



2026 CPR International Mediation Competition Problem

Tailored for Trouble - and make it double!¹

Clarification Answers

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Topic 1: Timeline and Document Consistency

1. **Phasing of the Jewelry Collection:** Section 3 ("The Manuscript") suggests the high-end jewelry capsule was proposed by Nigel Tucci *after* the successful response to the silk scarf pre-launch. However, Appendix I (Board Minutes, Dec 7, 2024) and Appendix II (Collaboration Agreement, Jan 15, 2025) both explicitly mention the jewelry phase. Please clarify if the jewelry capsule was part of the original project scope from the outset, or if it was only formally activated following the commercial success of Phase 1.

Answer: The Section 3 ("The Manuscript") may be read as implying that the high-end jewelry capsule was conceived only after the market success of the silk scarf pre-launch. This is a drafting inaccuracy. As reflected in Appendix I (PKCHU Board Minutes, Dec. 7, 2024) and Appendix II (Manuscript Collaboration Agreement, Jan. 15, 2025), the Manuscript project was approved and documented from the outset as a phased initiative, comprising both the silk scarf collection and the high-end jewelry capsule. The reference in Section 3 is intended to describe sequencing and narrative emphasis, not a post hoc expansion of scope.

2. **Email Date Discrepancy:** "Email 1 – Initial PKCHU Proposal" is dated November 28, 2024. However, the Board of Directors Meeting where the ASH collaboration was first approved (Appendix I) occurred on December 7, 2024. Please clarify if the email date is a typo, or if informal negotiations regarding Article V preceded the official Board authorization.

Answer: The November 28, 2024 email reflects informal, non-binding preliminary discussions between PKCHU's legal team and ASH regarding possible structural parameters for future collaboration, including early thinking around Article V. These exchanges occurred before formal Board approval and were exploratory in nature only, without any mandate to negotiate or commit PKCHU to specific terms. The PKCHU Board of Directors Meeting on December 7, 2024 (Appendix I) constituted the first formal authorization for the Manuscript initiative and for management to negotiate and execute a collaboration agreement with ASH. All substantive negotiations, drafting and agreement on Article V took place after that authorization, within the scope and limits approved by the Board.

Topic 2: ASH-PKCHU Governance and the "Manuscript" Scope

3. **Reconciling Artist Autonomy with ASH Gatekeeping:** The problem states that ASH artists are "free to enter into dealings of their choice" (p. 4), yet Article 5.2 of the Agreement requires mutual written consent and a separate agreement with ASH for "any engagement" of an ASH artist. How should these be reconciled? Specifically, if artists are independent, why does ASH maintain a veto over preliminary, non-binding outreach by PKCHU maisons?

Answer: The statement that "ASH's artists are free to enter into dealings of their choice" describes the artists' *general* market position and ASH's mission to protect creators while allowing them to collaborate broadly. It does not mean that PKCHU can engage ASH-affiliated artists under the Manuscript framework without process. By contrast, Article 5.2 is a *governance covenant between PKCHU and ASH* for Manuscript-related expansion: any "engagement" of an additional or alternative artist requires (a) mutual prior written consent and (b) a separate written agreement; and, critically, until that agreement is executed, neither party may (i) represent an ASH-affiliated artist as "pre-cleared," nor (ii) solicit or accept creative work for new projects "on the basis of this Agreement alone."

4. **Scope of "Derivative Creative Initiatives": Does the term "Derivative Creative Initiative" include internal PKCHU brainstorming, ideation, and conceptual development that has *not* yet been shared with ASH or its artists?**

Answer: On the Agreement's wording, a "Derivative Creative Initiative" is a future project/collection/product/campaign or other creative undertaking that is (i) inspired by or materially informed by the Artwork/Manuscript narrative/collaboration concepts, and (ii) designed to be implemented in aligned categories. That definition points to an implementable initiative, not mere internal thinking. Consistent with that, PKCHU's internal legal analysis explicitly treated internal ideation and early conceptual exploration as outside the Agreement's express regulation, emphasizing that the text "does not ... expressly regulate every form of internal or preliminary conceptual discussion." So, internal PKCHU brainstorming that has not been shared with ASH or its artists should not, by itself, be treated as a "Derivative Creative Initiative" for Article V purposes. The governance obligations become operative when PKCHU moves from ideation to wishing "to pursue" an initiative, particularly where it will be pursued "with ASH" or involves ASH-affiliated creators, which then triggers the consultation and separate-papering architecture of Article V.

5. **Andrea's Status: For the purposes of contract interpretation and the mediation, should Andrea Sachs be treated as a unique, "special case" partner, or as a representative example of how all ASH artists must be treated under the Agreement?**

Answer: For interpretation and mediation, Andrea Sachs should be treated as a **unique, named "Artist" under the Agreement**, not merely an example of an interchangeable ASH creator. The Agreement defines "Artist" as **Andrea Sachs**, and the recitals emphasize PKCHU's intent to engage *Andrea, through ASH*, with "Irreproducible Authorship" expressly framing her authorship as "central and non-substitutable." However, Andrea's centrality does **not** mean other ASH artists can be treated the same way *by default*. Article V is explicit that additional or alternative artists require **mutual prior written consent** and a **separate written agreement**, and neither party may treat ASH-affiliated artists as "**pre-cleared**" or solicit/accept creative work absent that documentation. Thus, the principled position is: (i) **Andrea is a special case in scope** (she is the commissioned Artist and the collaboration's conceptual backbone) and **Andrea is not a proxy for other ASH artists** in governance terms; each additional artist requires fresh consent and papering.

6. **ASH Internal Decision-Making: What is the formal process within ASH for approving external collaborations? Does Andrea Sachs make these strategic partnership decisions independently, or is there a collective/institutional vote required by the association's members?**

Answer: ASH does not have a formal, codified, or bylaw-based internal process for approving external collaborations. Decision-making is centralized in the organization's leadership, and focuses mainly on what is best for the association. Andrea Sachs exercises strategic and curatorial authority and acts as the primary external decision-maker, while Nate Cooper holds a supervisory legal and institutional role and is consulted on material matters, as well as providing each and individual artist with legal assistance. There is no collective approval body, defined quorum, or mandatory internal voting procedure. Accordingly, approvals are granted through an informal, leadership-driven process rather than through a formally institutionalized mechanism. From an external standpoint, Andrea Sachs and Nate Cooper can be treated as authorized decision-makers for ASH, absent express evidence of a

different internal approval structure. Artists are still free to make individual decisions, as long as they don't cause any harm to the institution.

Topic 3: The Dispute and Allegations of Breach

- 7. Evidence of Deliverables:** Is there documentary evidence that any ASH-affiliated artist (other than Andrea) provided PKCHU with "creative deliverables" (e.g., moodboards, sketches, or concepts)? If so, please identify the items, the dates of transmission, and whether PKCHU retained or used these materials internally.

Answer: At the moment of the first mediation session, there were informal, preliminary contacts involving high-level exploratory exchanges. These contacts were limited to early soundings and alignment discussions and did not involve the provision of formal creative deliverables such as moodboards, sketches, or developed concepts.

- 8. Basis of the Notice of Material Breach:** Is the Notice of Material Breach (Appendix V) based on specific, completed actions (i.e., actual outreach that has already occurred), or is it a preemptive notice based on the policy position adopted by PKCHU in the Governance Committee meeting?

Answer: The Notice of Material Breach was issued after ASH became aware, through informal channels, that an ASH-affiliated artist had referenced contacts or discussions with PKCHU in the belief that ASH was already informed or aware of such interactions. In light of that information, and before confirming the scope or status of those contacts, ASH treated the situation as potentially non-compliant and issued the Notice on a precautionary basis. Accordingly, the Notice was not grounded in verified, completed outreach activities, but rather reflected a preemptive response aligned with the policy position subsequently discussed and adopted at the Governance Committee meeting.

- 9. Status of Outreach:** Has PKCHU already contacted other ASH-affiliated artists, or is the current dispute limited to a disagreement over the *interpretation* of how Clause V *would* be applied in the future?

Answer: PKCHU engaged only in informal, preliminary contacts of a high-level and exploratory nature. Upon becoming aware of these informal contacts, ASH raised concerns regarding their permissibility under Clause V. As a result, the current dispute arises from ASH's awareness of those informal contacts and the parties' ensuing discussion, on a prospective basis, of how Clause V should be interpreted and applied going forward. The dispute does not stem from completed or substantive outreach activities, but from differing views on the governance treatment of such informal interactions.

Topic 4: Financial Impact and Quantification of Harm

- 10. Evidence of Market Volatility:** The case mentions "first signs of market volatility" (p. 9). Have there been any verified instances of UHNWI collectors canceling pre-orders, requesting refunds, or withdrawing purchase commitments?

Answer: There have been verified instances indicating early market volatility. Following the public escalation of the dispute and the pause in Manuscript-related activities, certain UHNWI collectors sought clarification on the status of

future releases, and a limited number took concrete steps to protect their positions. These included requests to suspend or reconsider pre-orders and, in isolated cases, the withdrawal of purchase commitments tied specifically to anticipated future Manuscript editions. While these actions were not widespread, they were sufficiently concrete to signal a shift in collector confidence and to substantiate the reference to “first signs of market volatility” noted in the case.

11. Quantification of Damages: Does either party contend they have suffered quantifiable financial loss (e.g., lost sales, increased costs, or measurable reputational damage) attributable to the other's conduct or social media posts? If so, what is the estimated range of these losses?

Answer: Both parties contend that they have suffered financially relevant impacts attributable to the other's conduct, including the escalation of the dispute and the associated public and social-media exchanges. These impacts include disrupted sales momentum, increased internal and external advisory costs, and measurable strain on brand and reputational positioning with key stakeholders. At the moment of the first mediation session, however, neither party has crystallized these effects into a definitive, presentable monetary figure. The impacts are viewed as real but still evolving, with any reliable quantification dependent on how the dispute is resolved and whether market confidence is fully restored.

12. Status of Paused Jewelry Production: What is the current operational status of the paused jewelry micro-edition? Please confirm any sunk costs incurred to date, current lead times, and any existing delivery obligations to customers.

Answer: The paused jewelry micro-edition is currently in the final stages of production. Core fabrication and engraving work has been substantially completed, with remaining steps limited to final finishing, certification, and coordinated release logistics. To date, PKCHU has incurred material sunk costs, including design development, artisan labor, precious materials procurement, and partial fabrication expenses. These costs are already embedded in the production cycle and are not recoverable through redeployment to other projects. If all parties agree to resume production promptly, the remaining steps could be completed within approximately one month. At present, delivery obligations to customers are limited to conditional or anticipated commitments rather than fixed shipment dates, and any final delivery timelines remain contingent on resolution of the dispute and coordinated restart of the production process.

13. Royalty Compliance: Please clarify if PKCHU has timely and fully paid all royalties due under the Agreement, or if any amounts are being withheld or disputed.

Answer: PKCHU has not fully paid all royalties that would otherwise be due under the Agreement. While royalties accrued from completed sales prior to the escalation of the dispute were accounted for, certain amounts have not been remitted and are currently being withheld. PKCHU's position is that these amounts are subject to ongoing dispute, given the suspension of production and sales activities, the uncertainty surrounding continuation of the Collaboration, and the broader governance issues raised by ASH. Accordingly, royalty payments have not been finalized.

14. Revenue Proportion: What percentage of ASH's and PKCHU's overall annual revenue is generated by the "Manuscript Collection" relative to their other business streams?

Answer: The Manuscript Collection represents a material share of revenues for both parties. Based on current internal assessments, the Collection accounts for approximately one third of ASH's overall annual revenue. For PKCHU, while the Group maintains a significantly broader and more diversified revenue base across multiple maisons and categories, the Manuscript Collection nonetheless represents an estimated fifteen percent of PKCHU's annual revenue, reflecting its outsized commercial impact relative to its limited scale and edition size.

Topic 5: PKCHU Internal Structure

15. Maison Autonomy: To what extent do the individual maisons (like Lutzuméa or Sotiri) possess independent operating control? Are they separate legal entities with their own equity/voting power, or are they wholly-owned divisions that must follow centralized mandates from the PKCHU Board?

Answer: The individual maisons operate within a centrally governed group structure. They do not hold independent equity or voting power and are subject to strategic, governance, and compliance mandates set at the PKCHU board and group-executive level. At the same time, the maisons retain meaningful operational and creative latitude within their respective categories, particularly in day-to-day design execution, artisanal processes, and brand expression. Core functions such as narrative control, intellectual property strategy, supplier qualification, risk management, and approval of material cross-maison or external initiatives are centralized. Some maisons may be held through affiliated entities for operational purposes, but they remain wholly controlled within the PKCHU group and do not function as independent companies with autonomous decision-making authority.

16. Strategic Motivation: Was PKCHU's primary motivation for involving additional ASH artists to reduce the group's "creative dependency" on Andrea, or simply to scale and replicate a successful financial model?

Answer: The primary motivation was to reinforce the Group's strategic fight against counterfeiting by expanding the 'art-as-authenticity' doctrine across multiple categories. Scaling the partnership to include additional ASH artists was intended to broaden this defensive front, transforming luxury goods into irreproducible works of art to render fakes obsolete. Concerns regarding creative dependency were not part of the initial strategic rationale; the expansion was driven solely by the objective of institutionalizing human authorship as the ultimate barrier to replication.

Topic 6: Mediation Procedure and Legal Framework

17. Scope of Mediation: Is the mediation limited strictly to the legal relationship between the two entities (ASH and PKCHU), or can it include the resolution of internal tensions between PKCHU corporate and its maison creative directors?

Answer: While the mediation is formally between PKCHU and ASH, the agenda specifically includes a renegotiation of the "governance framework". Because internal maison tension is the primary driver of PKCHU's strategy, resolving the external dispute effectively requires addressing the internal creative directors' concerns to ensure the long-term

stability of the partnership. It can include corporate and its creative directors, if mediating parties have the power to do so.

- 18. ASH-Artist Contracts: Given the conflict between artist freedom and the PKCHU-ASH Agreement, what are the exact terms of the underlying contracts between ASH and its individual artists regarding exclusivity and third-party outreach?**

Answer: While ASH artists are generally "free to enter into dealings of their choice" , their specific internal contract terms are not provided in the case. However, ASH maintains a "gatekeeping role" and provides the "legal and institutional support" required for collaborations.

- 19. Rules of Interpretation: Are the parties permitted to use the "Parol Evidence Rule" (referring to outside evidence/negotiation history) to interpret ambiguous terms in the Agreement?**

Answer: In this mediation context, the "Parol Evidence Rule" is not a strictly applicable bar. Parties often use the provided negotiation history. All information included in the Problem can be used.

- 20. Use of Visual Aids: Are the parties allowed to use demonstratives or visual aids (e.g., charts, slides) during the mediation sessions?**

Answer: Yes, physical visual aids are permitted. The CPR procedure allows "other material... helpful to familiarize the mediator with the dispute". In a competition setting, while digital devices like phones or laptops are restricted to prevent outside communication, physical/analog aids such as printed charts, "lookbooks" , or boards are permitted.