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LOS ANGELES - A bicoastal garment industry feud that has simmered for six years between two sets of immigrant brothers has boiled down to a surprisingly mundane dispute over hundreds of millions of dollars.

The case went to trial Feb. 20 in Superior Court here to determine what damages, if any, the three Nakash brothers, who created the tight, sexy "Jordache Look" of the 1970s, should pay to the four Marciano brothers, makers of the even-tighter and sexier designer jeans of the 1980s. *Marciano v. Nakash*. CS24347

The suit grew out of a 1983 partnership agreement in which the Marcianos - Georges, Paul, Maurice and Armand - sold 51 percent of Guess Inc., their then-small Los Angeles clothing business, to Joe, Avi and Ralph Nakash, founders of New York-based Jordache Enterprises Inc. for \$4.75 million.

In this damages phase of the trial, a jury is to determine whether the Nakashes owe the Marcianos any of the \$93 million in Guess stock dividends accrued since the fraud litigation began in 1984 and held in trust. Judge Norman Epstein will then decide whether the Nakash brothers must give up their stake in Guess.

The sale price is at the crux of the case, said Howard L. Weitzman of L.A.'s Wyman, Bautzer, Kuchel & Silbert, the Nakashes' attorney. Mr. Weitzman claims the entire suit is motivated by seller's remorse. Because of the explosive growth at Guess since the deal was made, the Marcianos, in effect, sold half their company for less than one week's current revenues at Guess.

In the first phase of the case, a jury last March found that the Nakashes had tricked the Marcianos into selling with promises of a favorable tax treatment that turned out to be illegal. (Since the partnership went sour, each side has reported the other to the Internal Revenue Service.)

The Marcianos' attorney Marshall B. Grossman of L.A.'s Alschuler, Grossman & Pines, argues that the Nakashes conspired with the owners of a Hong Kong garment factory to use Guess styles for their own profit and that the Marcianos and Guess deserve to be compensated.

Less than a year after the contract was signed in 1983, the families were at odds over the operation of a Guess subsidiary, known as GM Gasoline Inc. The subsidiary was created by the Marcianos as a way to expand on their original market - 14-to-24-year-old women willing to spend \$50 to \$70 for a pair of jeans.

The Marcianos decided to peddle knock-offs of their own top-selling jeans styles and market them under the newly created Gasoline label. But rather than share 50-50 in the Gasoline profits as promised, the Marcianos charge that the Nakashes conspired with their co-defendants, Seek Mon Lee and Delia Chan Wai Sheung, who own a Hong Kong garment factory, to steal the Guess designs and sell them under the Jordache label.

Mr. Grossman characterizes the case as the defrauding of successful immigrants.

Mr. Weitzman's view is contrary.

"Nobody took anything from anybody. What we have is a war between the families."



Los Angeles Times
WRONGED: A jury last year found that the brothers Marciano (from left, Armand, Maurice, Georges and Paul) were defrauded into selling a controlling share of their Jeans company.

Mr. Grossman said the Marcianos were just beginning to make their American entrepreneurial dream come true when they turned to the Nakashes as experienced partners. Instead, the Nakashes stole from Guess while serving on the company's board of directors, he said.

The founders of New York-based Jordache were "reaping where they had not sown." Mr. Grossman said in his opening statement.

When Guess was founded in 1981, the Marcianos "had an idea. They had a dream - a new type of casual clothing, a new type of blue jean," he proclaimed.

The Marcianos began Guess in 1981 with a design that already was selling well in their former home, the Cote D'Azur - a body-hugging pair of stone-

the young American female. The Jordache symbol, a horse head, was losing favor just as the upsidedown Guess triangle became a more desired status symbol for the backside of one's jeans. (Proof of this is the number of young attorney-service messengers who have come into the courtroom wearing Guess jeans.)

The Nakashes entered into the partnership "in a state of desperation for new ideas, for new blood," Mr. Grossman said.

Mr. Grossman is using internal memos and faxes between the Nakashes and their Hong Kong partners to prove to a second jury that the Nakashes conspired with the owners of a Hong Kong garment factory to use Guess styles for their own profit and that the Marcianos deserve to be compensated.

Holding up jeans samples by Guess, Gasoline and Jordache, Mr. Grossman argued that his clients were wronged by the Nakashes only months after the partnership deal was signed in July 1983.

The final break between the Marcianos and the Nakashes came in the summer of 1984. Maurice Marciano testified that plans were made to manufacture Gasoline jeans at a factory in Louisiana because it was becoming too expensive to ship fabric to Hong Kong for manufacturing and bring back the finished jeans for sale.

The factory was supposed to send samples of Gasoline products made at the factory to Mr. Marciano so he could be sure the stone-washing was being done correctly.

To his surprise, he said, the package that arrived at the Guess headquarters in downtown Los Angeles contained exact copies of Guess styles bearing the Jordache label.

Gary A. Freedman of the Law Offices of Gary A. Freedman, an attorney representing Guess Inc. in the trial, said his client estimates it lost more than \$90 million from the sale of Jordache garments based on Guess designs.

Jeans Feud Gets Down To Money

washed jeans with zippers at the ankle. From those first few dozen pairs that sold out briskly at Bloomingdale's, the Marcianos have created a merchandising empire estimated at \$500 million per year in jeans, casual clothing for women and men, swim-suits, baby clothing and watches.

EXHIBIT
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ON TRIAL