

# Conkle law firm specializes in beauty industry

**Conkle, Kremer & Engel** is a Los Angeles law firm that has a well-earned reputation for expertise in the beauty industry. The firm was started in 1982 by **Bill Conkle**. One year later, **Mark Kremer** joined the firm, followed by **John Conkle** in 1984 and **Eric Engel** in 1985. Those lawyers practiced as **Conkle & Olesten** until 2007, when they changed the firm name to **Conkle, Kremer & Engel (CK&E)** to reflect the core attorneys. Bill departed the firm late in 2013 and started a new firm on his own. Today, John, Mark and Eric, along with CK&E's team of attorneys and staff, continue to represent many clients in the beauty industry. As they have for years, they continue to help clients fight diversion and counterfeiting, acquire and protect intellectual property, comply with regulations and implement their distribution models.

**Beauty Industry Report (BIR)** most recently visited with CK&E in January 2012 on the occasion of their 30th anniversary. Recently, **BIR** sat with the core members of CK&E to discuss the legal developments affecting the industry.

**BIR: You've been working in the personal care products business for about 30 years. What changes do you see on the legal landscape that most affect our industry?**

**John Conkle (JC):** There has been a dramatic increase in California and federal regulatory compliance issues affecting manufacturers and distributors of personal care products. A dizzying array of regulations can apply to products in the beauty industry—Proposition 65 is the best known, but there are several others that demand attention.

**BIR: What have been the effects on the industry of Proposition 65?**

**JC:** Prop 65 is known as a "bounty hunter" statute, because a few specialized law firms have used it to threaten lawsuits and shake settlements from unprepared manufacturers, distributors and even retailers. Prop 65 lawyers and their repeat clients threaten thousands of businesses every year and extract millions of dollars in settlements.

The beauty industry has good reason to be concerned. We've seen more Prop 65 bounty hunters going after beauty industry companies, due to the recent addition to the Prop 65 list of several chemicals that are common in personal care products, such as titanium dioxide,



John A. Conkle

**California Safe Cosmetics Products Program** database. California's Safe Cosmetics Act requires manufacturers to report to the California Department of Public Health if any of their products contains an ingredient known or suspected to cause cancer or reproductive harm, which includes everything on the Prop 65 list. The ingredient reporting is now searchable on the internet, enabling Prop 65 plaintiffs to troll easily for their next targets.

**BIR: How has CK&E been able to help clients deal with Prop 65?**

**JC:** The best course is to be proactive, rather than wait for a notice of violation. The list of chemicals continues to grow, so manufacturers need to stay alert as products are reformulated and new products are launched. We routinely advise clients about their obligations and work with them to ensure Prop 65 compliance from the ground up. But when trouble has hit, we've helped our clients weather the storm of Prop 65 actions. It's important to respond promptly when a notice of violation is received, so we work with clients to take an aggressive approach to minimize or eliminate the effect of the notice.

**BIR: Aside from Prop 65, what ingredient regulations are affecting the industry?**

**JC:** The Safe Cosmetics Act has impact beyond just increasing Prop 65 claim exposure—it has its own reporting requirements that are specifically targeted at the beauty industry. It is very important for manufacturers, distributors and brand owners to be aware of the reporting obligations of the Safe Cosmetics Act.

California's Green Chemistry Initiative is also starting to have an impact on consumer goods sold in California, including cosmetics. California's recent Safer Consumer Products regulations allow the California Department of Toxic Substances Control to identify "Priority Products"

cocamide DEA, DEA and benzophenone.

As more chemicals are added to the Prop 65 list, there will be more demands made on the beauty industry. Even more Prop 65 actions are likely to come, due to the 2014 launch of the

for scrutiny. Manufacturers, importers, assemblers and even retailers of Priority Products will be required to either remove the product from sale, reformulate it, or perform a complex "Alternatives Analysis" to try to determine whether there are safer alternatives. We help our clients develop procedures to ensure compliance.

**BIR: What issues do you see for products that claim to have "organic" ingredients?**

**Eric Engel (EE):** There is no federal regulation



Eric S. Engel

of cosmetics sold as "organic," other than voluntary USDA certification process, but California takes use of the term "organic" very seriously. The California Organic Products Act requires that multi-ingredient

cosmetics labeled as organic contain at least 70% certified organically produced ingredients. There is real risk in not complying with these requirements. In one case, we defended a contract manufacturer who had subcontracted to fill hair products labeled organic, but the subcontractor used unauthorized non-organic ingredients. The products had to be destroyed. Through a combination of aggressive litigating, creative strategies against a reluctant insurer and indemnity claims against the subcontractor, CK&E obtained a settlement that cost our client nothing. As successful as we were, it would have been better for everyone to have avoided the problem by complying with labeling regulations.

**BIR: What else is CK&E doing to help clients deal with California's complex array of regulatory requirements?**

**JC:** We establish appropriate agreements among manufacturers, importers, distributors, retailers and others in the supply chain to specify who will be responsible for complying with California's tough regulatory programs, including responding to government agencies or private bounty hunters.

**BIR: Speaking of which, what issues do you see in manufacturer-distributor relations in the beauty industry?**

**Mark Kremer (MK):** Well-written,

individualized distribution agreements help manufacturers and distributors establish strong business relationships and avoid disputes. We work with clients to consider the key issues that are likely to arise, such as the control of online sales and advertising. Distributors often want to use a manufacturer's intellectual property online, such as registering domain names or creating social media sites with the manufacturer's trademarks, copyrighted product and model images, or translations of the manufacturer's advertising copy. Distributor's Internet marketing can be of enormous value, but the manufacturer must control its intellectual property to maintain its rights.

International distribution issues must be evaluated under the distributor's local laws. For example, in the United States, a manufacturer is usually free to restrict the territory of a distributor and may prohibit Internet sales. But in the European Union, the manufacturer can assign exclusive territories for "active" marketing, but cannot restrain a distributor from "passive" sales outside of its territory or designated sales channels.

**BIR: How do you help manufacturers enter the global market?**

**MK:** Our expertise in international issues developed as we helped our domestic clients expand beyond the U.S. market. We collaborate with well-established lawyers worldwide to provide clients with the advice and representation they need for particular markets. Last year, we teamed up with our correspondent lawyers from the Brazilian intellectual property firm **Daniel Advogados** to give a presentation about what companies can do to protect their brands in Brazil. Brazil's growing middle class, relatively stable currency and high demand for commodity exports make it a desirable market.

Our attorneys also serve as faculty for an educational program sponsored by the **Center for International Trade Development**, Called **Beauty Industry Market Access or BIMA**, which helps small and medium size entrepreneurs in the beauty industry develop international trade capabilities. It offers comprehensive training in international regulatory and operational trade requirements, and sponsors tradeshow delegations to Europe and the Middle East. We have been happy to assist BIMA by volunteering our time to instruct participants on important legal topics, including

intellectual property protection, contractual arrangements and regulatory compliance.

**BIR: What are some of the developing issues for brand protection?**

**MK:** As I mentioned earlier, manufacturers can lose control of their intellectual property if they don't control its use online. It is important to act quickly and efficiently to minimize damage to a brand caused by online sales of counterfeit products or false advertising.



*Mark D. Kremer*

Many online resale platforms and social media sites, from Amazon and AliBaba to Facebook and YouTube, have established their own takedown services for intellectual property owners. Those can be a cost-effective first step in battling trademark and copyright infringement, and we help clients establish in-house procedures for submitting takedown notices on their own. In the United States, an online resale platform may be liable for contributory counterfeiting if it assists vendors in promoting the sale of counterfeit products, so sometimes a letter from a knowledgeable lawyer helps.

We encourage our clients to think expansively about brand protection. In the current business environment, counterfeiters and knock-off manufacturers abound domestically and internationally, so brand protection strategies must be imaginative and vigilant to succeed. CK&E has the distinction of obtaining the only fragrance trademark registration ever issued in the United States for a personal care product. We have always emphasized protecting key trademarks in all potentially important markets, and advise clients to use consistent, distinctive trade dress in packaging and color across product lines as an important brand identifier.

We also enforce our clients' copyrights to protect product labeling and marketing materials, such as website images of products and models. Careful image documentation and reliable watermarking have proven useful to remove infringing images and take down websites that can damage the brand. An upcoming issue is the new Global Top Level

Domains (gTLDs) that can infringe on trademark holders' rights by use of new domain name extensions like ".info", ".corp", ".news" and hundreds of others. We advise clients how to efficiently defend their trademarks and domain names against this new threat by cybersquatters.

**BIR: What are some of the brand protection issues in the global market?**

**MK:** Diversion, counterfeiting and trademark infringement are persistent worldwide problems, and brand owners need to be proactive and creative to combat them. Recently, we helped a manufacturer overcome a foreign country's hurdles in recording its trademarks with the local customs officials, so it could halt product diverted from the U.S. at the border.

Product tracking codes remain important for stopping diversion at the source, and the removal of codes by parallel importers is an important issue. CK&E obtained the first published court decision that knowing possession of decoded beauty products is a crime in California. Even a court in China recently took action against an unauthorized reseller of gray market imports, finding that removing manufacturers' identification codes and applying unauthorized labels infringed the trademark owner's rights.

**BIR: What's the secret to your firm's success in the beauty industry?**

**EE:** We're very aware of the challenges the beauty industry faces. We stay on top of developing issues and laws of concern to the beauty industry. In addition to being regular instructors for the BIMA program, we have given presentations on regulatory compliance and brand protection matters across the country. We've presented to trade organizations such as the **Personal Care Products Council** and **Beauty Industry West**.

We also make it our business to service our clients in all aspects of their business. Our diverse practice makes us a good partner on almost all matters, including insurance and employment. We are honored to be trusted by the beauty industry and to have a reputation as the go-to law firm for this business. We're most proud that our clients keep coming back. After serving the beauty industry for 32 years, we continue to provide excellent service and innovative solutions to beauty industry clients.

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