



# CALIFORNIA FASHION ASSOCIATION

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## ***Controversy over the 'Made in USA' Label***

*By Deborah Belgum | Thursday, July 17, 2014*

Los Angeles blue-jeans makers may be headed to court over one little thing: the “Made in USA” label sewn inside their garments.

Several Los Angeles denim makers have been hit with class-action lawsuits and legal letters challenging the accuracy of their labels because most of their raw materials are imported from Europe or Asia even though the jeans are sewn in California.

Last month, separate lawsuits were filed against **Citizens of Humanity** and **AG Adriano Goldschmied** maintaining that their labels are inaccurate because “the offending apparel products are substantially made, manufactured or produced from component parts that are manufactured outside of the United States in violation of California law and/or federal law.”

The lawsuits note that the fabric, thread, buttons, subcomponents of the zipper assembly and rivets come from outside the United States. Most premium-denim companies import their fabric from Japan and Italy and then cut and sew the jeans in Los Angeles. This has been going on for years and had not been challenged before, legal experts said.

“There is a little attorney firm in San Diego that is doing these class-action lawsuits,” said Ilse Metchek, president of the **California Fashion Association**, a Los Angeles trade group whose members include hundreds of California manufacturers, lawyers and financial institutions. “It is a pain in the ass.”

Also, a handful of Los Angeles blue-jeans ventures have received pending-litigation letters that threaten to bring class-action lawsuits, said Elise Shibles, an attorney in San Francisco with international law firm **Sandler, Travis & Rosenberg**, which works with several Los Angeles apparel companies. “We are aware of several companies that have received these letters, and so far they seem to be aimed at blue jeans,” Shibles said. “This is our first experience with something like this. We are not aware of anyone targeting the apparel industry before.”

The San Diego law firm filing these letters and lawsuits is the Del Mar Law Group, which has filed similar lawsuits against other companies in different industries. In 2009, the San Diego law firm filed a class-action lawsuit in San Diego County Superior Court against The NutroCo. and Mars Inc. over the ingredients listed in their dog kibble and dog biscuits. The suit was filed on behalf of Louise Clark. Nutro maintained its dog biscuits contained probiotics, which were added to the recipe but apparently were absent from the final product because the probiotics were killed when baked. The case was later dismissed after an out-of-court settlement was reached where Nutro set up a \$540,000 fund to refund consumers who had bought the dog products, said John Donboli, the attorney who filed the lawsuit against Nutro.

Now Donboli is representing Clark again, but this time her lawsuit, filed on June 9 in U.S. District Court in San Diego, is against Citizens of Humanity and **Macy's Inc.**



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On May 31, Clark said, she purchased a pair of Citizens of Humanity jeans at a Macy's store in San Diego. She maintains in court documents that she suffered an "injury in fact" because her money was taken by the blue-jeans company as a result of the false "Made in USA" claims. She also suffered because she genuinely believed the blue jeans were manufactured in the United States when they were not, court documents said.

Clark alleges that Citizens of Humanity and Macy's fraudulently concealed information from consumers and were motivated "solely by profit."

"Most consumers possess very limited knowledge of the likelihood that products, including the component parts, claimed to be made in the United States are in fact made in foreign countries," court documents said.

"If you are going to put 'Made in USA' on any product, all the pieces of the components have to be 100 percent U.S. sourced," said Donboli, the attorney who filed the case.

He said his law firm has "ongoing investigations looking into multiple blue-jeans companies."

Citizens of Humanity and Macy's have until July 21 to file a response to the lawsuit. Phone calls to Peter Ross, the Los Angeles attorney representing Citizens of Humanity, were not returned by press time.

A similar class-action lawsuit was filed in U.S. District Court in San Diego on June 4 against AG Adriano Goldschmied, the denim label made by **Koos Manufacturing** in Los Angeles, and **Nordstrom Inc.**

This time the legal action was filed by the Del Mar Law Group on behalf of David Paz, who said in legal documents that he bought a pair of AG Adriano Goldschmied jeans on May 16 at a Nordstrom store in San Diego.

Paz, again represented by Del Mar Law Group, filed a similar class-action lawsuit in 2007 against **Playtex Products Inc.** over the content of its bras and the "Made in USA" label.

Paz's latest lawsuit makes the same claims as in the Citizens of Humanity case. Both lawsuits are being filed for violation of the state Consumers Legal Remedies Act and of state Business and Professions Code sections 17200 and 17533.7.

The state and federal laws governing what constitutes a "Made in USA" law are a bit confusing. The California law is stricter than the federal law. The federal law allows things such as rivets and buttons and small components to come from outside the United States for goods that have a "Made in USA" label, but fabric must be domestically produced.

The California law basically says everything must come from the United States to qualify for a "Made in USA" label.

But the U.S. Customs Service regulations maintain there is an exception to all of this. If an imported good, such as fabric, is substantially transformed in the United States, the good does not need to be marked with the country of origin. An imported good is substantially transformed in the United States when a manufacturing process in the U.S. results in the production of a new and different product.

While the "substantial transformation" of an imported product in the U.S. may exempt a manufacturer from country-of-origin labeling, it does not automatically qualify the product to be marked "Made in USA." The "substantial transformation" is simply the initial hurdle faced by manufacturers wishing to place a domestic-origin marking on their product.

And, according to the Federal Trade Commission, a product must be "all or virtually all" made in the United States to qualify for a "Made in USA" label. This means that the significant parts and processing that go into the product must be of U.S. origin.