

IPO

QUESTIONS

for

Lee Sporn

OF COUNSEL, OLSHAN FROME WOLOSKY LLP

INTERVIEW BY JOHN C. GREGORY JR.

Lee Sporn spent a quarter century as in-house counsel to some of the largest fashion retailers in the industry. Working under Ralph Lauren and then Michael Kors, Sporn was instrumental in the transformations of both companies into the successful public entities they are today. Since leaving the fashion industry, he has redirected his energies into teaching, sharing his experience and knowledge as in-house counsel with law students interested in following that path in their careers. He lives with his wife, Joy, in Devon, Pa. Sporn is a graduate of Oberlin College and Brooklyn Law School.

JOHN C. GREGORY JR.: Why and how did you decide to go in-house and what made you decide to stay in-house for more than 25 years?

LEE SPORN: It's not anything I ever aspired to. I was a corporate associate at Proskauer Rose LLP in New York. By my fifth year I was spending about 80 percent of my time working for Leonard Bernstein's organization, and I loved the work. In the summer of 1990 he became ill and announced that he was retiring.

My practice at that point had a lot to do with fixed bodies of intellectual property rights, like the George Balanchine Foundation and the Hemingway estate. But the Bernstein work was the most exciting because Bernstein himself was so active in so many different areas – launching music festivals and producing records, books, television programming – every day was something new and different.

At the same time Bernstein announced his retirement, an executive recruiter for Ralph Lauren came calling. At the time, I knew nothing about Ralph Lauren or the fashion industry, but as I started to learn what his business was about I was attracted to the same things that had made the Bernstein work so appealing. At that point, Ralph Lauren, as one of the industry's first true lifestyle brands, was launching businesses that nobody in the

fashion industry had ever tackled. Paint, furniture, flatware – every day something new. That was what first attracted me enough to make the leap of faith to go in-house, and I quickly fell in love with the work.

Were you working for the company or Lauren himself and does it take something special to work with celebrities?

The company was private for my first seven years there, so in those days there wasn't much distinction between representing the man and what was absolutely his company. On a day to day basis, my interaction with him was limited to issues that were near and dear to his heart – there would be licensing opportunities that he was particularly interested in, legal issues that impacted design, and again in the years before the IPO it was very much a family business – one might be tasked







to handle all sorts of issues. It's not for everybody, and over the years I've seen some lawyers handle representation of a celebrity badly, usually by letting their own ego, and their own need to demonstrate that they, too, are important, conflict with the first rule of being a good counselor – it's not about us. And I've seen clients, justifiably, react badly to that.

After Ralph Lauren, where was your next role and how long were you there?

After 11 years at Ralph Lauren, John Idol, who I began my career at Ralph Lauren with and who left shortly after our IPO in 1997 to become the CEO of Donna Karan, asked me to join him at a company called Kasper, a large maker of women's suits, and at the time, the owner of the Anne Klein business. John had been hired by the company's bondholders to take it through a bankruptcy and try to build some value, and he wanted me to be general counsel. I explained that I knew absolutely nothing about bankruptcy and had never (at that point) been a general counsel, and suggested some far better qualified alternatives,

to which John responded: "I don't want anybody who knows anything, I want you!" It was an amazing and exhausting learning experience for me, and in the end a very successful bankruptcy proceeding. Everybody got paid, including the shareholders, which was highly unusual.

In addition to being the company's lawyer, I was responsible for human resources, store design and construction and office facilities and operations.

Was there a significant change in your role when you moved on to Michael Kors?

Yes, in 2003 when John Idol and I, and several others of the Kasper team, went to Michael Kors, I became the senior vice president of business affairs, general counsel and corporate secretary. In addition to being the company's lawyer, I was responsible for human resources, store design and construction and office facilities and operations -- John was sticking to his love of tasking me to manage things I knew nothing about, but I was very happy to learn. At the end of the day,

the fashion industry isn't different from any other industry where something must be designed, manufactured, shipped, sold and serviced. You have all the things that any company



that's in the business of producing and selling must deal with and are part-and-parcel of the fashion industry.

How did things change from being the only lawyer to running a legal department, and was there tension among your roles?

With the increased operating responsibility, particularly at a place growing as quickly as Michael Kors, eventually there was no more time to read 90-page leases; supervise litigation; and handle all the data, privacy, compliance and other work that is part of being in-house counsel.

As for tension between roles, my own view is that being general counsel and having operating responsibility is not ideal. For example, when I started at Michael Kors and was responsible for human resources, we had only one store and fewer than 100 employees. When I gave up responsibility for human resources roughly a decade later, we had 10,000 employees and a large, global human resources department.

So many issues arise in a human resources department relating to how we hire, train, discipline and sometimes terminate employees. Running the department could easily make me a fact witness, and the privilege issues can become very challenging. The same sorts of issues existed for all my operational responsibilities. There are some real advantages in being a general counsel with operating responsibilities, it certainly made me a better lawyer, but there are some serious pitfalls as well, and it all had to be navigated as carefully as possible.

In addition to the successful Kasper bankruptcy, were there other things that you've accomplished in your career in-house that were particularly memorable?

One thing that was both challenging and very satisfying was building a legal department from scratch for a large

international company with billions in sales. I spent a few years of my career as general counsel being the only in-house lawyer -- responsible for literally everything every day of the week.

Eventually at Michael Kors, as we were gearing up for the IPO, I sat down with John Idol to discuss the impossibility of my managing, by myself, all the additional legal work necessary to go public and then deal with being public, while still handling my operational responsibilities -- we needed a full-time general counsel. John, characteristically, disagreed, and instead tasked me to build a legal department that could handle the work. Today, there are approximately 15 people internationally in the Michael Kors legal department. It was a great experience for me to create a structure for the department, hire into it and then manage an amazing team. And it was fantastic to see Krista McDonough, my first hire, be embraced by the CEO and board as the company's new general counsel when I retired last year.

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As in-house counsel, how do you identify, evaluate or choose outside counsel?

From my perspective, the name of the game is choosing the right tool for the right job, or to recognize whether hiring outside-counsel is even necessary. My approach has always been to ask several questions. "Is this really a claim that ought to be brought? Is this a claim that needs to be defended or should I simply put it to bed right away?" "If representation is needed, will I need the absolute best, which sometimes correlates to the most expensive lawyer available? Or will any lawyer will be effective, if he or she is able to torture the other side at a good price for an extended period?"



What were the greatest distinctions and similarities between practices in New York and Philadelphia?

I never found, having worked with firms all over the country, that the differences among lawyers were geographically driven. I think firms have very clear cultures, and they're driven by their management teams. Management sets the tone and the hiring parameters.

I have found phenomenal lawyers virtually everywhere without regard to geography, and often I have found lawyers at the same firms who I thought weren't so phenomenal. Also, I know that everybody thinks that lawyers in New York City are crazy, but I have experienced mellowness in New York City law firms and craziness in law firms virtually everywhere else.

Could law schools do more to prepare lawyers for in-house practice and what role do you see for the Philadelphia Bar Association's Corporate In-House Counsel Committee?

In my experience, law schools tend to do little that's relevant to a law student who is interested in a career in-house. I think that's because professors at law schools are generally academics and not practitioners. It varies from school to school, but as a general matter the culture is biased against practitioners and adjunct professors. It's difficult for students to get experience, education or issues illuminated by people who have spent a significant part of their career practicing law in-house.

While I wholeheartedly agree that law schools should focus on academics, it seems to me that there could be a better balance than there is today. I think it does a disservice to law students, particularly in today's economy, not to give them some significant exposure to practitioners, including in-house counsel, as a meaningful part of their education.

I think the Corporate In-House Counsel Committee should continue to focus on issues that are germane to in-house counsel. In my experience, there are some things that in-house counsel regularly deal with that are different from what other practitioners experience. We have issues relating to attorney-client privilege, particularly if we have operating responsibilities, that firm lawyers don't have. We have "who-is-the-client" issues in dealing with company employees that can sometimes be very challenging. And there are endless compliance-focused issues that we must deal with. Any opportunity to talk about practicing from an in-house perspective would be useful.

All that aside, with an inter-arts performance degree from Oberlin, how did you end up in corporate law in the fashion industry and what are you doing now?

I don't want to give the impression that there was anything planned about any aspect of my legal career, because there wasn't. At Oberlin, I was a piano performance major in the conservatory

and I was a directing major in the college, which is how I got my odd degree in inter-arts performance. I grew up on Leonard Bernstein's Young Peoples' Concerts, and he was a hero to me as a conductor, musician and educator. As I was coming out of law school, I had an opportunity to join Proskauer and work with the team that represented Bernstein. That was incredibly exciting, and I worked with him and his manager for five years. It was that experience that prepared me to go to Ralph Lauren, and I never looked back.

Today I am of counsel at Olshan Frome Wolosky LLP in New York, and I teach a course in fashion law at the University of Pennsylvania Law School in the Fall, and at Villanova University Charles Widger School of Law in the Spring. I'm also on the advisory board of The FAME Center (fashion, arts, media and entertainment) at Cardozo Law School, a program I helped create and in which I taught for many years. Practicing law can be a lot of fun and I've loved doing it, but I have wanted to teach literally my entire career. The best part of being a general counsel for me was to build a law department -- to hire, train and support others as they develop successful careers of their own. There's really nothing better. ■

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