

# CALIFORNIA Apparel News

THE VOICE OF THE INDUSTRY FOR 60 YEARS

\$2.50 VOLUME 60, NUMBER 52 DEC. 3-8, 2004

## SURF REPORT

# Shark-Infested Waters

*Surf retailer Zuma Jay's suffers 20-year trademark infringement*

By Christian M. Chensvold *Contributing Writer*

The Web site [www.zumajay.co.uk](http://www.zumajay.co.uk) reads “Happy Days with Zuma Jays!”—a cruel irony for Jefferson Wagner, who founded Malibu, Calif.-based surf shop **Zuma Jay's** in 1975. The suffix of the Web site is “.uk”—meaning the United Kingdom, not Malibu—and the e-commerce shop is not Wagner's.

Wagner said that for almost 20 years he has endured a one-way dispute with a British retailer selling apparel and surfing equipment under the “Zuma Jay” name. He said this case of business identity theft has him in a position in which he would likely prevail in court but with no guarantee of collecting damages.

According to Wagner, an Englishman named Philip Payne entered his shop in the mid-1980s and offered to license the Zuma Jay name for products in the United Kingdom. Wagner said he was interested and suggested Payne present to him a written proposal. He did not hear back from Payne.

Within a couple of years, Payne began selling apparel and surfboards bearing the Zuma Jay name at a retail shop in Cornwall, England. Wagner said he wrote letters to Payne and has continued to write several each year but Payne has not responded.

Wagner said that although he made sure the Zuma Jay's trademark was registered in the European Union as well as in the United States, he did not seek legal recourse because Payne's sales appeared to be negligible.

That changed in 2000, when Payne launched the Web site. Wagner does not operate a Zuma Jay's e-commerce site in the United States.

Crystal Zarpas, partner with the law firm **Mann & Zarpas** in Woodland Hills, Calif., said apparel companies frequently find themselves in similar situations. “People register a trademark in the United States and think that gives them protection around the world—it doesn't. Trademarks are very territorial.”

New legislation called the Madrid Protocol allows trademark owners to register a mark in more than 60 countries with just one filing. “If you at all anticipate becoming the next big thing, you need to protect your name in as many countries as you'll be shipping into,” Zarpas said.

New designers, who often launch their lines on credit cards, typically do



not allocate any resources to protecting their brand names. “It's at the bottom of the list for them,” Zarpas said.

It typically costs \$2,500 to conduct a trademark search and pay legal and trademark filing fees in the United States. To add Canada, Europe and Japan, apparel companies should expect a total trademark protection bill of \$10,000. “And that's why new designers don't do it,” Zarpas said.

But having to fight a trademark infringement violation can end up costing even more, and the damage to a business owner's morale can be even greater.

According to Wagner, employees of the United Kingdom Zuma Jay store visited his Malibu shop on the Pacific Coast Highway in 2000. He said the visitors, who were friendly and unaware of the trademark dispute between Wagner and Payne, mentioned that sales thanks to the online presence were \$1 million annually, a figure that could now be much greater because of the continued rise in e-commerce. Wagner said he explained the situation to the employees and told them to urge Payne to contact him, but he has still not heard from the Englishman.

The *California Apparel News* used an e-mail address on the Zuma Jay Web site to initiate contact with Payne but did

not hear from him after several queries.

“I'm not angry,” Wagner said. “I'm disappointed. I've tried to be civil and approach him like a gentleman, but [because of the online sales] it's impacting me now. People assume the online store is part of me, and it's not.”

Wagner said he has refrained from filing suit all these years, explaining that he was told he would likely prevail but not necessarily be able to collect damages because Payne could simply fold the business.

“[It's] as strong of a case for damages as I've ever seen,” said Andrew Klungness, intellectual property rights attorney in the Santa Monica office of **Bryan Cave**. “I'd advise him to proceed in court.”

Under the Federal Trademark Act, Wagner should be able to collect his attorney's fees should he prevail. Because the Web site is likely to have served customers in California, Wagner could file suit in the state, “where he would have superior trademark rights,” Klungness said.

But Wagner should also prevail in England, said Klungness, who offered this advice to anyone in a similar situation: “Choice of venue is a critical stra-

➔ Zuma page 2

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## **SURF REPORT**

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### **Zuma** *Continued from page 1*

tegic concern in any international dispute.”

As for collecting damages, Klungness said Payne should not be able to claim insolvency. “If there’s money there that has been made by the unauthorized use of the trademark, then there’s a way to go after it. But if there’s no money there, then there’s nothing to recover.”

Klungness said only one thing could hamper Wagner’s case.

“The hitch in the case is that Wagner has watched Payne’s company but really done nothing but write letters for all these years,” he noted. “A trademark owner is obligated under law to take measures to prevent its unauthorized use.”

Klungness said any apparel brand in dispute with a licensee should

instigate legal proceedings immediately. Those developing an apparel line can even register a trademark before the line goes into production. This is called an “Intent to Use” application with the U.S. Patent and Trademark Office.

But growing brands should not be wary of licensing, Klungness added.

“Licensing is a tremendous opportunity for an intellectual property owner, particularly for a smaller designer who may not have access to distribution channels, factories and so forth,” he said. “In general, it’s a good idea to license if you can. But even if your licensee seems like an honest business entity, it’s a good idea to have a contract in place that protects each party’s interests.”