

Deborah Greaves “ON THEFT, DIVERSION, COUNTERFEITING AND TRADEMARK CHALLENGES”



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Leah Evert-Burks: In *Brand Protection Stories* we talk to those in the brand protection community about particular cases in their careers. Through some *stranger than fiction* real life scenarios we learn about the practice of brand protection and the challenges faced by brand-owners worldwide.

Deborah Greaves: There was a lot of police activity and sheriff activity in Los Angeles around our brand, and some other brands that were very popular at the time, and the law enforcement authorities were well aware of cargo theft and counterfeiting, and they were involved in a lot of different activities. So, they had eyes on the street, and they were running all sorts of different investigations. At various times. For various reasons. And some of those investigations didn't even initiate with the apparel industry. For example, there were some investigations that initiated with the drug trade; and through that investigation they came across large quantities of stolen or counterfeit apparel.

Leah Evert-Burks: Deborah Greaves is a partner in the corporate team of the international law firm, Withers Worldwide. Her practice focuses on providing clients with domestic and global intellectual property, privacy, and protection strategy – in the fashion, food, consumer products, retail and technology sectors. As a corporate lawyer, she also assists with corporate creation, corporate governance, data protection, regulatory compliance, commercial and employment-related legal services. Deborah also has experience negotiating licensing and distribution agreements, and establishing domain registration strategies. Deborah has extensive in-house legal experience at top apparel companies, including serving as General Counsel for True Religion Jeans. This has fostered her unique understanding of the inner workings of companies, and the mind-set of management and C Suite executives. As part of her practice, Deborah develops and monetizes IP and advises on brand enforcement strategies for companies operating internationally and domestically, defending against counterfeiting or infringement that could damage or dilute a company's brand. Deborah formerly served as an advisor to the Executive Committee of the California Lawyers Association. After serving as its Chair, she has penned the "Counterfeit Corner" column in *New Matter*, the Section's quarterly

publication. She is also a frequent speaker on IP and fashion law subjects and serves as an adjunct professor teaching courses in Fashion Law, Fashion Law Business Transactions, Retail & Fashion Law at Loyola Law School. She has served two terms as a North American Anti-Counterfeiting Committee member of the International Trademark Association and was recently appointed to its Get Real committee, which is tasked with public awareness and educational outreach programs. Deborah was also a member of the International Anticounterfeiting Coalition, serving on its Board of Directors. Deborah has been recognized for her leadership advising companies including as a Corporate Counsel of the Year Finalist, by Los Angeles Business Journal. A Top 20 General Counsel in California, by The Daily Journal; and The Global Counsel of the Year for Intellectual Property, by Lexology. Deborah received her associate's degree from Los Angeles Valley College and her Law Degree from Glendale University.

Leah Evert-Burks: Welcome! Deborah.

Deborah Greaves: Hi! Thanks for having me.

Leah Evert-Burks: So, Brand Protection Professionals find themselves solving puzzles on a daily basis. Whether tracking down the source of counterfeits, defending trademark filings, or policing distribution of product; the risks shift, and so do the duties. In this *Brand Protection Story*, we explore those shifts with experienced Attorney Deborah Greaves. Who, as General Counsel of a major apparel brand, found herself – among other duties – leading sting operations, and defending a trademark in a key market that took offense to its name.

So, Deborah I'm excited to talk to you today because you're actually the first fashion industry guest on *Brand Protection Stories*.

Deborah Greaves: Well, thank you for having me. I'm glad to be here.

Leah Evert-Burks: And, you know it's interesting thinking about the fashion world. It certainly has unique risks, or really unique pacing of those risks and the need for responses and reactions. There are some exceptions, but popularity can be fleeting in fashion, and damage quick to the life of a fashion brand. Considering that life cycle, how do you approach brand protection for the fashion and apparel industries?

Deborah Greaves: Well. Leah. That's a very, very complex question; actually it's a complex answer as well. Brand protection, I think, for the fashion industry, as well as many other industries, has to be very strategic, and you can't be caught up in a situation where you're winning the battle, but losing the war. You need to prioritize where to apply your funds, your budget, and your manpower. Because you cannot tackle everything all at once, and I look at brand protection as having a toolbox – with a lot of different tools in it, that are utilized for different types of protection. How effective a tool is depends on the type of attack that the brand is facing. No one tool will solve all problems. And every tool in the toolbox will not solve all problems. So it's just a question of knowing where to apply your strengths, and what's important, and not to get caught up in the weeds.

Leah Evert-Burks: Right? Right. So, could you take a minute and detail out how you came to work at True Religion Jeans?

Deborah Greaves: Well, I was General Counsel in the fashion industry for many years before I went to work at True Religion Jeans, and, in fact, Los Angeles is the domestic capital for luxury denim in the US, and is well known for exporting luxury jeans outside of the US. So as a General Counsel, the apparel of companies I was working for were also denim companies. And when True Religion found itself needing a General Counsel, for the first time, I was, I guess, a likely candidate because of all of my experience in the denim industry.

Leah Evert-Burks: Mhmm, Mhmm. Yeah. That's interesting thinking about denim being housed here in California, and the shipping being international in, in talking about that, I think one of the major cases that you worked on during your tenure at True Religion involved cargo theft. The shipping of your products meant for international markets, being stolen. Can you kind-of walk us through what happened there?

Deborah Greaves: Certainly. Let me just start by saying that it wasn't *a* cargo theft situation, it was *a series* of cargo thefts, over a period of time. And once you get hit, you file an insurance claim. You get hit again, you file another insurance claim. If it happens the third time, then you start looking at patterns and trends. Why is this happening? How is it happening? Trying to find a common denominator between these shipments. Which isn't always easy. Because they were first, not our shippers. In this case, the shipping companies were contracted by the distributor, who was going to be receiving the shipment, and not by True Religion. So, the commonality of shippers and drivers was not there. Also the method of hijacking those trucks, if you will, differed. There was a large variety of ways that the theft occurred, and so we tried to find commonality in that, and really couldn't find it. So, the one thing that was common about them all was that they were international shipments. The destination was offshore. Which means that they were all going to go to the Port of Los Angeles, and the one thing that was common about that was that they all had to have certain types of documentation in order to be exported. And that particular documentation was coming from the City of Vernon, and what we ultimately were able to determine was that in that process of documenting those shipments – as it was required through the City of Vernon – and the creation of the paperwork, that somehow, someone was seeing copies of it. They were getting copies of it, and they were tipping off the thieves. And so the ring that was targeting these trucks was the same, and they were getting their tips through this process of documenting the shipment – from the City of Vernon. And we're not quite sure how they came across this paperwork, but we were able to trace it back to that.

Leah Evert-Burks: Okay. Yeah. You know, looking at the commonalities and trying to figure out that pattern can, as I mentioned at the outset, can be quite a puzzle that you're thrown into, to try to solve; and given the popularity of the brand at that time, True Religion Jeans were certainly a target. They were a valuable commodity. That incentivized, probably, these criminals to coordinate all the efforts that it takes to steal cargo.

Leah Evert-Burks: Assisting with investigations and enforcement of cargo theft in Southern California, is the Los Angeles County Sheriff's Department Cargo CATS, or the Cargo Criminal Apprehension Team. As indicated in this story, the Los Angeles area is home to major ports, for both the importing and exporting of goods, into and out of the United States. The Cargo CATS' mission is to reduce cargo theft crimes, apprehending and prosecuting both cargo thieves and their receivers, and returning stolen property to their rightful owners.

Leah Evert-Burks: This is also, you know of course related to, these are genuine goods that are being stolen but, did you ultimately find some of those goods being mixed with counterfeit goods of True Religion Jeans?

Deborah Greaves: We did, and, we found, we found these jeans in more than one place. For example, some of them were being sold on eBay, some of them were ending up in retail locations – that would have been not retail locations that were authorized by the company. But I do recall that there was, there was a lot of police activity and sheriff activity in Los Angeles around our brand, and some other brands that were very popular at the time, and the law enforcement authorities were well aware of cargo theft and counterfeiting, and they were involved in a lot of different activities. So, they had eyes on the street, and they were running all sorts of different investigations, at various times; for various reasons. And some of those investigations didn't even initiate with the apparel industry. For example, there were some investigations that initiated with the drug trade; and through that investigation they came across large quantities of stolen or counterfeit apparel. So I can only tell you that there were quite a few investigations. I can't remember all of them, but one I do remember was that they found a storage site, a warehouse; through an investigation that they'd been running for awhile. And there was a large quantity of merchandise in there. We went down, and we were looking at the merchandise to help them authenticate it and identify it, and what we found at that location was a lot of stolen goods from international shipments. They were able to trace them back to those shipments, but there was also a lot of counterfeit product mixed in.

Leah Evert-Burks: You know we talk about this in brand protection, how counterfeit goods can be currency for criminal activities. Again, they hold high value. The authentic *and* the counterfeit goods. And so you mentioned the drug trade and that's, you know, not uncommon – to see counterfeit goods or stolen goods to be intermixed with drug trade and, and other types of illegal trafficking.

Leah Evert-Burks: Counterfeiting can be lucrative, but in many jurisdictions prosecution results only in low penalties. Therefore it attracts a wide spectrum of criminals, from out-of-garage sellers to sophisticated networks funding terrorism. And what *is* counterfeited? *Just about everything.*

Leah Evert-Burks: Something else that you, that you dealt with in your capacity as General Counsel were not only these third-party thefts that were happening, at the, at the port or the distribution level, but you also experienced some theft that's a little bit closer to home – in your company warehouse. We know that warehouses are... their operations are complex. But there are some routines that, if a

routine is broken, it becomes kind of noticeable that there may be some kind of suspicious activity. But can you... Could you tell us about the internal theft issues that you investigated while at True Religion Jeans?

Deborah Greaves: Sure. And let me just say that theft from the warehouse was not unique to True Religion, because at other companies I worked with where there was large shrinkage, we were able to trace it back to, I guess, well, it was definitely warehouse personnel. But not just one personnel. You get a little bit of conspiracy. They find a way to get large quantities of merchandise out of the warehouse without being detected. Even though the warehouse does have methods in place to try and protect unauthorized merchandise from leaving the warehouse, and in one particular case it was a warehouse manager who was doing it. But in the case that you're talking about. This investigation started, not because we believed that we had an internal theft problem, but because we found a lot of merchandise for sale in the Los Angeles area— in a couple of retailers who shouldn't have had that merchandise. We didn't know why these particular retailers had large quantities of product that had just been manufactured. So it was the latest product, and when we investigated it we found out that... that product really had only been destined for a couple of retailers – one of which was our own retail stores – and the others that were major department stores. So, we knew it wasn't the case of diversion. In other words, we knew that our retail stores were receiving all the goods that they were supposed to receive. Because obviously they checked the goods in, and we had tracking for that inventory, and we knew that the majors were receiving the goods that they were invoiced for. Because believe me, if a major does not receive something, you're gonna know it right away (Starts Laughing).

Leah Evert-Burks: (Slight Chuckles) You hear about it. Yep.

Deborah Greaves: Yep, that's right, so where could these goods have been coming from? And again, by process of elimination we determined they could only be coming from the warehouse, because that is the only other place that they were. That they ever were. So we ran an investigation that involved, ultimately, some surveillance. And we determined that an employee had found a way to fabricate shipments that needed to go out after the Federal Express cut-off time. So they had to actually be taken out of the warehouse and dropped off at Federal Express. And that's how they were getting out. They were. The employee was printing out fake Federal Express labels. And, well they weren't fake. They were real labels, but FedEx never tracked them. Because FedEx never scanned them into their system. Because they never made it to the FedEx drop off facility. They left with the employee and made it into someone else's hands.

Leah Evert-Burks: And it wouldn't be necessarily as you said, suspicious, that there were late drop offs to FedEx. I mean, that happens. You miss the deadlines and it's probably routine for an employee to print out those labels and run over to FedEx to drop off those shipments. But the fact that they never made it to their destination, and we're not tracked by FedEx, was probably a red flag for you.

Deborah Greaves: Well, the fact that they never made it to their destination or were tracked by FedEx was something that was completely underneath the radar, because they never had a destination.

And if FedEx wasn't tracking it, then there was no way that a red-alert would have gone up. We didn't know it was completely off the radar. And you also have to realize that, for the most part, there would have been some shipments that actually did have to go out after the cut off. So, when the employee left with these shipments, there could have been a mixture of stuff that was going to go to FedEx, and stuff that was never going to make it to FedEx, and it was this particular employee's job to do that. So no one was really suspicious or watching it.

Leah Evert-Burks: So. So. How did you set up the investigation or, or the sting operation to figure out what was going on?

Deborah Greaves: We hired outside consultants, with a great experience in running intelligence operations, and we installed cameras. Hidden cameras, and just observed the warehouse. And saw, this person creating these shipping labels and doing it on a regular basis. But then, we ran a trace on those to make sure that all of those shipments were actually getting delivered to FedEx. Because we saw a daily, you know, a fairly large amount of stuff going out. So initially, this employee would have never been suspected. But, after the camera showed the boxes going out on a daily basis, some of the boxes were big. There just seemed to be a little bit more boxes than were normal, or that should have been going out after the cutoff. Understanding that the goal of the company, the shipping department, was to always get the boxes out – prior to the FedEx cut off. So the things that should have been going out after hours would have been minimal. Maybe something here, something there, but not large cartons. Not numerous boxes every day. So seeing this happening, and over time becoming more, the volume increasing. As you are aware, when thieves find a way to make money, then they get greedy, and then they want to make more. So, the sting operation involved notifying law enforcement what was going on, and then following the employee when he left the building one day with these boxes, and pulling him over. And questioning him. And he immediately confessed. And that was that.

Leah Evert-Burks: Wow. It's... it's... I don't know. It's somewhat almost more disturbing when it's an employee? Right. But of course, corporations deal with that kind of internal theft, and so you have to keep aware, and astute as to glitches in operation to see if that's what's happening. You mentioned a term, Deborah, "shrinkage"; and if you could talk, just or define just kind of talk about what that is? Those in the retail world are pretty familiar with that term, but there's an expected amount of loss that could happen with products. But of course this one kind of exceeded what was expected; but if you could talk a little bit about shrinkage?

Deborah Greaves: Sure. So you can really have shrinkage in two places. At least, if you're in operation like we were that had its own retail stores. So, you could have shrinkage in a retail store, and you can have it at the warehouse; and that is just a loss of inventory. You always keep inventory. What are the goods that come in? What are the goods that go out? And then you do a physical count. And then if you're short, that shrinkage. You don't always know when shrinkage is happening, or at the rate that it is happening, if you're not doing regular inventory; and most companies don't do inventories that frequently they maybe do them semiannually or annually. The only other way to really know there's a lot

of shrinkage is if you're looking for a particular product and you go to look to the product and your inventory says you should have one-hundred pieces and you go there and you only have twenty. It's like where is the other eighty pieces? So that is another clue that shrinkage might be occurring as those ad hoc or spot checks during the inventory cycle.

Leah Evert-Burks: Mhmm, to notice those anomalies, and what may be happening with inventory.

So I wanna kind of jump to the area of expanding markets. Certainly with True Religion Jeans, very popular styles, very popular brand. So other countries were looking at distributing the brand, partners were coming in – which is always exciting for the C-Suite and sales executives to see interest in new territories. But we've talked about this before when you're bringing on new partners: either retailers, wholesalers, distributors. It's important to really do your due diligence, and make sure you're checking out your partners and thinking about what their enthusiasm; what may be fueling their enthusiasm. It may just not be the love of the brand that you feel so strongly for. It may be other issues. For many of us in the brand community, you know, we have seen instances where these relationships have gone bad. Where goods that we thought were going into good markets ended up in places like Costco or other wholesalers... retailers. But I'd like to hear some of your experience in the expanding market for True Religion Jeans. That may be some cautionary tales, for the listeners.

Deborah Greaves: Sure. So what you're getting at here is the grey market, and it's the diversion of goods. Goods that are intended to go one place that end up someplace else, and generally in a place where you didn't want them to go, because if you wanted them to go there, you just would have sold them there yourself. Costco being an example. Costco is a retailer that notoriously does not mind buying diverted goods, especially if they're well-known brands, because it attracts consumers and even if they sell those goods at a loss. The amount of traffic that they can get in just for people in the buying frenzy is well worth it. I don't know about you, but it's hard for me to get out of Costco without spending \$400. So, it's you know, you get them in the door, and they're gonna buy more. That's, that's what I say. So, the grey market can happen in a couple of different ways; and one of the initial concerns, I think, that companies have to be aware of, and that drives the grey market internally, is this conflict between sales and brand control and brand integrity. Because salespeople want to write big orders, and salespeople don't want to do necessarily, the due diligence that they have to, if they're writing big orders. Their job is to write the orders, and the company's job is to ship them. But if you are writing orders to a company that is questionable about whether they could sell these goods – that's a red flag; and if you're concerned about diversion, that's one of the first places you can look. I'll give you an example. There was a client who was in Montana who kept buying more and more, and like the quantities that he would buy when they were reordered, just kept growing over time to where he was a *really* large client and the issue is okay...How many retail stores does this person have? And how could he possibly be selling this *many* jeans in these *few* stores in Montana? So, you have to look at that and ask yourself if it passes the smell test. Especially if you're having reports of diversion, and goods ending up in unauthorized retailers. So that's one way, and that's a purely domestic example. Another example that we experienced was

international distributors that would be signed on, and of course they're ordering in large quantities. The idea is that they're ordering a full season's worth of product, and they're only going to be ordering two or three times per year. So there's several hundred, sometimes several thousand units at a time; and ask yourself: does that territory justify the quantity that they're buying? Is there a market in that territory? How do you know that they're going there? How do you know they're not going to another territory, where the product is really popular? If it is going to a market that has a very small population or a population that really is, you know, third world, and doesn't have the revenue to buy luxury jeans. Maybe you should question whether that's a legitimate distributor. And another way is that if you shipped to that, or that distributor took their shipment to take it out of the country, which is what they're supposed to do, and two days later you start receiving notices that Costco is full of brand-new product, Where did it come from? It's probably pretty wise to check to see if you have recently shipped a large quantity to a new customer; because that is very likely going to lead you back to the source.

Leah Evert-Burks: Mhmm. Pieces of the puzzle again.

Deborah Greaves: Right.

Leah Evert-Burks: **And looking at the trails, and I know that it is hard because you do get resistance; because these are sales. But it's the educational point of these products, are ending up in markets that are competing with our legitimate customers, or markets we don't want to be in. So interesting that you experienced domestic issues, and also international issues.**

Deborah Greaves: It's true, and I will also say that one of the big problems with goods ending up in Costco was that our other retailers would call, especially the department stores, and would say, *if you're going to be selling your product in Costco, we're not going to buy product from you*, and then we'd have to explain: we didn't sell that to Costco; but if you're luxury brand, you have to decide where you want to be. If you want to be in Costco, or do you want to be in Neiman Marcus?

Leah Evert-Burks: Right, placement is essential to the brand, especially in the luxury markets. And it's interesting Deborah, I'm thinking about the problems that you had in some of the international markets, and that some of that may have brought up red flags given the name of your brand, so, True Religion. I know that you experienced some challenges in certain territories even to get a trademark registration. But that's, it, that's also kind of tied into the diversion question of markets that we're opening it up, opening up. Would they be really open to the brand name? I know that, that's kind of a red flag. But I do want to spend a moment to talk about the trademark registration issues that you had with True Religion. Because I know now too in your capacity, you advise startups and younger brands that are thinking through their branding, they're thinking through what they want to call themselves for trademark registration; but for True Religion, you had some unique challenges with that brand. Can you tell us about that?

Deborah Greaves: Certainly. So, we had challenges on two fronts. The first was the fact that the stylized version of the mark had an image of a Buddha playing a guitar, and the second aspect was the

word ‘religion;’ and in some countries there are the officials, based on the local trademark laws and customs were not acceptable to registration of the Buddha. In other countries, the issue was the word ‘religion.’ So for example in the Middle East, ‘True Religion’ was not going to fly. At all. We were able to get the Buddha registered as long as we didn’t call it ‘Buddha,’ and so we called it, ‘fat man playing guitar,’ and that’s how we got registered. Of course, that wasn’t our idea, that was the idea of our Counsel in that country who knew what they needed to do, and that’s one reason it is very important to align yourself with good, experienced attorneys in that country, because they will guide you.

Leah Evert-Burks: Hmm.

Deborah Greaves: And then and the other issue really was with the word ‘religion,’ and there may have been more than one country where that would have been a problem, but the country we experienced it in, which was really a problem was China; And the reason that China was so critical was because that’s where all the counterfeit was coming from. Well, maybe not all of it, but 99% of it. And so we were very limited in what we could do for enforcement in China, because of our inability to get a trademark registration there. Now, one thing that was very fortunate for us was that our product was made exclusively in the U.S.A. So it... we had the advantage of recording the mark with Customs, US Customs, and they knew that any product coming in anywhere other than from any port whatsoever was not authorized because it was all made in the U.S.A. So we were lucky to have quite a few seizures at, by US Customs. But of course your US Customs doesn’t catch everything, and over time the counterfeiters became more sophisticated. Instead of shipping in finished jeans, they would ship in jeans, and then ship the tags, and the buttons, and the hardware separately all of the indicia of the branding would come in separately; and we found in Alaska Customs, with seizing cartons of buttons and labels, and things like that, that were being imported. Over time the counterfeiters will evolve to try and avoid your enforcement efforts; and I want to say that we knew that all of the counterfeit was coming from China, because when we did our analysis of what Customs was seizing, we knew that it was originating from China. We also knew that Customs wasn’t getting everything because we were finding the counterfeit product at swap meets. And other places, you know, throughout the US, and we would find similarities in these products so that we were able to tell that it was coming from one source. One example of that was that they would sew a label on top of the waist label on the inside, on top of the authentic True Religion label. And it would say it was just a black label that said ‘Made in China.’ But if you cut that label off underneath was the True Religion label that said ‘Made in U.S.A.’

Leah Evert-Burks: Hmm. Okay.

Deborah Greaves: And they were doing that partially to also avoid detection and allowing the products to get out, even getting it out from China, saying ‘Made in China,’ because you couldn’t ship it out from China, if they happen to inspect it there, you couldn’t get it out if it said, ‘Made in U.S.A.’ The Chinese authorities wouldn’t let it out.

Leah Evert-Burks: The discipline of brand protection is derived out of trademark law – since counterfeiting is a violation of trademark rights – it’s important to remember that these are laws set up

regionally throughout the world to protect the consumer. Yes, trademarks are assets of companies, but they tell the consumer the source of the goods, and provide the assurance of origin. But brand protection isn't only the responsibility of the legal profession, it's multi-disciplinary by nature, and necessity. People find themselves in this field from such diverse career paths as security, supply chain, law enforcement, marketing, IT, finance and yes legal, as well as many more.

Deborah Greaves: So not having, being able to register the trademark in China for quite some time, we went through a lot of efforts to do this, to get it registered, impacted our enforcement ability. So one of the things that we did was we registered a copyright. The copyright was the same as our, we'll call it our stylized mark. It said True Religion Brand Jeans, and it had the Buddha device on it; and we registered a copyright in China. And once we had the registered copyright, we were able to get enforcement and start doing factory raids, and seizing the product there – which had a huge impact in the US – because US customs' seizures went way down. We found less product at swap meets. Our enforcement costs went down, because we were taking out large quantities of units at the factory level, rather than picking it off in small quantities at swap meets throughout the US.

Leah Evert-Burks: Wow.

Deborah Greaves: We went upstream

Leah Evert-Burks: So the work that you did in China involved, of course, the Chinese Trademark Office, but you also brought in US authorities to assist you with this issue. What did you do there?

Deborah Greaves: So, as I mentioned, the reason that we could not register the mark was because of this nuance in the Chinese trademark law that found that the reference to the word 'religion' was likely to – I want to remember the correct wording – was likely to cause social unrest; it was against public morals, that sort of thing. And we'd lobbied through the USPTO through, and their relationship with the Chinese Trademark Office. We went to the Embassy. We had our local politicians, and politicians from states that touched... that were impacted by our business, sign onto letters that were delivered to the Chinese authorities. For example, we first started one which was in the California letter of Representatives and Senators, and how important this was to the California economy, etc.. The second letter we did – which actually was sent to Mr. Biden, at the time he was Vice President Biden; and then he forwarded it on his letterhead to the Chinese Consulate – was a letter that was signed by Senators and Representatives from all of the states that our business touched. So every state where we had a retail store. Every state that manufactured denim. Or zippers. Or buttons. Or the machines that we used to cut the fabric. So it was quite a large number of states when we were done; probably like 35 states.

Leah Evert-Burks: Wow! So you really circled the troops.

Deborah Greaves: We circled the troops. And what I have to tell you is that this is the end of this story, which is really very interesting. So, what we found out through an attorney we had in Washington, who was helping us with this lobbying issue. He happened to be Chinese, and he discovered that the consumers in China used one way to translate the, our mark, our trademark, and that the Trademark

Office in China was using a different way. So the trademark office was translating it as ‘True Organized Cultish Belief,’ and the consumers were just translating it as, ‘True Belief.’ So was the difference between a – Oh, I hope I say this correctly– a six-character translation, and a four-character translation. Or maybe it was a four-character and a two-character. But at the end of the day they were adding ‘True Organized Cultish Belief,’ as opposed to ‘True Belief.’ And what we tried to explain to them many many times was that in English, religion doesn’t necessarily mean worshipping a God. For example, I drink my Starbucks religiously every Saturday morning. There, it’s just a practice of doing something, not necessarily following a God right? And once we found that out, we also had linguistics experts from both China – a Chinese expert on the English language, and then an English Professor who was an expert on the Chinese language – and they both entered their opinions that this was, literally, a lost in translation. And the final step was when MOFCOM came to our offices in Vernon, California to tour the plant, and the facilities, and make sure that we were not a church.

Leah Evert-Burks: Can you explain who MOFCOM is to our listeners?

Deborah Greaves: That was the Ministry of Financing Commerce.

Leah Evert-Burks: Okay. For China?

Deborah Greaves: Yes.

Leah Evert-Burks: Wow.

Deborah Greaves: And I think within a week after that I got a call from the US. Trade Representatives, that they were going to approve our trademark registration in China.

Leah Evert-Burks: Sounds like that was a long and complicated process. To say the least.

Deborah Greaves: I think it was eight years.

Leah Evert-Burks: Wow. Anyway, it’s interesting how you brought, you know, your lower tiered suppliers into it. Also, you know people that manufacture the zippers. The buttons. The, you know, raw materials to make denim; because they’re all affected when you’re not able to sell the product, or it’s being counterfeited at a source country like China.

Deborah Greaves: That’s right and I think that, well, there were a couple of things. Because not being able to register the Trademark in China meant that we could not open up retail stores with that name in China; and other certain things that you do in China to do business there where you have to have a registered mark. So, it was excluding us from the market. But also, if you look at how difficult it is for ‘Made in U.S.A.’ companies to compete, and to have something like this also making it really hard to compete was an issue of national concern really – not that True Religion was an issue of national concern – but that not being able to compete because of the situation that we were facing in China, that’s just not logical actually.

Leah Evert-Burks: Or equitable. Yeah, and in bringing in the US authorities. Understanding that this is a company that manufactures in the US, but is being damaged and not able to sell its goods,

because of counterfeiting going on in other parts of the world. So understanding both, the 2 sides of that equation. But it is unique, in protecting US brands that way.

Deborah Greaves: Sure. And I mean, if you look at the volume of counterfeits that we were seizing, I think, you know it was in the hundreds of millions of dollars. So that was having an impact, not only on sales of legitimate goods, but it was also costing the company a lot of money to police the market.

Leah Evert-Burks: Absolutely. So, as I mentioned, you now counsel a variety of clients many of them are SMEs or startups. What were some of the takeaways from that experience with the challenges of the True Religion trademark, that you may find in your counsel today?

Deborah Greaves: Well. When I first work with a client, and they, maybe they have a registered mark or an application pending. One of my first questions is: What are their expansion plans? And where are they manufacturing? Because so many manufacturers are outside of the United States, and especially in China, and then they eventually want to distribute outside the United States. It's not necessarily in China, but they want to distribute; And so one of the first things that I recommend they do is that they register, or apply to register, their mark in China, and the sooner the better. And the reason is that China is a *First File Jurisdiction*. So, if you want to have those rights in China, you need to be the first to file. It's very difficult for a starting brand to overcome that First to File rule in China; because you have to prove that your mark was already well known, in China, at the time that the other person filed the application – in order to have that application or registration overturned, based on bad faith of the applicant. So most brands, US brand startups, are not going to have any kind of distribution or sales in China – at the time someone files an application to register their mark. So if, and if you're a new brand and you haven't chosen your brand name, I also tell them that they should clear the mark in China, before they go with it. Because if it's not available in China, then it could potentially cause them a lot of problems down the road. Especially if the brand becomes very popular or hot, and they need to enforce – they won't be able to get it there. There's also some concerns in China if someone else has registered your brand name and you're manufacturing it there. Whether or not the owner of that mark can go after you, or after your goods in saying, they're infringing. Now the law is that *if* the goods are only manufactured there, and they go straight from the factory to the port, that's supposed to be an exception. But we have found cases where brand owners in China have managed to seize those goods that were destined to be shipped out of the country, based on the trademark issue. So, it's such a big issue it...you can't wait and the cost to register in China is not very much. It's something, like \$1,000 maybe.

Leah Evert-Burks: Right, and it's so important to do early in the stage really before you – to do these clearances – before you're in love with a brand name; and want to pursue it, and then realize you can't protect it, and you can't sell it in certain territories. So, I think it's, as you said, you know early activities, such as clearance and filing are really essential for your brand.

Deborah Greaves: That's right. And if it's something that you might feel is very edgy or racy, it might be unregistrable in another country; So you have to think about that, too. Like, how important is it

for you to be edgy and racy in the US where you can do just about anything and register just about any mark these days, if you know that it's not gonna work outside of the US?

Leah Evert-Burks: Right. Right. Well Deborah, I want to thank you so much for joining us today.

It's been a fascinating discussion on you know: from cargo theft, to diversion, to trademark issues. If you could pick one word to describe your experience while at True Religion, what would that one word be?

Deborah Greaves: Illuminating.

Leah Evert-Burks: Illuminating. I like it. The good and the bad? Right? Great! alright. Well again, thank you so much. I appreciate your time spent with us, and thank you for doing the hard work.

Deborah Greaves: Oh no, thank you so much for inviting me to participate in your podcast.

Leah Evert-Burks: Deborah provides a full picture of the in-house brand protection duties for a popular brand, some of which may seem outside of a typical legal role, giving us an idea of the many puzzles that need to be solved to protect a brand. In her story, I find her efforts admirable in *circling the troops* of a whole supply chain and a vast array of stakeholders including leading government officials to defeat counterfeiters prospering due to a difficult trademark situation in China – dedicating an eight-year battle of “national concern” for a US company.

Leah Evert-Burks: If you're interested in sponsoring episodes of Brand Protection Stories, please contact A-CAPP Assistant Director Kari Kammel at kkammel@msu.edu.

Leah Evert-Burks: Dedicated BPS listeners, we will be taking the month of July off to recharge and expand our educational content for new episodes of *Brand Protection Stories*. Please take this pause to listen in to some of the previous episodes you may have missed, and then join back-up with us in August as we continue our journey in this fascinating world of brand protection-stay tuned.

Leah Evert-Burks: Thanks for joining us today for this edition of *Brand Protection Stories*, produced by the Center for Anti-Counterfeiting and Product Protection (or A-CAPP) @ Michigan State University in East Lansing, MI. Please visit us @ a-capp.msu.edu. A-CAPP is a non-profit organization founded in 2009. It is the first and only academic body focusing upon the complex global issues of anti-counterfeiting and product protection of all products, across all industries, in all markets. In addition to this series, we offer certificate courses in brand protection, applied education and academic courses, executive education, student internships, live summits and virtual events, ground-breaking research, and publish the quarterly digital industry journal, *The Brand Protection Professional*.

Leah Evert-Burks: This is Leah Evert-Burks with A-CAPP. Until our next session, keep protecting your brands, and the world's consumers. Keep it real.