abboud set forth in this Section 2 because it covers too wide a geographic area, extends for a period of time which is deemed excessive or otherwise, it is the intention of the

Buyer and Abboud that such agreement shall be reformed by such court so as to comport with the maximum allowable provisions permitted by applicable law.

3. Reimbursement of Certain Expenses by The Buyer.

(a) In consideration of the sale of the Assets by Abboud and Houndstooth to the Buyer pursuant to the Agreement on the date hereof, the Buyer agrees to reimburse Worldwide on a periodic monthly basis for 100% of the rent as of the date hereof ($10,967.09) paid by Worldwide for the third floor offices in 49 West 57th Street in New York City currently occupied by Worldwide for the period from and including the Closing Date (as defined in the Agreement) through and including September 30, 2000 {such period, the "Reimbursement Period"). Such reimbursement will be paid in accordance with Schedule 3(a) annexed hereto.

(b) In consideration of the sale of the Assets by Abboud and Houndstooth to the Buyer pursuant to the Agreement on the date hereof, the Buyer agrees to reimburse Worldwide on a periodic monthly basis for 100% of the base compensation as of the date hereof, paid by Worldwide during the Reimbursement Period to each of Mark Scarborough, Bob Franceschini, Dominick Leud, Deborah Koncan, and Amy Vernazza in accordance with Schedule 3(b) annexed hereto for each such individual until the earlier to occur of (i) the date that such individual ceases to be employed by Worldwide for any reason (including, but not limited to, as a result of the discretionary hiring of such individual by the Buyer or one of its affiliates) and (ii) the expiration of the Reimbursement Period.

(c) In consideration of the sale of the Assets by Abboud and Houndstooth to the Buyer pursuant to the Agreement on the date hereof, the Buyer agrees to reimburse Worldwide on a periodic monthly basis for 50% of the rent paid by Worldwide as of the date hereof ($10,967.09 x 50% = $5,483.55) for the third floor offices in 49 West 57th Street in New York City currently occupied by Worldwide for the period from and including October 1, 2000 to and including the earlier to occur of (y) December 31,2000 and (z) the date that Worldwide subleases, assigns or surrenders its lease with respect to such space such period the "Partial Reimbursement Period"). Such reimbursement will be paid in accordance with Schedule 3(c) annexed hereto. In addition, Abboud agrees to cause Worldwide to use its commercially reasonable efforts to sublease, assign or surrender its lease with respect to such space during the Partial Reimbursement Period and to promptly notify the Buyer if Worldwide is able to effect any such sublease, assignment or surrender.

(d) In consideration of the sale of the Assets by Abboud and Houndstooth to the Buyer pursuant to the Agreement on the date hereof, the Buyer agrees to assume and discharge the Sellers' existing advertising obligations to radio station WFAN-66AM New York for commercials on the "Imus in the Morning" radio show due on October 15,2000 in the amount of $12,500 and due on February 15. 2001 in the amount of $37,500.

4. Miscellaneous.

(a) This Letter Agreement constitutes the entire agreement and understanding of the parties with respect to the subject matter hereof and supersedes all prior or contemporaneous agreements, whether written or oral, among such parties relating to the subject matter hereof.

(b) This Letter Agreement and the rights and obligations of the parties will be governed by, construed and enforced in accordance with the laws of the State of New York without regard to the choice of law provisions thereof.

(c) This Letter Agreement is personal to the parties hereto and no party may assign its or his rights or delegate its or his obligations hereunder, in whole or in part, to any third party without the prior written consent of the other parties hereto, and any such attempted assignment or delegation in the absence of such consent, shall be void and without effect/

(d) All actions and proceedings arising out of or relating to this Letter Agreement will be exclusively heard and determined in a New York state or federal court sitting In the City of New York and by the execution and delivery hereof the parties hereby Irrevocably submit to the jurisdiction of such courts in any such action or proceeding and Irrevocably waive the defense of an Inconvenient forum to the maintenance of such action or proceeding.

(e) This Letter Agreement may be executed in one or more counterparts, each of which shall be deemed an original. but all of which together shall constitute one and the same instrument.

(f) All notices and other communications hereunder must be in writing and will be deemed given if sent to the respective parties hereto at their addresses as set forth in, and in the manner provided in, the Agreement To Indicate your agreement to the foregoing, please execute the duplicate copy of this Letter Agreement in the space provided below for such purpose and return It to the undersigned, whereupon this Letter Agreement shall become a binding agreement among the parties.

Very truly yours,
JA APPAREL CORP.

By:____________________________
Name:
Title:

ACCEPTED AND AGREED TO:

____
Joseph Abboud

HOUNDSTOOTH CORPORATION

By: __________________________________
Name:
Title: