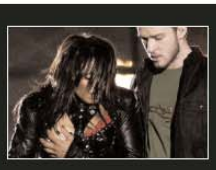

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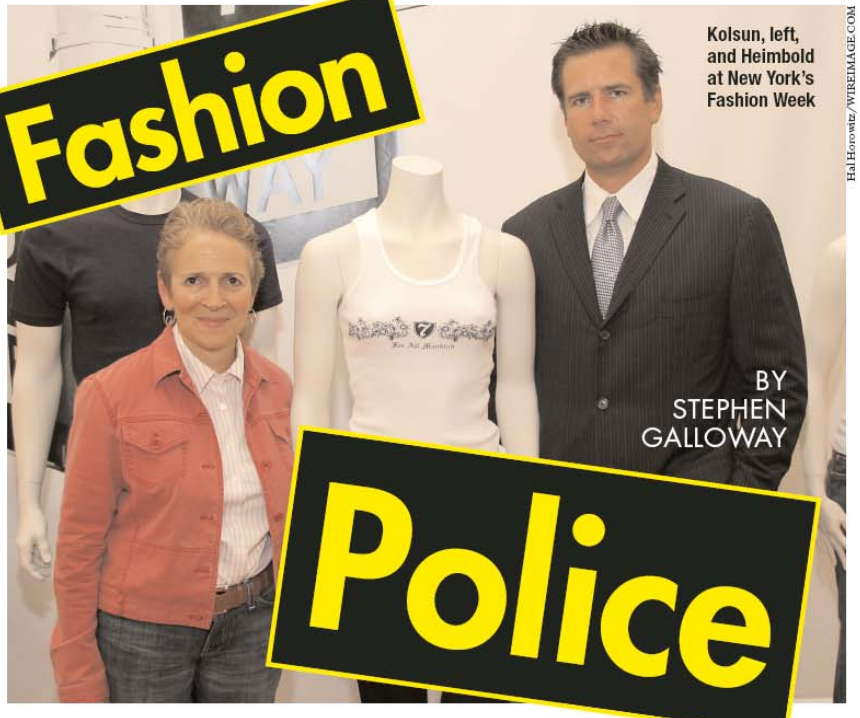
Fashion Police



Kolsun, left, and Heimbold at New York's Fashion Week

Hal Horowitz/WIREIMAGE.COM

BY STEPHEN GALLOWAY

On a sweltering Saturday afternoon in downtown Los Angeles, crowds stream through the shops that line Santee Alley, a sliver of a street that slices through the heart of the city's bustling fashion district.

These aren't the upscale crowds that fill Barneys or Fred Segal across town. They are largely blue-collar workers, many of them Latino immigrants looking for a deal. And deals are all around: a Louis Vuitton bag for $35, a pair of Gucci sunglasses for $5, three Fendi purses for an astonishing $10 — the kind of bargain one might normally call a "steal."

Only in this case, "steal" may be more accurate than most of the shop-

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Barbara Kolsun and Michael Heimbold keep 7 For All Mankind's clothes popular by fighting counterfeiters. **Will a proposed extension of copyright law help or hurt them?**

As decades pass, lawyer presses his Lennon case

BY ERIQ GARDNER

NEW YORK — Twenty-five years ago, Dan Marmalefsky was an unmarried junior associate at Morrison & Foerster who agreed to represent University of California, Irvine, history professor Jonathan Weiner in a Freedom of Information Act request to the FBI.

Marmalefsky

Perhaps naively, Weiner and his young lawyer hoped the government would quickly turn over documents detailing the FBI's surveillance of John Lennon after the former Beatle attempted to gain U.S. citizenship in the early 1970s.

Now 50 and married with two kids in college, Marmalefsky continues to press the case. The fruits of his labor have contributed to "The U.S. vs. John Lennon," a documentary

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pers suspect. A fair portion of the clothing and luxury items sold here is counterfeit, part of a lucrative trade in knockoff goods that may cost the American apparel industry billions of dollars per year.

This exasperates Steptoe & Johnson's Michael Heimbold, an attorney whose unique specialty is fighting such crime, even accompanying police and FBI agents on the occasional raid of a suspected counterfeiting operation.

"It is a huge problem," he says. "And the brands that are affected the most are the ones with the highest retail price points."

Precisely what "counterfeit" means is open to interpretation. To lawyers such as Heimbold and Barbara Kolsun, general counsel for the clothing firm 7 For All Mankind, it means a knockoff piece of apparel or a luxury product with the trademarked name of a brand — such as the popular 7 jeans, which retail for up to $700 in stores but sell for a modest $50 in Santee Alley, complete with a label that not only flaunts 7's brand and signature pocket stitching but boasts: "This is an original. Beware of imitations!"

"By protecting a designer's original work, we are also protecting the many jobs that support that design."
— Congressman Bob Goodlatte, R-Va.

An increasing number of voices in the fashion industry and Congress argue that counterfeit should also include design rip-offs, like the imitations of dresses worn by stars at the Academy Awards, which are sold by the thousands the very next day without the designer's name and which are quite legal under current U.S. law.

"A designer spends blood, sweat and tears, and he never knows what is going to hit," says Tom Speiss, of counsel with Baker & Hostetler in Los Angeles. "Designers should be rewarded for that effort by maximizing profit."

In the U.S., there are tough laws protecting trademarked brands but relatively weak laws protecting the copyright of a design itself — something that may change if the Design Piracy Prohibition Act (HB 5055), a bill recently introduced to Congress by Rep. Bob Goodlatte, R-Va, is successful.

"Fashion design is a $350 billion American industry," Goodlatte notes. "In addition to the jobs directly related to the manufacturing of apparel, it creates jobs in many sectors: printing, trucking, distribution, advertising, publicity, merchandising and retail. By protecting a designer's original work, we are also protecting the many jobs that support that design."

While counterfeiting is a serious crime in the U.S. — and it has become more so thanks to stricter punishments mandated by this year's Stop the Manufacturing of Counterfeit Goods Act (HB 32) — determining what portion of a piece of apparel is protected (if any) requires extensive analysis.

"The first step is to understand what are the components that are relevant to intellectual property law," explains Rod Berman, chair of the intellectual property department at Jeffer Mangels Butler & Marmaro in Los Angeles.

Unique brands, such as Quicksilver or St. John Knits, clearly are protected by trademark law. Such protection also applies to distinctive logos such as Nike's "swoosh" or McDon-

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EXPERT TESTIMONY

Advice From A Knowledgeable Source

The Legal Fashionista

Scafidi

For years, Southern Methodist University law professor Susan Scafidi tried to keep her passion for fashion under wraps. After all, her colleagues told her, the subject just didn't seem quite weighty enough for a professor who specializes in intellectual property. Not anymore. The International Chamber of Commerce now estimates that 5%-7% of world trade is in counterfeit goods, and the laws governing fashion design are being re-assessed by Congress, where Scafidi testified in July. Scafidi's blog, Counterfeit Chic (*counterfeitchic.com*) has become one of the best resources for developments in fashion law.

— Stephen Galloway

THR, ESQ.: How do anti-counterfeiting laws differ outside the U.S.?

Susan Scafidi: When you copy a handbag or dress with a counterfeit label indicating the original brand, that is illegal in the U.S.; but without the label, it is quite legal, unless it is an extraordinarily famous style, like the Hermes Birkin bag. (By contrast), in all of the European Union, it is illegal to engage in design piracy. There is both unregistered protection throughout the EU for up to three years, and you can register original designs for fashion and accessories and so forth and receive a five-year protection, renewable for up to 25 years. There is also protection in Japan on similar lines. So the U.S. is lagging behind other industrialized countries in this area.

THR, ESQ.: How successful have those laws been in protecting original designs in Europe?

Scafidi: There aren't a large number of lawsuits that go all the way to trial or a written opinion. Many disputes, as with trademark in the U.S., are handled at the level of cease-and-desist and in negotiations. Also, this is a relatively new registration — it was only enacted in 2002 and became effective in 2003. But it has been relatively successful, and (the laws have also worked) in Britain, where they have had systems of unregistered protection since 1989.

THR, ESQ.: Why has England been at the forefront of this?

Scafidi: It was one of the centers of fashion, and they copied France. There was a long history in France, going

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ald's Golden Arches. Further, it is possible for a designer to protect particular fabric designs through current copyright law, but with very few exceptions, "As we sit here today, the style (of a garment) is not covered by copyright," Berman notes.

Which means you can walk 10 yards down Santee Alley to another store where an almost identical Louis Vuitton-style bag is being sold for $20 (but without the identifiable LV logo), and that is legal.

It is this precise issue that Goodlatte's bill is attempting to address extending copyright to the very design of the item and not just its brand.

But there have been objections to the bill, too, from several intellectual property specialists who believe added protection is both unnecessary and may actually harm those the law is attempting to protect.

"We have a thriving fashion industry; it is growing, it is exciting, it is innovative, with lots of competitors," says Christopher Sprigman, an associate professor at the University of Virginia School of Law, who testified on the matter before Congress. "Contrast that to music or film, where there is (copyright governing) intellectual property, and those industries are static by comparison — they have a few big companies that rule the roost. Fashion is a much more competitive industry. That is what we should want."

Sprigman argues that the new law could damage this competition. "Every season, the industry tries to create trends and get people to buy clothes by suggesting they need to participate in the new trend. And the establishment of those new trends is based on copying — not doing so verbatim but taking substantial elements of an attractive design and playing with it."

In an article on the Public Knowledge Web site (publicknowledge.org), Sprigman shows how this works in practice, with photographs of different designers' versions of a trendy "driving shoe." All are similar enough to seem like copies; all are protected under the current law.

"But the newly proposed rule could land them in trouble," Sprigman continues. "Which is potentially quite bad. Companies wouldn't be able to create new trends. And this means people will become less and less likely to buy. So, on the whole, the absence of IP law is good for the fashion industry. They have an innovation dynamic that depends on setting trends, and trends depend on copying. And we have a really good system of nonlaw that protects that."

Hearings took place July 27 before the House Subcommittee on Courts, the Internet and Intellectual Property. But the bill still must be "marked up" before it goes to the full Judiciary Committee and then brought before the House. And the Senate would have to pass a similar bill, even though no such bill is in the works. If the present bill is not passed in both houses by November, when a new Congress is elected, it will have to be introduced again.

"My guess is it will not get passed and there will not be action on it for a very long time," Heimbold says.

Trade dress claims, which are based on the total image and packaging of a product, are tough to prove. One important case occurred in 1998 when Samara Bros., a line of children's clothing, sued Walmart Inc. for selling knock-offs of a one-piece seersucker outfit decorated with appliqués of hearts, flowers, fruits and the like. Samara argued that the appearance of the sequins on its apparel was distinctive because of its application of the appliqués.

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EXPERT TESTIMONY

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back to the 19th century, of enacting laws to protect textiles, and of Britain imitating those laws because there was intense competition throughout the Industrial Revolution.

THR, ESQ.: What is the status of attempts to enact similar laws in the U.S.?

Scafidi: There were attempts back in the early part of the 20th century to get this legislation passed. The problem is, early in this industry the U.S. established itself not as a nation of original designers but as a nation of copiers, so there was a great deal of resistance. What the legal profession has done in the U.S. over the past half-century, in the absence of direct protection for fashion design, is cobble together some protection from other areas of intellectual property. So trademark protection, trade dress protection, copyright protection for "separable" designs — patterns that may be printed on the surface of a dress, for instance, and that are conceptually separable from the item itself — all those things are in place to protect fashion design, even though we have never been able to protect the core of the design itself.

THR, ESQ.: Where does the bill pending in Congress stand?

Scafidi: The bill introduced in the House would enact short-term registered protection for fashion designs themselves. If it passes, it would give three years of protection, but only if the designer registers the item through the Copyright Office. What's interesting is, there have been no manufacturers or retailers who have openly declared themselves against the bill. And I was quite surprised that the members to whom I spoke seemed very interested in the bill and indeed very favorably inclined.

THR, ESQ.: But critics of the bill argue that fashion moves so quickly it can stay ahead of the copyists.

Scafidi: My view is: Individuals are being harmed, and if an individual designer is being knocked off so rapidly that he or she can't recover the expenses of creating new designs, that is a huge loss. (Furthermore), three years is a very short and reasonable amount of time.

THR, ESQ.: Do legislators take that seriously, though?

Scafidi: Fashion design is a disfavored medium for a number of cultural reasons. This goes back to the Enlightenment, when it was seen as a visual medium rather than a verbal one and a craft rather than an art. Things created for utility have been disfavored in the intellectual property system, which in copyright began with the protection of writing only. But fashion, in this cultural moment, has become more recognized as a creative expression. And part of the reason for this new law is that fashion design is now a respected profession.

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That case went all the way to the U.S. Supreme Court. "And what the Supreme Court said was: As a matter of law, those types of articles are not protected under trade dress unless the owner of the so-called trade dress can prove that the item has a secondary meaning," Heimbold explains.

But this level of uniqueness goes way beyond that of most apparel. Thus, in effect, the Supreme Court said, in Berman's words: "Copyright is not available to you fashionable people; it is only available if you have something very distinctive. And in the fashion industry, that is incredibly rare."

Which may seem surprising given just how much apparel there is. The NPD Group, a private research firm that provides global information to manufacturers and retailers, says that total U.S. apparel sales in 2005 were $181 billion, of which women's apparel made up $101 billion and men's apparel $53 billion. Sprigman says the worldwide apparel industry sells $1 trillion in goods each year.

Few experts will even hazard a guess as to how much of this business is counterfeit. But all agree it is in the billions. The U.S. Chamber of Commerce estimates that counterfeiting and piracy in all industries cost the U.S. $200 billion-$250 billion annually and estimates losses to the apparel industry at $12 billion a year.

To combat this in the fashion world, most major brand names such as Gucci or Hermes devote a substantial amount of their budgets to fighting counterfeits, just as the major studios fight piracy.

"It is not uncommon to see over 1% of gross revenue going to enforcement," Heimbold says. He alone files up to 20-30 lawsuits per year on behalf of some of the brands he represents, in different countries around the world.

Nor has the growth of the Internet helped.

"We have automated Internet searches that go after infringers, particularly on places like eBay and Overstock.com," Heimbold says. "Under the Digital Millennium Copyright Act, they have to provide an efficient mechanism for brand owners to cancel auctions that they have good-faith belief are counterfeit. In over 90% of cases, we never hear from the sponsors of cancelled auctions."

7 For All Mankind's Kolsun estimates that she shuts down some 10,000 Internet auctions every month and also uses 10 separate private investigators to look into counterfeiting.

But beyond matters of law, she says, the fashion industry has to deal with the problem of enforcement.

"There's not enough being done," she says. "But it's hard to blame them when they are dealing with drugs and terrorism and things like that."

Kolsun, Heimbold and their colleagues, along with representatives of the International AntiCounterfeiting Coalition, regularly train customs officers to recognize counterfeit goods when they see them.

"The luxury goods and fashion companies spend a lot of time and effort on the problem," IACC president Nils Montan says. "Everybody is starting to get organized, and there is going to be more consistent coordinating in the next five to 10 years."

But will it be enough? Even Montan admits his efforts can seem paltry when compared to the scale of the problem.

"The government is great at passing good laws; I give them an A for that. But I give them a B+ or a C- in putting resources behind the problem. Last year, Customs seized $93 million in counterfeit goods out of a total trade worth billions or even trillions. That's nothing." ◁

ON CAMPUS

News from Law Schools Nationwide

Washington U kicks off sports speaker series

BY JORDANA LEWIS

The Sports and Entertainment Law Society of **Washington University Law School** in St. Louis will kick off the 2006-07 academic year with a sports-intensive speaker series. In the coming months, **Bob Lattinville,** sports attorney and NFL player agent at Stinson Morrison Hecker; **Bob Wallace,** executive vp and general counsel for the St. Louis Rams; and **Ben Dogra,** NFL player agent at Creative Artists Agency; will address students. Last year, as part of this same program, **Danica Mathes,** a Lathrop & Gage entertainment attorney who represents St. Louis rappers Nelly and Chingy, and **Richard Bloch,** Washington sports arbitrator who handled last year's Terrell Owens employment dispute with the Philadelphia Eagles, visited Wash. U. According to the society's President **Eric Silverstein,** the organization also will launch a revamped Web site featuring new articles written by entertainment or sports law attorneys every few weeks.

Boalt Hall School of Law's Sports and Entertainment Law Society recently played host to a number of Hollywood and sports attorneys, including **John Schulman,** general counsel of Warner Bros., and **Mark Rosenthal,** chair of Jeffer Mangels Butler & Marmaro's sports group. This year, the organization will initiate a mentorship program that pairs students with Boalt alumni in the sports and entertainment fields. According to co-president **Tia Sherringham,** "We look forward to exploring the changing landscape of the entertainment industry in light of technological innovation — such as the growing dominance of the video gaming industry and opportunities in digital music." In particular, the group hopes to establish alliances with Bay Area-based Pixar Animation Studios and leaders of the gaming industry.

Duke Law School also will begin a mentorship program this fall between students and alumni working in the sports and entertainment fields. And in another effort to connect graduates with current students, the Duke Sports and Entertainment Law Society began an alumni speaker series program Aug. 30 with **Kevin Cuddy,** a 2000 graduate who works for Ropes & Gray's Boston sports group. Cuddy has helped negotiate employment contracts for more than a dozen Division I basketball coaches, including Oklahoma's Jeff Capel, Boston College's Al Skinner and Hall of Famer Lute Olson of the University of Arizona.

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