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INNOVO GROUP INC
Form 8-K
May 18, 2004

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K
CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities and
Exchange Act of 1934

Date of Report (Date of Earliest Event Reported):
May 18, 2004 (April 26, 2004)

INNOVO GROUP INC.
(Exact name of registrant as specified in charter)

Delaware	0-18926	11-2928178
(State or other jurisdiction of incorporation)	(Commission File No.)	(IRS Employer Identification No.)

5804 East Slauson Avenue, Commerce, California	90040
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code:
(323) 725-5516

No Change
(Former name or former address, if changed since last filing)

Item 5. Other Events and Required FD Disclosure

As noted in our quarterly report on Form 10-Q for the three months ended February 28, 2004, which we filed with the Securities and Exchange Commission on April 13, 2004, we received, on or about March 30, 2004, a notice of termination from the licensor for the FetishTM mark, due to an alleged breach of the trademark license agreement, or FetishTM License. Licensor primarily alleged that we breached certain provisions of the FetishTM License related to timely delivery of licensed FetishTM products to satisfy confirmed purchase orders. Upon receipt of the termination notice, we contacted the licensor and its representatives to dispute the alleged breach claims. On April 13, 2004, the licensor rescinded the termination notice but reserved its rights to re-assert and/or revive its alleged claims contained within the notice, including the right to send a subsequent notice of termination.

On April 26, 2004 and April 29, 2004, respectively, we received two new notices of termination from licensor. As a result, we retained outside counsel to vigorously represent us in this matter in an attempt to work amicably to resolve

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this dispute. During this time period, until the parties reached agreement on the future of the Fetish™ License, the licensor permitted us to continue to perform our obligations under the Fetish™ License.

On May 13, 2004, the parties mutually agreed to terminate the Fetish™ License for the manufacture and sale of apparel and accessories bearing the Fetish™ name. The parties expect to execute a definitive settlement agreement as soon as possible setting forth the specific terms of settlement, but have reached agreement, in principle, on the basic terms, including, providing for the continuation of the right to market, distribute and sell the summer line for 2004, other excess inventory and unsold or returned merchandise for a limited period of time to certain agreed upon customers.

We intend to disclose the material terms of the definitive settlement agreement upon execution of the settlement agreement.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

INNOVO GROUP INC.
(Registrant)

Date: May 18, 2004

By: /s/ Samuel J. Furrow, Jr.

Samuel J. Furrow, Jr.
Chief Executive Officer and Director
(Principal Executive Officer)