

Jay-Z Has 99 Problems, and. . . Lack of Diversity Is One

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Jay-Z and Iconix Brand recently settled a two-year old lawsuit centered on a \$204 million licensing agreement. The settlement not only ends the federal lawsuit, but also ends an arbitration related to the suit which Jay-Z had petitioned to halt on novel

grounds—i.e., lack of racial diversity among potential arbitrators.

In its complaint, Iconix accused over a dozen different defendants, including Jay-Z, Roc Nation Apparel Group, Major League Baseball, and New Era of undermining its rights in the Rocawear trademarks that it purchased from Jay-Z in 2007. Specifically, Iconix—which manages apparel brands such as Mossimo, Candies, Bongo, and Joe Boxer—alleged that by selling New Era baseball caps bearing the “Roc Nation” trademark, defendants infringed Iconix’s exclusive right to manufacture and sell certain goods and apparel using the “Roc” family of trademarks. In response, Roc Nation and Jay-Z lodged a counterclaim for breach of implied license, arguing that Iconix’s licensing deal covered only the “Rocawear” brand, not the Roc Nation trademarks. In the recent settlement, the parties agreed to drop all claims and Iconix agreed to sell some of its rights in Rocawear back to Roc Nation in exchange for \$15 million.

What makes this case unique and interesting, however, is not the trademark aspect, but Jay-Z’s bold invocation of the lack of racial diversity among arbitrators as an obstacle to justice. Years before this lawsuit, Iconix and Jay-Z’s companies had previously resolved a separate licensing dispute that resulted in a settlement agreement that mandated arbitration for disputes related to the licensing agreement. After Iconix filed its federal lawsuit, the parties took their dispute to arbitration before the American Arbitration Association’s (“AAA”). One month after beginning the AAA proceedings, in November

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2018, Jay-Z sought a temporary restraining order to stop the AAA proceedings because there were not enough African American candidates in the pool of arbitrators to make up the panel.

Jay-Z alleged that the AAA was only able to find three “token” African Americans (one of which was conflicted out of sitting on the panel) out of the more than 200 arbitrators who were qualified to participate on the panel for this dispute. Jay-Z also alleged that the AAA’s lack of black candidates with experience in large and complex cases left him with “no choice at all,” and amounted to discrimination based on race and a violation of New York’s Equal Protection Clause. Jay-Z’s camp went on to state that the “blatant failure of the AAA to ensure a diverse slate of arbitrators is particularly shocking” and he “expect[s] there to be the possibility that the person who stands in the shoes of both judge and jury reflects the diverse population.”

These allegations were enough to catch the AAA’s attention. The AAA eventually agreed to allow the case to be heard by a three-arbitrator panel instead of by a single arbitrator, and offered five additional African-American candidates to be considered for the panel. The AAA also agreed to consider a list of eleven African-American candidates to add to its greater pool of arbitrators to handle big arbitrations. On those terms, Jay-Z was “content to proceed with the arbitration,” which eventually led to the settlement of the federal case.

Though the case settled before the diversity challenge raised by Jay-Z could be decided on the merits, Jay-Z’s efforts highlighted this issue as a critical deficiency in intellectual property disputes. Jay-Z’s novel and creative argument has brought much needed attention to a widely recognized problem that is far too infrequently addressed in litigation.