

# CALIFORNIA Apparel News

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## NEWS

# Roxy, Roxywear Squabble Heads Back to Court

By Deborah Belgun *Senior Editor*

Call it the case that would never die.

Four years ago, apparel giant **Quiksilver Inc.** sued a small Los Angeles manufacturer named **Kymsta Corp.** over the right to use the name **Roxy** on its labels.

Quiksilver maintained that it had the exclusive right to use the name in its collection of Roxy clothing, launched in 1991 for its juniors customers, and that Kymsta's use of the **Roxywear** label was a trademark infringement and unfair competition.

In early 2004, the dispute ended up in U.S. District Court in Los Angeles. After nearly two weeks of testimony, federal judge Dickran Tevrizian dismissed the jury, following a motion filed by Quiksilver, and ruled on the case himself as a matter of law.

Noting that Quiksilver waited too long to bring the brand dispute to trial, the judge ruled that the two labels could co-exist together.

But he imposed a series of restrictions on Kymsta's use of the Roxywear name, basically stifling any major financial expansion the small L.A. company could make.

In July 2004, Kymsta appealed the ruling to the U.S. 9th Circuit Court of Appeals, headquartered in San Francisco, maintaining the matter should have been decided by a jury and not a judge. On Oct. 6, more than two years after the appeal was filed, the court decided the case should be sent back to U.S. District Court for a jury trial.

"Technically, what the court did was agree that the trial judge should not have decided all the issues himself," said Kymsta's attorney, James D. Nguyen.

Meantime, all restrictions placed on the Roxywear label have been lifted until a new trial determines what will happen. This gives Kymsta the green light to advertise its collection and place hangtags on the outside of its garments. It can now sell its Roxywear contemporary collection beyond its current channels of distribution, going after new doors. It can license the label to third parties and put the Roxywear label on T-shirts or fabric.

"I finally feel the bully got spanked," said Art Pereira, head of Kymsta, a 15-year-old company he runs with his wife, designer Roxanne Heptner, who created Roxywear in early 1992. "They should never have sued us."

Pereira and his wife high-fived each other when they heard the news and said, "The truth prevails."

Now Kymsta is discussing licensing deals and talking to a major mid-tier store about carrying the collection of Roxywear tops, bottoms and dresses, which is currently sold at **Nordstrom**, **Saks Fifth Avenue**, **Macy's**, **Barneys New York** and **Anthropologie**. The label makes up about 60 percent to 70 percent of Kymsta's annual revenues, which Pereira said is under \$6 million. Kymsta's other labels include **C.C. Outlaw**, **Roxanne Heptner** and **Left of Center**.

Kymsta is trying to take advantage of its new-found freedom before the case possibly goes to trial again.

Mike Yoder, one of the attorneys representing Quiksilver, said the company is deciding whether to ask for a full "en banc" panel of 15 appeals court judges to review the case. Because of the massive caseload carried by the 9th Circuit Court of Appeals, normally a three-judge panel hears oral arguments and deliberates on a case. But a full panel can be requested.

Yoder said Quiksilver had until Oct. 20 to make that request but may ask for a one week extension. Full panel reviews are extremely rare.

"This is something that Quiksilver may pursue given there are a few legal issues we think are important and might benefit from an evaluation from the full en banc panel," he said, refraining from citing the legal issues in question.

If the full appeals court panel refuses to hear the issue, Yoder said Quiksilver could return to U.S. District Court. "If the case is retried, we don't think Kymsta's evidence will be any stronger the second time around than it was the first time," he said. "Whether it is decided by a judge or a jury, the result we feel will be the same."

### Riding the waves

The case has been portrayed as a tale of David vs. Goliath with no final chapter.

"It's an unbelievable textbook case of why you don't want to file these things," said Greg Weisman, a Los Angeles attorney who heads up the Apparel Industry Practice Group at **Silver & Freedman**. "How many years ago did they start this?"

Attorney Crystal Zarpas, of **Mann & Zarpas**, noted the ruling gives Kymsta a new lease on life. "Quiksilver will have to dig back into its war chest with no guarantee of a favorable outcome," she observed.

Quiksilver, a 30-year-old company based in Huntington Beach, Calif., started the case in 2002, 10 years after Roxywear had been in the stores.

Quiksilver is an aggressive brand-building company that has more than \$1.78 billion in revenues and employs more than 7,500 people. It is famous for having ridden the youth wave by making surfwear, swimwear and sportswear under the labels Quiksilver, **Raisins** and **Radio Fiji**.

In 1991, the company said it launched **Quiksilver Roxy**, later changing it to just Roxy, to cater to young women who wanted surfwear as hip as Quiksilver's original label. Now the company relies heavily on its Roxy label to boost its profits.

In fiscal 2005, Roxy accounted for 30 percent of Quiksilver's revenues and was one of the firm's best-selling items in Europe and Asia, where there are a number of Roxy stores. The label is used in sportswear, swimwear, footwear, backpacks, snowboard wear, snowboards, fragrances, beauty care, accessories and even bedroom furnishings. It is carried at the company's **Boardriders Club** stores as well as at other retailers.

Kymsta, founded in late 1991, is a small company located in an unglitzy 28,000-square-foot building just west of downtown Los Angeles. The company employs only 16 people and for years has been striving to hit \$10 million in annual revenues.

The next step in this legal fracas is to schedule a status conference where both sides decide whether they want to return to court, call it quits or make some kind of settlement.

But for now, Pereira is reveling in the appeals court decision. "I am still celebrating the outcome of the initial ruling," he said. "We have a lot of avenues open to us."