

## Winston Obtains Victory on Behalf of Renowned Fashion Designer, Todd Oldham

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Winston & Strawn LLP recently obtained a major victory on behalf of our client and renowned fashion designer, Todd Oldham, in the Second Circuit Court of Appeals. In an unanimous opinion, the panel held that Oldham's company, L-7 Designs, Inc., stated plausible claims for breach of contract and wrongful termination against retail clothing giant Old Navy LLC. The decision is the Second Circuit's first opinion to address the pleading requirements for claims based on the failure to negotiate preliminary agreements in good faith.

The action arose from a 2007 agreement between L-7 and Old Navy pursuant to which Oldham agreed to serve as Old Navy's Design Creative Director and develop a Todd Oldham branded line of merchandise to be sold exclusively at Old Navy stores. The arrangement, worth an estimated \$75 million to L-7, was highly touted by Old Navy and its parent, Gap, Inc., and widely applauded by the fashion press.

The Second Circuit held that L-7 stated a plausible claim for failure to negotiate in good faith based on allegations that Old Navy engaged in dilatory negotiating tactics, misrepresented its true intentions and unjustifiably abandoned the license negotiations. Each of these three theories, the court held, constitutes a "legally cognizable" claim for breach of the duty to negotiate in good faith.

Separately, the Second Circuit also held that L-7 stated viable breach of contract claims based on Old Navy's termination of L-7 immediately following the commencement of litigation and based on vague, specified performance issues unsupported by the documentary evidence. In addition, the appellate court found that Old Navy failed to provide L-7 with notice of breach and an opportunity to cure, as required by the parties' contract.

Accordingly, the court ordered that L-7's contract claims be reinstated and the case remanded to the district court for further proceedings.

Chicago partner linda Coberly assisted with the appeal on behalf of L-7.

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Linda Coberly