



In Fashion: Attorneys Stephen Doniger, left, and Scott Burroughs at their eponymous firm in Venice.

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Legal Patterns

LAW: Doniger/Burroughs courts apparel industry clients with niche focus on enforcing clothing copyrights.

By **CALE OTTENS** Staff Reporter

STEPHEN Doniger and Scott Burroughs were nowhere to be found at last month's runway show during L.A. Fashion Week. Even so, the \$18 billion fashion industry in Los Angeles is quite familiar with the pair's work.

Neither of the business partners has designed or manufactured a single article of clothing. Instead, Doniger and Burroughs

have created a lucrative legal practice in Venice that helps companies and individuals in the fashion industry collect money from competitors who have allegedly stolen their copyrighted designs.

"We are the fashion copyright law firm," said Doniger. "That's what most people know us as."

Indeed, their eponymous firm, **Doniger/Burroughs**, has filed more than 800 copyright lawsuits since 2010, more than dou-

ble any other firm in the country, according to Menlo Park legal analytics firm **Lex Machina**.

"These guys are clearly very litigious and a large part of their business relies on fabric designs," said **Brian Howard**, director of analytic services at Lex Machina. "Plaintiffs' attorneys tend to have a high degree of specialization, but these guys seem to have an even higher degree. It's just overwhelmingly all fabrics."

But Doniger/Burroughs doesn't just file a lot of cases, it wins them.

In the last 12 months alone, Doniger said his firm has taken three cases to trial, winning each one. That's pretty unusual, he noted, because his clients tend to settle the vast majority of their disputes outside of court long before a jury is even selected.

The awards, he continued, typically start around \$30,000 but have been as high as \$1.75 million. Doniger/Burroughs gets a cut of winnings, but its share varies depending on the arrangement with its client.

As one might imagine given the firm's success representing a slew of local fashion companies, Doniger/Burroughs has also made some enemies in the industry.

Mark Brutzkus, a partner at Woodland Hills law firm **Ezra Brutzkus Gubner**, said his firm has gone up against Doniger/Burroughs in about 200 cases.

More often than not, the claims made against Brutzkus' clients center on a print design used on garments they've either sold or manufactured.

"The fashion industry is a trend-driven business," Brutzkus said. "If the current trend is a single floral design on a T-shirt, there are only so many variations of a single floral design. How do you figure out – based on where the petals are and the leaves are – if you're infringing on someone else's design?"

The claims aren't easy to fight and oftentimes, he said, they create a massive financial burden on textile and fashion businesses.

What's more, Brutzkus said fashion designers have no way to check whether a particular design has been registered with the U.S. Copyright Office. That can be extremely problematic, he said, because no one really knows if they're inadvertently using a copyrighted design, adding that the only way to view a design is when it's the subject of pending litigation.

"These cases have changed the complexion of the fashion industry on the West Coast," Brutzkus said. "I've had clients be put out of business because of these claims and it will continue. It's lucrative (for Doniger/Burroughs) and as long as they're making money and their clients are making money, they're going to keep filing these claims."

Under attack

When Doniger and Burroughs began working together in 2005, they only had two clients in the fashion industry. Most of their work at the time was generated from businesses in other industries that needed legal representation in more general intellectual property-related disputes.

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Investors Walk Away From Shares of Shoemaker

FOOTWEAR: Skechers' stock tumbles 32 percent after report of slow sales.

By **DAINA BETH SOLOMON** Staff Reporter

Skechers USA Inc. hit a bump in the road after reporting sales growth that wasn't fast enough for Wall Street.

The Manhattan Beach footwear firm's stock plunged 32 percent Oct. 23, stung by third-quarter sales that slid in about \$20 million below analyst expectations.

However, revenue was up 27 percent compared with the same period last year, going from \$674 million to \$856 million. Skechers also reported profits of \$66.6 million (44 cents a share) for the quarter, a 30 percent increase over a year ago.

But selling fewer sneakers than hoped for

made Skechers the biggest loser on the LABJ Stock Index last week. (See page 26.) The company's shares plunged 32 percent to close at \$31.31 during the week ended Oct. 28. Its stock had risen nearly 74 percent over the past 52 weeks.

Skechers Chief Operating Officer **David Weinberg** attributed the disappointing performance to lukewarm domestic consumer spending and unfavorable exchange rates in some of Skechers' key foreign markets, especially Brazil, Canada and Chile.

But analysts said that investors overreacted to what will likely turn out to be a minor stumble for a company that has seen several years of growing profits.

"We expect the overall growth rate to continue to moderate, but nevertheless, remain in respectable territory," **Jeff Van Sinderen**, an analyst at West L.A. investment bank **B. Riley & Co.**, wrote in an Oct. 23 note.

"(Quarters with) monster growth are proba-

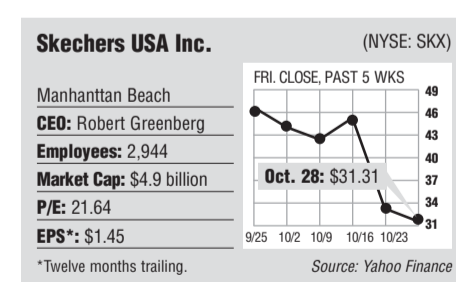
bly in the rear-view mirror," he added, although he predicted room for expansion in Asia, particularly China.

Putting kids' sneakers on shelves for the holidays – notably, the company's Twinkle Wishes, Game Kicks and "Star Wars" product lines – could brighten fourth-quarter revenue, Van Sinderen said in the note. In addition, Skechers' plan to open as many as 17 stores by the end of the year could also boost sales.

Still, the stock plunge prompted him and other analysts to lower expectations. Van Sinderen slashed his price target from \$54 to \$40 a share. Analysts at Bala Cynwyd, Pa.'s **Susquehanna International Group** cut their target from \$55 to \$45, and those at New York's **Buckingham Research Group** went further, going from \$55 to \$30.

Nonetheless, Weinberg said he remains optimistic.

"Though we believe the sluggish macro domestic retail environment and declining cur-



rency in several key markets had an impact on our net sales, the third quarter was still a sales record," he said in a statement accompanying the earnings release.

Skechers also had to shell out to cover costs during the quarter that reduced its earnings per share by 15 cents. Personal injury settlements over its Shape-up sneaker line tallied \$5 million, and a battle against rival **Converse** over intellectual property rights rang up a legal bill of \$5.9 million.