

## POTENTIAL ACQUISITION AND LICENSING OF THE RODEO PALMS BRAND



### A. Background Information

- Elegant Industries is a Los Angeles based, publicly-traded apparel designer and manufacturer with multiple lines of branded and private-label menswear.
- Elegant is currently contemplating the purchase of the RODEO PALMS brand business from Rodeo Palms Fashions, a large but privately-held competitor. RODEO PALMS is well established, ten year-old brand developed by Rodeo Palms Fashions. The RODEO PALMS brand targets an audience of affluent thirty- and forty-somethings with tropical island inspired concepts, smartly designed and high quality crafted products (clothes and accessories), and premium pricing.
- RODEO PALMS products are sold at upscale department stores using an “in-store-boutique” format. In addition, Rodeo Palms Fashions owns and operates eight RODEO PALMS “flagship” stores in various high-end locales throughout the U.S. More recently, Rodeo Palms Fashions began marketing and selling its products to consumers via an elaborate internet web site.
- While Rodeo Palms Fashions designs and manufactures all clothing sold under THE RODEO PALMS brand, the company has three licensees for different types of accessories: shoes and leather goods, sunglasses, fragrances.
- In connection with the sunglasses and fragrances businesses, Rodeo Palms Fashions developed proprietary products with the assistance of external experts as advisors / consultants. These collaborations resulted in a number of U.S. patents assigned to Rodeo Palms Fashions for sunglass technology, as well as a number fragrance formulations deemed to be trade secrets. The distinctive exterior designs of one bottle and one dispenser were granted trade dress protection in the U.S.

## **POTENTIAL ACQUISITION AND LICENSING OF THE RODEO PALMS BRAND**

- Rodeo Palms Fashions licenses its marks and other pertinent intellectual property rights to each of its licensees. In all cases, the licensees' territory is North America only.
- So far, Rodeo Palms Fashions has focused exclusively in North America as a market for its products. However, the company has registered a portfolio of RODEO PALMS word marks and logos in numerous other jurisdictions with the intent of entering some or all of these markets in the future either directly or via licensees.
- Although the RODEO PALMS products are not formally distributed outside of North America, the brand enjoys a significant degree of recognition among devotees of the wildly popular internationally distributed TV show MELROSE TOWNHOUSE and internationally distributed fashion magazines. Additionally, many affluent Europeans, Asians and Latin Americans purchase RODEO PALMS products while on holiday or business trips in the United States and have recently begun purchasing the products on the RODEO PALMS web site.
- In preliminary discussions between Rodeo Palms Fashions and Elegant Industries, it has become apparent that the owners of Rodeo Palms Fashions are willing to consider the sale of the RODEO PALMS marks and other intellectual property on a stand-alone basis or as part of a business enterprise ("going concern"), depending on the terms offered.
- Rodeo Palms Fashions and Elegant Industries have executed a letter of understanding giving Elegant a 30-day period during which Elegant can perform due diligence on Rodeo Palms Fashions as a preamble to making a purchase offer.
- General counsel for Elegant Industries, has decided to retain outside trademark counsel and a trademark valuation expert to assist with the due diligence process, and potentially, the structuring of an offer for Rodeo Palms Fashions.

### **B. Responses to Initial Due Diligence Questionnaire**

1. *List of Trademarks Used, Indicating Registered, Pending, Rejected or Common Law Status*

<b>Mark</b>	<b>Goods</b>	<b>Jurisdiction(s)</b>	<b>Status</b>
RODEO PALMS	clothing, shoes, hats	United States, Canada, E.U. (CTM), Australia, Japan, China, Hong Kong, Singapore, Brazil, Argentina, Mexico, Chile	Registered
RODEO PALMS	clothing, shoes, hats	South Korea, India, Russia	Pending
RODEO PALMS	clothing, shoes, hats	Switzerland	Refused
RODEO PALMS	belts, purses, wallets, sunglasses, sunglass cases, perfume and eau de toilette	United States, Canada, E.U. (CTM), Australia, Japan, China, South Korea, Hong Kong	Pending

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RODEO PALMS FASHIONS (Logo)	clothing, shoes, hats, belts, purses, wallets, sunglasses, sunglass cases, perfume and eau de toilette	United States, Canada, E.U. (CTM), Australia	Registered
RODEO PALMS FASHIONS (Logo)	clothing, shoes, hats, belts, purses, wallets, sunglasses, sunglass cases, perfume and eau de toilette	Japan, China, South Korea, Hong Kong	Pending
TROPICAL SMARTS (tag line)	used with the Logo on clothing, shoes, hats	United States and web site	Common Law
COOL BREEZE WINDOW	used to brand ventilated darting on travel shirts	United States and web site	Common Law
Interior Store Layout Design/Appearance	retail store services in the fields of clothing and accessories	United States	Refused
Exterior Store Design/Appearance	retail store services in the fields of clothing and accessories	United States	Refused
Perfume Bottle Design/Appearance	fragrances	United States	Registered
Perfume Dispenser Design/Appearance	fragrances	United States	Registered

2. *List of Other Trademark Applications and Registrations*

<b>Mark</b>	<b>Goods</b>	<b>Jurisdiction(s)</b>	<b>Status</b>
RODEO PALMS	retail store services in the fields of clothing and accessories	United States	Pending ITU

3. *List of Domain Names and Status of Use*

<b>Domain</b>	<b>Use</b>
RodeoPalmsFashions.com	main web site (advertised domain)
RodeoPalms.net, RodeoPalms.biz	forward to main web site
RodeoPalmsFashions.net, RodeoPalmsFashions.org, RodeoPalmsFashions.biz	forward to main web site
Rodeo-Palms.com, Rodeo-Palms.net, Rodeo-Palms.org, Rodeo-Palms.biz, RodeoPalmsSucks.com	inactive (held defensively)
RodeoPalmsSucks.com, RodeoPalmsFashionsSucks.com	inactive (held defensively)

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### *4. Index to Agreements Relating to Trademarks*

- Deed of Assignment and License Back: assignment by EuroFashion, former owner of RODEO PALMS CASUALS mark in England, France and Italy, covering all clothing goods, to Rodeo Palms Fashions, in exchange for (1) a license for EuroFashion to use the mark as a whole throughout Europe and all other countries bordering the Mediterranean, and (2) an agreement that Rodeo Palms Fashions will not use the identical combination (RODEO PALMS CASUALS) in those countries.
- Retail Branding Guidelines: appendices to agreements regarding “in-store-boutique” layout and signage.
- Trademark Consent Agreement (filed with the Trademark Office in the U.S. to secure registration of RODEO PALMS) with Rodeo Industries, a maker of work clothing under the RODEO mark, regarding differentiation of marks and markets.
- License Agreements covering shoes, leather goods, sunglasses, and fragrances.

### *5. Accusations of Infringement by Third Parties*

- Cease and desist letter received last week from Cool Breeze Fashions regarding use of COOL BREEZE WINDOW to brand ventilation feature of travel shirt. Response demanded within 2 weeks; counsel developing strategy.

### *6. Infringing use of Rodeo Palms Fashions marks*

- Counterfeit products are occasionally seized at the ports in Long Beach and are known to be sold in street stalls in Thailand. Rodeo Palms Fashions enforces its rights against counterfeiters on a case-by-case basis.
- Rodeo Palms Fashions learned in the Spring of 2001 that a small company in Hawaii has branded a line of high-SPF, Aloha-print, surfing tops (also known as rash guards) with the name SMART TROPICALS, which is similar to our tag line, TROPICAL SMARTS. Rodeo Palms Fashions adopted a “wait and see” attitude toward this line of products, because it is a specialized sub-market.

### *7. Other IP Used in the Business*

- Rodeo Palms Fashions is the assignee of two United States patents, Nos. 6,141,782 and 6,273,100, both utility patents covering certain unique features of its sunglasses. No applications for utility or design patents are pending. The Company holds an exclusive license to the unique secret formula for each fragrance sold under the RODEO PALMS brand, and a nonexclusive license to the proprietary "base" formula used by the manufacturer/licensee in creating the RODEO PALMS fragrances. The Company has registered the copyright for the Version 1.0 of the unpublished, trade secret software that links its retail locations with its inventory and accounting systems. Four minor updates to the software have been distributed to the retail locations, and those have not been separately registered.